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*This announcement is not an offer of securities for sale or the solicitation of an offer to buy securities in the United States or in any country or jurisdiction in which any such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such country or jurisdiction. The securities referred to herein 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 and any applicable state or local securities laws. Any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information about the company making the offer and its management and financial statements. The Company has not registered and does not intend to register any of the Notes in the United States.*

*The communication of this announcement and any other document or materials relating to the issue of the 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. 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 Notes offered hereby are only available to, and any investment or investment activity to which this announcement 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 announcement or any of its contents.*

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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 855)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

References are made to the announcements of the Company dated 13 October 2025 and 15 October 2025 in relation to the issuance of the Notes (the "**Announcements**"). All capitalised terms used herein shall have the same meanings as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum in relation to the Notes Issue (the "**Offering Memorandum**"), which is available on the website of the SGX-ST.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

The Offering Memorandum does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Memorandum.

By Order of the Board
China Water Affairs Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 23 October 2025

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

* *For identification purposes only*

IMPORTANT NOTICE

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Nothing in this electronic transmission constitutes an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where it is unlawful to do so. The securities referred to in the attached document have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under any securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

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 the attached document and any other document or materials relating to the issue of the 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 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 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 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO MORGAN STANLEY & CO. INTERNATIONAL PLC, BARCLAYS BANK PLC, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CHINA CITIC BANK INTERNATIONAL LIMITED, DEUTSCHE BANK AG, HONG KONG BRANCH, DBS BANK LTD. AND SMBC NIKKO SECURITIES (HONG KONG) LIMITED. THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

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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
5.875% SENIOR NOTES DUE 2030
ISSUE PRICE: 98.937%

The US$150,000,000 5.875% Senior Notes due 2030 (the "Notes") to be issued by China Water Affairs Group Limited (the "Company") will bear interest from and including October 22, 2025 at 5.875% per annum payable semi-annually in arrears on October 22 and April 22 of each year, beginning on April 22, 2026. The Notes will mature on October 22, 2030.

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 October 22, 2028, 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 October 22, 2028, 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 105.875% 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 October 22, 2028 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 101.

The Notes are being issued as "Blue Bonds" under the Company's Green & Blue Finance Framework. See the section entitled "Notes Being Issued as Blue Bonds" beginning on page 96.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 14.

There is currently no public market for the Notes. Approval in-principle has been received from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of the 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 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. There can be no assurance that a trading market in the Notes will develop or be maintained.

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

The 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 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 202.

Pursuant to the Administrative Measures for the Examination and Registration of Medium and Long-Term Foreign Debt of Enterprise (企業中長期外債審核登機管理辦法) ("Order 56") issued by the National Development and Reform Commission of the PRC (the "NDRC", which for the purposes of this offering memorandum shall include its successor) and effective as at February 10, 2023, the Issuer has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on October 25, 2024 evidencing such registration. The Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Bonds to the NDRC within the prescribed time period prescribed by the NDRC or under the relevant laws and regulations after the Issue Date in accordance with the Order 56 and any implementation rules as issued by the NDRC from time to time and to comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules and regulations issued by the NDRC from time to time).

It is expected that the delivery of the 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 October 22, 2025 against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley	Barclays	China International Capital Corporation	China CITIC Bank International
Deutsche Bank	DBS Bank Ltd.	SMBC Nikko	

The date of this offering memorandum is October 15, 2025.

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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 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 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 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 NOTES. AS A RESULT, THE PRICE OF THE 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 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the 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 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 Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the 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 Notes has led to the conclusion that: (i) the target market for the 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 Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending

the 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 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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the offering of the 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 Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the offering of the 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 Notes. You should read this offering memorandum before making a decision whether to purchase the 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 Notes. By purchasing the 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, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Deutsche Bank AG, Hong Kong Branch, DBS Bank Ltd. and SMBC Nikko Securities (Hong Kong) Limited (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 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 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 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 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.

We are not, and the Initial Purchasers are not, making an offer to sell the 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 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 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 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 Notes.

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

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers, are "capital market intermediaries" ("CMIs") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "SFC Code"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMI(s) may also be acting as "overall coordinator(s)" ("OC(s)") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an association ("Association") with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. Prospective investors associated with the Company, the Subsidiary Guarantors or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Initial Purchaser, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Initial Purchaser or its group company has more than 50 per cent. interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Initial Purchaser, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Initial Purchaser when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY

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$" or "Hong Kong dollar"	are to Hong Kong dollars, the official currency of Hong Kong
"Hong Kong" or "HK"	are to Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Hong Kong Stock Exchange"	are to The Stock Exchange of Hong Kong Limited
"MOHURD"	are to the Ministry of Housing and Urban-Rural Development
"NDRC"	are to the National Development and Reform Commission of China
"PBOC"	are to the People's Bank of China, the central bank of the PRC
"PRC government"	are to the central government of the PRC and all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof or, where the context requires, any of them
"RMB" or "Renminbi"	are to the Renminbi, the official currency of China
"SAFE"	are to the State Administration of Foreign Exchange of the PRC
"SGX-ST"	are to the Singapore Exchange Securities Trading Limited
"State Council"	are to the State Council of the People's Republic of China
"United States" or "U.S."	are to the United States of America
"US$" 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 the Company believes this information to be reliable, it has not been independently verified by the Company or the Initial Purchasers or their respective directors and advisers, and neither the Company, the Initial Purchasers, nor 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.

This Offering Memorandum contains translation of certain Hong Kong dollars amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in Hong Kong dollars has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of HK$7.7799 to US$1.00 (being the noon buying rate in New York City on March 31, 2025 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). All such translations in this Offering Memorandum are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Hong Kong dollars, or vice versa, at any particular rate or at all. Further information regarding exchange rate is set forth in "Exchange Rates" in this Offering Memorandum.

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.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Memorandum contains the audited consolidated financial statements for the years ended March 31, 2023, 2024 and 2025 (together, the "Audited Financial Statements"), which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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 and audited by the Company's predecessor auditor, PricewaterhouseCoopers, Certified Public Accountants. PricewaterhouseCoopers has issued unqualified opinions on the Audited Financial Statements. Unless the context otherwise requires, references to "2023", "2024" and "2025" in this Offering Memorandum are to the fiscal years ended March 31, 2023, 2024 and 2025, respectively.

In making an investment decision, investors must rely upon their own independent examination of the Company and the Group, the terms of this offering and the recent financial information of the Company and the Group.

ROUNDING

In this Offering Memorandum, where information has been presented in thousands or millions or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables or figures shown as totals may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

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 Memorandum.

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.

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.

city water	tap water and raw water
non-revenue water	water that has been produced and is lost before it reaches the customer through leakage from distribution networks
non-revenue water ratio	being the total water supply volume deducted by the total water sales volume and divided by the total water supply volume
raw water	the untreated water in natural environment and supplied to city water treatment and supply plants for producing tap water
raw water supply	supply of untreated water from natural resources such as rivers, lakes, pools or underground aquifers which can be used directly for, among others, industrial and irrigation use or used as tap water after purification
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
tap water	water supplied to a tap which usually is used for drinking, washing, cooking, and the flushing of toilets
tap water supply	use of physical, chemical and biological processes to remove pollutants from raw water before pumping it into a municipal pipeline network as tap water for various uses
utilization rate	the annual water supply volume divided by daily installed capacity and times 365 days
wastewater treatment	use of chemicals and biological processes to remove pollutants from wastewater before discharging it into a water body or reclaiming it for re-use
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 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

The Company is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2025. Unlike its peers, the Company uniquely focuses on the water supply business. The Company began its operation in the water sector in 2003 and has experienced significant growth since then, primarily through mergers and acquisitions, especially those targeting developing cities in China. The Company upholds the business vision of "Water-oriented, Kindness to Society" while striving for its goal of becoming the best integrated operator of raw water, tap water, pipeline direct drinking water, sewage treatment, drainage, water environmental renovation, smart water and related services in China. The Company focuses on its core business through implementation of the urban-rural water supply integration and supply-drainage integration and active development in pipeline direct drinking water supply business to establish a twin-driver business portfolio of water supply and pipeline direct drinking water. As part of its integrated approach to the water business, the Company also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Company also undertakes main contractor construction, property development and investment and other business.

Leveraging tariff increases, growth in volume of water sold and new projects, the Company has enjoyed sustainable and rapid growth in water supply capacity and revenue. The Company has consistently increased its 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 15.5 million tons per day as of March 31, 2025. The total volume of city water sold by the Group increased from 1,368.5 million tonnes for the year ended March 31, 2023 to 1,401.9 million tonnes for the year ended March 31, 2024 and further to 1,499 million tonnes for the year ended March 31, 2025, representing a CAGR of 5%. In addition to increases in tariffs and increases in volume of water sold, the Company has also expanded its capacity, sales volume and revenue through acquisition of new projects. the Company has 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.

As of March 31, 2025, the Company's water pipeline network reached approximately 151,000 km in length and covered an estimated population of more than 30 million for city water supply. The Company had an extensive portfolio of city water supply projects covering 58 districts, counties and county-level cities across 25 provinces and municipalities in China as of March 31, 2025, comprising (i) 60 tap water supply projects with 168 tap water treatment plants in operation; and (ii) 8 raw water supply projects in operation. As of March 31, 2025, the Company's city water supply business had a total designed installed and planned capacity of 14 million tonnes per day, comprising 9 million tonnes per day in operation, 1.0 million tonnes per day under construction and 4 million tonnes per day under planning.

The water supply industry in China is exclusive in nature. As a result, the Company has the exclusive right for its water supply business in cities where it operates, with concessions that typically have a term of 30 years. As of March 31, 2025, the coverage of the Company's water supply plants included exclusive rights to operate in 58 cities, with more than 8 million connected water meters used by its residential, industrial and other end users. The number of customer accounts increased steadily from 3.1 million as of March 31, 2018 to 8 million as of March 31, 2025.

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: HK0855). For the years ended March 31, 2023, 2024 and 2025, the Group's revenue was HK$14.2 billion, HK$12.9 billion and HK$11.7 billion (US$1.5 billion) respectively, and its profit for the same years was HK$3.1 billion, HK$2.6 billion and HK$2.0 billion (US$0.3 billion) respectively.

STRENGTHS

- One of the Largest Publicly-Listed Water Supply Companies in China with a Unique Water Supply Focus and a High Quality Portfolio;
- Exclusive Operating Rights with Direct Access to End Users and Cash Tariff Collection, Providing Stable and Predictable Cash Flow and Substantial Barriers to Entry;
- Leading Market Position in the Pipeline Direct Drinking Water Supply Business, Creating a Synergy Effect with the City Water Supply Business;
- Consistent Operational Excellence and Proven Track Record of Steady Organic Growth Driven by Successful Tariff Increase, Volume Growth and New Projects;
- Strong Credit and Financial Profile with High Quality Partners; and
- Highly Experienced Management Team with Extensive Industry and Execution Track Record coupled with a Professional Project Management Team and a Strong Research and Development Team.

STRATEGIES

- Solidify Leading Position in the Water Supply Segment and Progressively Spin off Non-core Assets;
- Focus on the Development of Water and Related Businesses through Organic Growth and Acquisition of New Projects and Improve Utilization Rate and Efficiency;
- Continue to Prudently Acquire High Quality Projects to Expand Water Supply Business;
- Continue to Explore Opportunities for Water Tariff Increases;
- Continue to Strengthen Brand Recognition and Awareness and Enhance Customers' Satisfaction; and
- Develop and Promote Value-added Services.

RECENT DEVELOPMENTS

Change of Auditor

On August 18, 2025, the Company announced that the term of office of the incumbent auditor of the Company, PricewaterhouseCoopers ("PwC"), will expire at the conclusion of the annual general meeting ("AGM") of the Company. Subsequently, at the AGM held on September 19, 2025, PwC retired and did not seek for re-appointment.

There was no disagreement between the Company and PwC and there were no other matters relating to the proposed change of auditor which need to be brought to the attention of the Company's Shareholders. Since there was no requirement under the laws of the Company's place of incorporation for the retiring auditor to confirm whether or not there was any circumstance connected with their retirement which they consider should be brought to the attention of the holders of the Company's securities, PwC did not issue such confirmation.

Upon PwC's retirement, the Company has appointed Ernst & Young as the new auditor of the Company.

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 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
Notes Offered	US$150,000,000 aggregate principal amount of 5.875% Senior Notes due 2030 (the "Notes").
Offering Price	98.937% of the principal amount of the Notes.
Maturity Date	October 22, 2030
Interest	The Notes will bear interest from and including October 22, 2025 at the rate of 5.875% per annum, payable semi-annually in arrears.
Interest Payment Dates	October 22 and April 22 of each year, commencing April 22, 2026.
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 China Water Supply Group Limited, Fortune Trend Holdings Limited, GT Water Holdings Limited, Hang Da Holdings (HK) Limited, Gold Tact (Hong Kong) Limited, Dragon Wealthy Corporation Limited, China Water (Hong Kong) Investment Limited, Silver Dragon Water Supply Group Limited, China Water Group (HK) Limited, Oceanup Investments Limited, Ming Hing Waterworks Engineering (PRC) Limited, China Water International Limited, New Prime Holdings Limited, Broad Intelligence Group Limited, Create Capital Development Limited and Goldtrust Water Holdings Limited. All of the Company's Restricted Subsidiaries other than the initial Subsidiary Guarantors are referred to as the "Initial 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 and all other amounts payable under the Indenture. 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$148.4 million. The net proceeds, after deducting the underwriting discounts and commissions and other estimated expenses payable by the Company in connection with this offering, will be used for repayment of certain offshore indebtedness. Subject to the foregoing, the Company plans to use an amount equal to the gross proceeds from the offering to finance or refinance, in whole or in part, Eligible Green Projects, particularly water supply projects, in accordance with the Green & Blue Finance Framework. See "Use of Proceeds" in this Offering Memorandum.
Anchor Investor	DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH ("DEG") has subscribed for an aggregate principal amount of US$35 million of the Notes.
Blue Bonds	The Notes are being issued as "Blue Bonds" under the Issuer's Green & Blue Finance Framework. See the section entitled "Notes Being Issued as Blue Bonds."

Optional Redemption	At any time and from time to time on or after October 22, 2028, 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 October 22 of each of the years indicated below. **Year** — **Redemption Price** 2028 . . . . . 102.938% 2029 and thereafter . . . . . 101.469% At any time prior to October 22, 2028, 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 October 22, 2028, 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 105.875% 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 notify the Trustee and the Holders and 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 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 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 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 Notes	The Company expects to make delivery of the Notes, against payment in same-day funds on or about October 22, 2025, 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 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	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes will be traded in a minimum board lot size of US$200,000.
Ratings	The Notes are expected to be rated "Ba1" by Moody's Investors Service and "BB+" by Standard & Poor's Global Rating Services. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.
Security Codes	**ISIN** XS3201944314 / **Common Code** 320194431
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 INFORMATION

The following table presents the Company's summary financial information. The summary consolidated income statement data for the fiscal years ended March 31, 2023, 2024 and 2025 and the summary consolidated statement of financial position data as of March 31, 2023, 2024 and 2025 set forth below have been derived from the Company's consolidated financial statements for such fiscal years and as of such dates, as audited by the Company's predecessor auditor, PricewaterhouseCoopers, Certified Public Accountants, and included elsewhere in this Offering Memorandum. The summary financial data below should be read in conjunction with the Company's 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,			
	2023	**2024**	**2025**	
	HK$'000	**HK$'000**	**HK$'000**	**US$'000**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Revenue	**14,194,953**	**12,858,515**	**11,655,565**	**1,498,164**
Cost of sales	(8,848,656)	(8,082,551)	(7,250,587)	(931,964)
Gross profit	**5,346,297**	**4,775,964**	**4,404,978**	**566,200**
Other income, net	427,090	372,709	544,506	69,989
Selling and distribution costs	(282,940)	(265,942)	(222,035)	(28,540)
Administrative expenses	(955,695)	(822,560)	(702,201)	(90,258)
Expected credit loss on trade and other receivables	(45,024)	(10,000)	(497,735)	(63,977)
Operating profit	**4,489,728**	**4,050,171**	**3,527,513**	**453,414**
Finance costs	(633,225)	(724,654)	(847,116)	(108,885)
Share of results of associates	162,792	44,141	69,748	8,965
Profit before income tax	**4,019,295**	**3,369,658**	**2,750,145**	**353,494**
Income tax expense	(930,950)	(778,301)	(722,067)	(92,812)
Profit for the year	**3,088,345**	**2,591,357**	**2,028,078**	**260,682**
Profit for the year attributable to:				
Owners of the Company	1,856,786	1,533,543	1,074,663	138,133
Non-controlling interests	1,231,559	1,057,814	953,415	122,548
Other comprehensive loss for the year, net of tax	(1,708,226)	(1,734,914)	(285,981)	(36,759)
Total comprehensive income for the year	**1,380,119**	**856,443**	**1,742,097**	**223,923**

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of March 31,			
	2023	2024	2025	
	HK$'000	HK$'000	HK$'000	US$'000
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Non-Current Assets				
Property, plant and equipment	3,338,119	3,422,496	2,532,627	325,535
Right-of-use assets	1,302,999	1,388,089	1,332,683	171,298
Investment properties	1,362,198	1,306,249	1,457,690	187,366
Investment in associates	2,402,532	2,151,263	2,266,806	291,367
Financial assets at fair value through other comprehensive income	461,445	345,320	361,214	46,429
Goodwill	1,419,442	1,371,118	1,362,565	175,139
Other intangible assets	29,122,981	31,847,158	34,155,770	4,390,258
Prepayments, deposits and other receivables	721,660	686,960	679,244	87,308
Contract assets	1,358,496	1,798,014	2,080,110	267,370
Receivables under service concession arrangements	1,788,146	2,049,741	2,043,187	262,624
	43,278,018	**46,366,408**	**48,271,896**	**6,204,694**
Current Assets				
Properties under development	1,235,634	1,199,731	610,162	78,428
Properties held for sale	1,133,738	1,049,150	1,328,890	170,811
Inventories	650,353	667,498	672,520	86,443
Contract assets	1,481,535	2,220,961	2,936,615	377,462
Receivables under service concession arrangements	122,833	120,796	151,464	19,469
Trade and bills receivables	1,954,038	2,135,973	2,527,194	324,836
Financial assets at fair value through profit or loss[(1)]	653,320	491,668	5,435	699
Amounts due from non-controlling equity holders of subsidiaries	248,585	214,792	394,652	50,727
Amount due from associates	271,744	394,240	1,118,031	143,708
Prepayments, deposits and other receivables	2,635,409	2,830,658	2,424,756	311,669
Pledged deposits	514,260	745,396	678,233	87,178
Cash and cash equivalents	6,984,821	4,804,799	4,771,795	613,349
	17,886,270	**16,875,662**	**17,619,747**	**2,264,778**

(1) Includes wealth management products and structured deposits issued by licensed banks of HK$470.9 million, HK$402.2 million and HK$5.4 million (US$0.7 million) as of March 31, 2023, 2024 and 2025.

	As of March 31,			
	2023	2024	2025	
	HK$'000 *(audited)*	HK$'000 *(audited)*	HK$'000 *(audited)*	US$'000 *(unaudited)*
Current Liabilities				
Lease liabilities	37,978	38,613	47,059	6,049
Contract liabilities	1,401,864	1,069,563	854,323	109,812
Trade and bills payables	5,403,857	6,849,362	8,087,089	1,039,485
Accrued liabilities, deposits received and other payables	3,131,649	2,685,314	2,995,083	384,977
Amounts due to associates	34,843	21,764	29,995	3,855
Borrowings	8,020,540	6,971,524	5,735,988	737,283
Amounts due to non-controlling equity holders of subsidiaries	120,523	126,857	212,917	27,368
Provision for tax	3,027,151	2,984,412	3,446,970	443,061
	21,178,405	**20,747,409**	**21,409,424**	**2,751,889**
Net current liabilities	**(3,292,135)**	**(3,871,747)**	**(3,789,677)**	**(487,111)**
Total assets less current liabilities	**39,985,883**	**42,494,661**	**44,482,219**	**5,717,582**
Non-Current Liabilities				
Borrowings	15,607,292	17,878,737	19,449,230	2,499,933
Lease liabilities	343,121	332,314	408,271	52,478
Contract liabilities	317,692	254,574	249,810	32,110
Amounts due to non-controlling equity holders of subsidiaries	1,078,213	818,436	777,323	99,914
Deferred government grants	197,354	190,700	180,534	23,205
Deferred tax liabilities	1,270,077	1,567,358	1,544,365	198,507
	18,813,749	**21,042,119**	**22,609,533**	**2,906,147**
Net assets	**21,172,134**	**21,452,542**	**21,872,686**	**2,811,435**
EQUITY				
Equity attributable to owners of the Company				
Share capital	16,323	16,323	16,323	2,098
Reserves	12,976,831	12,770,470	13,155,624	1,690,976
	12,993,154	12,786,793	13,171,947	1,693,074
Non-controlling interests	8,178,980	8,665,749	8,700,739	1,118,361
Total Equity	**21,172,134**	**21,452,542**	**21,872,686**	**2,811,435**

USE OF PROCEEDS

The Company estimates that the gross proceeds from this offering, before deducting underwriting commission and expenses in connection with the offering of the Notes, will be approximately US$148.4 million. The net proceeds, after deducting the underwriting discounts and commissions and other estimated expenses payable by the Company in connection with this offering, will be used for repayment of certain offshore indebtedness. Subject to the foregoing, the Company plans to use an amount equal to the gross proceeds from the offering to finance or refinance, in whole or in part, Eligible Green Projects, particularly water supply projects, in accordance with the Green & Blue Finance Framework. See "Green & Blue Finance Framework" for more details.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Memorandum, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be adversely affected by any of these risks. The following factors may affect the Group's ability to fulfil its obligations under the Notes. Additional considerations and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies, which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Notes are described below. Factors described below represent the principal risks inherent in investing in the Notes, but the Group's inability to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

The Company is subject to risks associated with changes in regulations, policies and planning for water supply services in the regions it operates.

The Company operates within an industry where regulatory standards play a critical role in influencing the demand for its services and its investment return in operations. Any changes in legislative, regulatory or industrial requirements may render certain of the Company's water supply facilities obsolete.

While the PRC government has adopted a favorable regulatory policy to the water supply industry and has stated its intention to increase spending and investment in the construction of water supply infrastructures, the Company cannot assure you that such spending plan will indeed be executed, nor could the Company predict the precise impact on the water supply industries arising from such spending plan. In addition, if such favorable policy to the water supply industry is changed in the future, the Group's business, results of operations, financial conditions, growth and prospects could be materially and adversely affected. Local government spending on infrastructure and other construction projects has historically been cyclical in nature and vulnerable to fluctuations in the PRC economy and changes in regulations and policies. Any changes in governmental planning and policies relating to the Company's water supply businesses, especially those under planning, could result in delays in project commencement and completion or obstacles in project operations which would have an adverse impact on the Group's business and results of operations.

In addition, as set forth by relevant rules and regulations, the Company's water supply should meet the applicable national standards. Any changes in these regulations or standards for water supply such as water quality or non-revenue water ratio may make it necessary for the Company to adopt new technologies or to improve its existing technologies. The Company may need to incur additional cost or direct more human or other resources to meet the applicable national standards.

The tariffs charged for the Company's water supply services and the procurement prices of raw water are regulated and adjusted from time to time by the competent local government authorities and the Company cannot arbitrarily adjust such prices.

The Company's revenue and gross profit margin of water supply operations are directly impacted by the tariffs charged for tap water and raw water supplied and the unit procurement prices for raw water, over which the Company does not have control. According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities. The NDRC sets the guidelines relating to tariffs charged for the Company's raw water and tap water supplied, and makes adjustments to such prices from time to time. In addition, the unit procurement prices for raw water are also set by the relevant local government authorities. According to the latest water tariff reform policy of the PRC government, the Company's water tariffs of raw water and tap water supply operations will be determined by approved costs plus reasonable profit margin, and adjusted upon application in the case of raw water or via public hearing (聽證會) in the case of tap water. For more details, see "Business – The Group's Business – City Water Supply" and "Business – Customers and Sales." 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. The Company cannot assure you that its water tariffs would be adjusted by the relevant competent local authorities in a timely manner, or at all, to fully reflect the increase in costs of operations for city water supply services. In the event that the Company incurs significantly higher operating costs and the relevant local government authorities do not approve its price adjustment application, the Company will not be able to pass on the increase in cost to the end-users and the Company may not be able to sustain its profitability, which in turn may adversely affect the Group's financial condition and results of operations. Furthermore, even if the relevant government authorities approve the Company's price adjustment application, such adjustment may not fully and timely reflect the increase in its actual costs.

The growth and development of pipeline direct drinking water supply business may not be as successful as the Company expected.

The Company started pipeline direct drinking water business in 2015 and only started expanding it in 2019 when it established a joint venture with partners to further develop its core technology. The Company further expanded its pipeline direct drinking water business in 2021 through various acquisitions. The pipeline direct drinking water business had experienced rapid growth and development in the past but faced contraction in the recent year. Revenue from pipeline direct drinking water business increased from HK$1,310.1 million for the year ended March 31, 2023 to HK$1,721.9 million for the year ended March 31, 2024, at a CAGR of 31.4%, and decreased to HK$656.8 million for the year ended March 31, 2025, representing a decrease of 61.9% as compared to 2024. The revenue contribution from pipeline direct drinking water business amounted to approximately 9.2%, 13.4% and 5.6% for the years ended March 31, 2023, 2024 and 2025, respectively.

The pipeline direct drinking water supply market is an emerging and growing market as a result of higher living standards and increased spending power of the Chinese population; however, the Company's assumptions, experience and judgments relating to the pipeline direct drinking water supply business including the costs of researching and developing core technology, cost of operations of pipeline direct drinking water supply services and cost of manufacturing and sales of relevant equipment may be incorrect or not as beneficial as the Company expected. The Company also faces risks of cost fluctuation with respect to the materials specifically needed for manufacturing and sales of pipeline direct drinking water equipment. Moreover, the continued growth and development of pipeline direct drinking water supply business may strain managerial, operational, human and financial resources. The Company's historical results of operations and financial performance may not be indicative of its future performance, and the Company cannot assure you that its pipeline direct drinking water supply business will be able to maintain the growth rate it achieved in the past, or at all. The Company cannot assure you that long-established consumer behavior, or perception, of the population in China regarding the necessity of boiling tap water before drinking will be modified or changed to drink water directly from filtered sources, and if it will not, the Company may not be able to realize returns on its investment in direct drinking water supply business, and the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Company's water supply businesses are subject to construction and operational risks, including any accidents, disruptions or delays which may occur during the construction and operation periods.

Most of the Company's revenue was derived from its city water supply projects and pipeline direct drinking water supply projects, which included relevant water supply operations and construction services. Returns on the Company's initial investment in each of water supply projects are generated from the proceeds from operation of the facilities over a period. During the construction (if applicable) and operation period of water supply projects, or installation and maintenance projects, risks that can neither be accurately predicted nor evaluated at the beginning of the projects may later emerge and cause the Company's actual revenue and costs to deviate significantly from initial projections. The construction and operation of projects, including any new project that the Company undertakes, could be adversely affected by a number of factors, including, but not limited to:

- the failure or malfunction of the equipment installed in water supply projects could result in the Company's failure to treat raw water or provide direct drinking water to the applicable standards, which could in turn result in environmental risks or risks of default under the relevant agreements;

- the local governments or third parties may refuse to accept, or may delay the acceptance of, the Company's constructed facilities due to disputes with the Company with respect to the quality of the constructed facilities;

- the design institutes and/or sub-contractors hired by the Company may not be able to complete the design, construction or installation work for the Company's projects on time, within budget or to the specifications or standards and quality set out in the Company's contracts with them;

- changes in laws and regulations, or in the interpretation or enforcement of laws or regulations, applicable to the Company's projects;

- governmental or other statutory approvals or other approvals that are required for construction, expansion or operation of the Company's projects may be delayed or denied;

- shortages of, and price increases in, raw materials and equipment;

- labour shortages or disputes, and increases in labour costs;

- industrial accidents during the construction or operation of the Company's water supply facilities;

- delays due to factors such as outbreak, epidemic and/or pandemic of infections or contagious diseases, extreme adverse weather conditions or natural disasters which are out of the Company's control; and

- other unanticipated circumstances or cost increases.

If the Company is not able to reach an agreement with the local governments or third parties to obtain sufficient compensation for its losses or are not able to timely mitigate the influences of these factors, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to supply tap water or pipeline direct drinking water meeting the relevant processing and treatment standards may adversely affect the Group's results of operations and reputation.

The Company's tap water supply facilities are built to treat raw water to specified quality standards and pipeline direct drinking water facilities are constructed to provide high-quality pipeline direct drinking water in accordance with the National Drinking Water Standard (GB 5749-2022) and Water Quality Standards for Fine Drinking Water (CJ 94-2005). The quality of supplied tap water and pipeline direct drinking water depends on the normal operation of facilities. The Company is subject to risks of unknown or undiscovered defects or compatibility problems with its equipment. The Company cannot assure you that its staff will always be able to timely discover and repair malfunctioning equipment or any other problems with treatment process or facilities. In these instances, the Company's tap water treatment plants may not be able to treat raw water and pipeline direct drinking water facilities may not be able to process the incoming tap water in compliance with the relevant regulatory and/or contractual standards, which could subject the Company to governmental sanctions and/or customer complaints, and could lead to fines, suspension of operations pending rectification as well as damage to the Company's reputation.

Pollution may have adverse effects on the Company's 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. The incoming raw water may contain pollutants exceeding the types and quantity the Company contemplated during the design and construction of the facilities, due to, among other things, excessive discharge of pollutants, oil spills or other events beyond the Company's control. Any excessive pollution levels of the raw water coming into the Company's facilities may adversely affect the operating costs and earnings of such facilities due to the higher costs of treating the raw water to meet the quality standards specified in relevant regulatory and/or contractual standards. There may also be disagreements as to the extent to which the incoming raw water is considered to include levels of pollutants exceeding those set out in the Company's agreements.

Moreover, should the types or amounts of pollutants in the raw water or tap water increase significantly, the Company could be held liable for exposing end-users to dangerous substances or other environmental damage. Any of the foregoing could subject the Company to liability and damage the Company's reputation, which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Company requires substantial funding for its current and future projects. Any failure to obtain adequate funding or refinance the Company's existing debt at reasonable rates, or at all, could prevent it from fulfilling its financial obligations and business objectives.

The operation of the Company's water supply and environment protection businesses requires it to incur significant capital expenditures with long payback periods. For the years ended March 31, 2023, 2024 and 2025, the Company made payments of HK$4,630.5 million, HK$5,297.8 million and HK$3,245.3 million, respectively, for purchasing of property, plant and equipment, right-of-use assets and other intangible assets as well as acquisition of subsidiaries and capital injection in associates. The Company will also incur significant capital expenditures for its current projects under expansion and future projects that are currently at the planning stage. Due to the capital intensive and long term nature of projects, the Company may not be able to secure adequate funding or refinancing for these projects on terms that are acceptable to the Company or at all and these projects may not achieve their initial expected returns.

The Group relied in part on external sources of funding, including bank and other borrowings, and government and shareholder's loans, to fund the construction and operation of its water supply projects and the construction works. The total borrowings of the Group as of March 31, 2023, 2024 and 2025, were HK$23.6 billion, HK$24.9 billion and HK$25.2 billion (US$3.2 billion), respectively and the gearing ratio the Group was 65.4%, 66.1% and 66.8%, respectively.

The Company may, from time to time, explore various financing opportunities, including but not limited to the issuance of convertible bonds or other financial instruments; however, any such actions will be subject to prevailing market conditions and other relevant considerations, and there can be no assurance that any such financing will be undertaken in the near future or at all.

The Company's ability to obtain external funding depends on many factors, including but not limited to, general economic and capital market conditions, general conditions in the water supply industry, economic conditions in the geographic areas of its proposed projects, government policies, interest rates, the availability of credit from banks and other lenders and the performance of its operational projects. The Company cannot assure you that such external funding will be available to it on acceptable terms, or at all. Failure to obtain sufficient funding for the Company's projects may delay the implementation of projects, expose the Company to potential penalties under the relevant agreements and delay the completion of construction or commencement of operation, any of which could adversely affect the Group's business, financial condition, results of operations and prospects.

The Company may not be able to acquire, secure, develop and execute new projects to grow its business.

The Company derives a substantial portion of its revenue from city water supply projects and pipeline direct drinking water supply projects. For the years ended March 31, 2023, 2024 and 2025, the revenue from city water supply projects, including city water supply operations and construction services, accounted for approximately 61.5%, 64.4% and 64.3% of total revenue, respectively, and the revenue from pipeline direct drinking water supply projects, including pipeline direct drinking water operations and construction services, accounted for approximately 9.2%, 13.4% and 5.6% of total revenue for the same periods. The Company's future growth largely depends on its ability to acquire, secure, develop and execute new city water supply projects as well as pipeline direct drinking water projects. The Company's ability to acquire, secure, develop and execute such new projects is dependent on a number of factors, many of which are beyond its control, including:

- global, national and local economic conditions;
- the development of the Company's target markets, including the development of local economies and local population growth and the resulting demand for water supply services;
- the Company's ability to identify feasible and attractive projects and successfully win bids or competitive negotiations or complete commercial negotiations for such projects;
- the Company's ability to collaborate with local governments to execute the construction and operation, as applicable, of water supply projects;
- competition in the water supply industry in China;
- the availability and cost of suitable land, infrastructure, equipment and raw materials necessary for the development and operation of water supply facilities; and
- the availability and cost of financing.

In addition, the Company may have limited knowledge of the local conditions of the new markets it enters. The Company cannot assure you that it will be able to successfully leverage its experience to expand into other parts of China or overseas. If the Company fails to acquire, secure and execute new projects on terms and in a manner sufficient to support its anticipated growth, the Group's business, results of operations, financial condition and prospects could be materially and adversely affected.

The Company is 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 the Company's water supply construction services and sewage treatment construction services, the Company's customers include agencies or entities owned or otherwise controlled by the PRC government. To the extent that the Company's 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.

The Company has 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 long period of time to resolve. In such case, payments due to the Company from these entities and organizations may be delayed. In some circumstances, PRC governmental entities and public organizations may require the Company to change construction methods, equipment or other performance terms, direct the Company to reconfigure designs or purchase specific equipment for the relevant project or undertake additional obligations or change other contractual terms, resulting in additional 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 the Company to incur additional costs.

The Company's further expansion may place strain on its resources.

The Company's future success will largely depend on its ability to expand geographic footprint. Expansion may place substantial strain on the Company's managerial, operational, human and financial resources. The Company's personnel, systems, procedures and controls may not be adequate to support future growth. When the Company enters into a new market, it usually needs to recruit local workforce to join the project company and operate the facilities. With continuous expansion into other regions in China and potentially overseas, the Company's management may not be able to manage and control its business activities as efficiently as they did in the past and it may need to recruit and allocate more senior management members to support business expansion. The Company cannot assure you that it will be able to recruit sufficient and competent local workforce or senior management members in a timely manner, or at all. In addition, the Company may not have sufficient working capital or financing to take up new business opportunities and may not be able to recover the costs incurred in developing new projects or realize their projected benefits. The lack of sufficient managerial, operational, human and financial resources could have a negative impact on the Company's growth plan which in turn could materially and adversely affect the Group's business and prospects.

Changes in the relevant accounting standards on the concession arrangements and changes in the Company's judgments and assumptions in applying these accounting standards may have material impacts on the Group's results of operation and financial position.

The Company applied HK(IFRIC) Interpretation 12 – Service Concession Arrangements and other relevant accounting standards on the concession arrangements of tap water supply and related projects. These standards may be changed or amended in the future from time to time. Any changes in these accounting standards may result in changes in recognition, measurement and/or classification of the Company's revenue, expenses as well as assets that could have material impacts on the Company's results of operations and financial position. In addition, in the application of these accounting standards, the Company is required to apply its judgment and make estimates and assumptions based on a number of factors, which include, among others, fair value of the construction services, expected future income generated from these infrastructures over the contract period, and the Company has to choose a suitable construction margin for construction and upgrade services in relation to water supply infrastructure. These estimates and assumptions are not readily apparent from other sources and are based on historical experience, assessment of current and future market conditions and other factors that are considered to be relevant. Should actual results be different from these estimates and assumptions, the Company may change these estimates and assumptions that would materially affect the Group's results of operation and financial position.

The Company recognizes revenue during the construction phase of city water supply projects and pipeline direct drinking water supply projects, but typically do not receive any cash inflow until such infrastructure is put into operation which may result in a mismatch of revenue and cash inflow during a financial period.

The Company recognizes revenue relating to water supply construction services for city water supply projects and pipeline direct drinking water supply projects during the construction phase and recognize revenue relating to city water supply operations or pipeline direct drinking water supply operations when it provides the relevant services to customers under the operational phase. The Company typically does not receive payments during the construction of infrastructure for these projects. The Company may only receive cash inflow in the form of water tariff payments according to the relevant agreements after the relevant water supply project is put into operation. As a result, an increase in revenue and profit for a financial period may not be matched by a corresponding increase in cash inflow generated from operating activities, which may result in a liquidity gap requiring the Company to resort to external financing to fund project development and cash flow for business operations, which could negatively impact the Group's financial position.

The revenue recognized from city water supply construction services and certain pipeline direct drinking water supply construction services of the existing or new infrastructure of projects during the construction phase is included in the Company's intangible assets. The recoverability of the Company's intangible assets depends on the cash inflows from operation of the relevant infrastructure at the end of the contract period and consideration received upon transfer, which will be based on the appraisal of the then asset value by a third-party appraisal company. There is no guarantee that the intangible assets would be fully recoverable before the expiration of the relevant contract period, which may cause an impairment on the Company's intangible assets and adversely affect the Group's results of operations and financial position.

The Company's city water supply projects require it to make significant investments and expose it to risks related to inaccurate estimates or forecasts of the percentage of completion and costs of projects construction, maintenance and repair and the revenue to be derived from operation.

The Company is subject to the risk of cost overruns during the construction phase for city water supply projects. Many of the factors causing cost overruns are beyond the Company's control, such as increases in raw material prices or the failure of equipment suppliers to perform their contractual obligations. If the actual costs are significantly higher than the Company's estimates and if the Company is not able to receive sufficient water tariffs from customers to offset the cost overruns, the Group's business, financial performance and prospects could be materially and adversely affected.

In addition, the Company makes decision to undertake city water supply projects in part based on its estimates of the demand for city water supply services in the regions where the Company's projects are located and the utilization rates of water treatment facilities. However, the Company cannot guarantee that the actual demand for city water supply services or the utilization rates of water treatment facilities will always be in line with the Company's estimates due to factors beyond its control such as population growth rate and water consumption habit of the citizens.

Moreover, the Company's city water supply projects are subject to operational risks given their long contract terms. The Company is generally responsible for all repairs and maintenance of the water treatment and supply facilities. However, if the Company's water treatment and supply facilities fail to function as long or as efficiently as it has estimated, it may need to pay more for replacement parts or repairs and maintenance of the relevant facilities or may experience longer shut-down periods than it originally anticipated. As a result, the Group's profitability may be adversely affected and the Group may incur losses. In addition, an increase in cost of operation such as raw water price and utilities charges may also adversely affect Group's profitability and results of operations.

The Company's customers may make claims against the Company and/or terminate services in whole or in part prematurely should the Company breach the terms of agreements with such customers or fail to implement projects which fully satisfy their requirements and expectations.

The Company is engaged in various comprehensive projects for the construction of water infrastructure and 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 in accordance with the requirements and expectations of customers. Failure to complete projects on time or fully in compliance with the requirements and expectations of the Company's customers, or the delivery by the Company of defective systems or products, may lead to claims brought against it by customers and/or termination of services in whole or in part by its customers prematurely. Unsatisfactory design or workmanship, staff turnover, human error, failure to deliver services on time, default or breach of contract by the Company's 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, the Company could experience delays in the recognition of revenue from such projects and it may not receive payments from relevant customers. In addition, the Company's reputation and ability to obtain new projects may be negatively affected. As a result, the Group's business, financial condition and results of operations could be adversely affected.

The Company is subject to risks associated with technological changes.

There are rapid changes and improvements in the technology and equipment for water supply. The Company's 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. In the event that the Company is unable to develop or source new and enhanced water supply solutions to keep up with such technological changes in a timely manner or at reasonable costs, the Company may not be able to maintain competitive edge and the Group's business, financial condition and results of operations could be materially and adversely affected.

The Company may be adversely affected by fluctuations in the global economy and financial markets.

The Company's business is subject to fluctuations in the global economy and financial markets. Global market factors, including without limitation inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending, the volatility and strength of the capital markets, government actions taken in response, and regional and geopolitical instability and conflicts, the application of protectionist or restrictive economic and trade policies with specific markets, regulations and executive powers which increase trade barriers with specific markets or restrict trade, financial transactions, transfer of capital and/or investment with specific territories, companies or individuals, all affect the business and economic environment and, ultimately, the amount and profitability of the Company's business.

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. On August 6, 2011, S&P downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, has slowed the pace of the global economic recovery and could lead to another global economic downturn and financial market crisis.

The outlook for the world economy and financial markets remains uncertain. China's economic growth may slow down due to weakened exports as a result of tariffs and trade tensions caused by tariffs implemented by other countries particularly the U.S.. The U.S. government has tightened its trade policies including tariffs and barriers on imports and exports and government incentives to onshore and/or nearshore production and supply chains to favored jurisdictions. The roadmap to the comprehensive resolution to trade tension remains unclear, and the lasting impact the trade tension may have on the global economy and the industries in which the Company or its portfolio companies operate remains uncertain. The United Kingdom ceased to be a member of the European Union on January 31, 2020. In February 2022, Russia launched a special military operation in Ukraine. The special military operation started after a prolonged military build-up and the Russian recognition of the self-proclaimed Donetsk People's Republic and the Luhansk People's Republic. Such situation in Eastern Europe have led to significant volatility in the global capital markets and on the global economy. The conflict between Russia and Ukraine is still evolving and the impact of such geo-political conflicts on global economy is still unclear. In addition, geopolitical events such as the armed conflicts involving Hamas and Israel, and further escalation of tensions between Israel and various countries in the Middle East have contributed to

increased market volatility and uncertainty. Furthermore, many overseas economies are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. Due to inflationary pressures, interest rates are expected to remain at elevated levels for the foreseeable future. The Group's business, results of operations, financial condition and prospects may be materially and adversely affected by such geo-political conflicts and changes in global macro-economic environment.

In addition, any further tightening of liquidity in the global financial markets may negatively affect the Company's access to capital and liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, the Group's business, financial condition and results of operations may likely be adversely affected.

Sales of water in traditional water sale areas may decline.

The decline of manufacturing activities in some traditional water supply areas where the Company operates has led to a decrease in sales volume of water. At the same time, awareness of water conservation may gradually affect the Company's sales volume. The Company is 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 the Company fails to expand into new business areas or to adapt business model, the Group's business, financial condition and results of operations may be adversely affected.

Any subsidy currently or previously available to the Company could be reduced or discontinued.

The Company received unconditional subsidies granted by the local governments as financial incentives to encourage its development and investment in the PRC water supply industries. For the years ended March 31, 2023, 2024 and 2025, the Company recorded government grants of approximately HK$222.9 million, HK$193.4 million and HK$144.3 million, respectively. However, the Company cannot predict or guarantee the amount of subsidies to be granted for any specific project. If the relevant governments reduce or even cancel the current subsidies or refuse to grant any subsidies for any future projects, the Group's profitability could be adversely affected.

The preferential tax treatment the Company currently enjoys may be unfavorably changed or discontinued.

The Group's results of operations and profitability are affected by changes in tax rates and the relevant preferential tax treatments in the PRC. Certain of the Company's subsidiaries were entitled to a preferential EIT rate ranging from 5% to 15%. For the years ended March 31, 2023, 2024 and 2025, the Company's effective tax rates, calculated as income tax expenses divided by profit before income tax, were approximately 23.2%, 23.1% and 26.3%, respectively. The Company's effective tax rates may change from year to year due to the existence or expiration of any preferential tax treatment.

The Company cannot assure you that the PRC policies with respect to the preferential tax treatments it currently enjoys will not be unfavorably changed or discontinued, or that the approval for such preferential tax treatments will be granted to the Company in a timely manner, or at all. The termination or expiration of the Company's preferential tax treatments or the imposition of additional taxes on the Company may lead to an increase in expenses and may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Failure to obtain or renew approvals, permits, licenses and certificates or complete the relevant environmental procedures required for the construction and operation of water supply projects could result in fines and penalties as well as disruption to the Company's operations and growth plan.

The Company is required to obtain certain approvals, permits, licenses and certificates from various competent government authorities and complete the relevant environmental procedures in order to develop and operate water supply projects. The Company cannot assure you that all of these required approvals, licenses, permits and certificates can be obtained or completed in a timely manner or at all.

In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by the competent government authorities and the standards for compliance required in relation thereto may, from time to time, be subject to change. The Company may not be able to renew existing approvals, permits and licenses on commercially reasonable terms or in a timely manner, or at all, and such approvals, permits and licenses may be revoked by the relevant authorities. Any changes in the existing policies by the competent government authorities could result in the imposition of more burdensome requirements. Any failure to obtain or maintain such approvals, permits, licenses and certificates could subject the Company to fines and other penalties, including the suspension or shut down of construction and operation, which could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company did not enter into a concession agreement for certain concession arrangements with local governments.

According to Article 20 of the Measures for the Administration of Infrastructure and Public Utilities Concessions《(基礎設施和公用事業特許經營管理辦法》) (the "**Concession Measures**"), the local government grantor shall sign a concession agreement with the concession grantee for the operation of all tap water supply projects. As of the date of this Offering Memorandum, certain of the Company's tap water supply project companies had entered into a joint venture agreement and/or other related agreement(s) with the local state-owned entity in connection with the operation of the relevant tap water supply project. It is uncertain whether such agreements alone satisfy the provision for the signing of a concession agreement. The Company cannot assure you that the PRC laws and regulations in relation to concession agreements will not change and the Company's right to operate a tap water supply project without a concession agreement will not be deemed invalid or the Company's right to operate a tap water supply project will not be terminated by any competent authority in the future on the basis that the Company had obtained such right without entering into a concession agreement or that no penalties will be imposed on the Company. Furthermore, the Company cannot assure you that future actions or interpretation of the Concession Measures by any PRC regulatory authority will not pose a material risk to the operation of the Company's tap water supply projects without a concession agreement. If any of these events occurs, the Group's business, financial condition and results of operations will be materially and adversely affected.

The Company do not possess valid land use rights and building ownership certificates to certain properties.

As of the date of this Offering Memorandum, the Company occupied certain land and buildings under certain joint venture agreements, pursuant to which the relevant land use right certificates or building ownership certificates are expected to be transferred by the relevant shareholders who had not yet obtained or transferred such certificates. The Company cannot assure you that the lack of land use rights certificate or building ownership certificates will not subject it to actions by the relevant PRC government authorities, including but not limited to, returning the land it occupies, ceasing the construction work on such land, confiscation of the buildings and structures on such land as stipulated under relevant PRC laws and regulations. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected. In addition, should it suffer any losses or damages due to lack of land use right certificates or building ownership certificates under the Company's concession arrangements, the Company cannot assure you that it will obtain favorable judgement in any legal proceedings that it brings against the shareholders.

Some landlords may not have provided to the Company relevant title certificates with respect to some of the Company's leased properties in the PRC and the Company's certain lease agreements were not registered with the relevant government authorities.

As of the date of this Offering Memorandum, some of the Company's landlords failed to provide valid title certificates with respect to some of the Company's leased properties in the PRC mainly for office and research and development purposes. If the Company's landlords are not the owner or not authorized by the real owner to lease the properties to the Company, the Company might need to seek alternative properties and incur additional costs. Furthermore, the Company may become involved in disputes or claims with the property owners or third parties who otherwise have rights to or interests in the Company's leased properties, including allegations of illegal or unauthorized use of these properties. If any of the Company's leases were terminated as a result of any challenge by third-parties or any failures of its landlords to renew the leases or obtain their legal titles or the requisite government approval or consent to lease the relevant properties, the Company may need to seek alternatives premises and incur additional costs for relocation.

As of the date of this Offering Memorandum, some of the lease agreements entered into by the Company were not registered with the relevant government authorities. The Company may be subject to fines if it fails to complete the registration of the lease agreements within the prescribed timeframe ordered by the competent housing authorities, which could adversely affect the Group's financial condition and results of operations.

The Company depends on third parties for the supply of raw water, electricity, equipment and raw materials and the provision of design, construction, installation, testing and other services.

The Company's business significantly relies on the steady supply of various goods and services from suppliers, such as the supply of raw water, electricity, equipment and raw materials, as well as the provision of design, construction, installation, testing, transportation and other services that are essential to its operations. In particular, the costs of raw water, raw materials, electricity costs, labor costs and other costs have been increasing in recent years. In the event of raw water shortages, the Company may incur additional costs to provide emergency reinforcement of water supply in areas of shortages. Moreover, if any of the Company's key suppliers or sub-contractors for a particular project is unable to provide the products or services it needs at prices and on terms and conditions it considers acceptable, the Company may need to seek alternative suppliers or sub-contractors. The Company cannot assure you that it will be able to increase water tariffs to offset rising costs, locate replacements or find new qualified suppliers in a timely manner or at all. Any failure to do so could materially and adversely affect the Group's business, financial condition, results of operations and prospects. The operation of the Company's water supply facilities also depends on the adequate, timely and continuous supply of electricity. The Company currently obtains most of its electricity from public electricity networks. Should any of the regional grids do not have sufficient power-generating capacity to fully satisfy the increased demand for electricity driven by continued economic growth and cause serious power shortages in cities and provinces where the Company operates, its ability to adequately treat incoming raw water could be materially and adversely affected.

In addition, the Company's business is significantly affected by the availability, cost and quality of the equipment and raw materials used to construct, install, operate and maintain its water supply facilities and also used in the Company's water supply construction services and installation and maintenance services. If for any reason the Company's primary suppliers of equipment or raw materials reduce or discontinue their delivery of such equipment or materials to the Company in the quantities it needs or provides the Company with equipment or raw materials that do not meet the Company's specifications or are on unacceptable terms, the Company may not be able to meet its equipment or raw material requirements and may face disruptions to construction schedules and operations, which could materially and adversely impact the Group's business, financial condition, results of operations and prospects.

Furthermore, the Company depends in part on the availability of qualified design institutes and independent sub-contractors for the design, construction, installation and testing of the Company's water supply facilities and other city water-related services for customers. The Company does not have any direct control over the timing or quality of services or supplies provided by these institutes and sub-contractors. The Company cannot assure you that such skilled institutes and sub-contractors will continue to be available at reasonable rates, or at all, and the Company may be exposed to risks relating to the quality of their services and supplies. An institute or contractor who has performed satisfactorily in one area may not be able to perform in the same manner in another area. If the Company is unable to find qualified design institutes and independent contractors to undertake the design and construction work for the Company's projects, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's business, financial condition and result of operations may be adversely affected if there is any significant downtime or decrease in utilization of city water supply facilities or if the city water supply facilities fail to achieve the expected levels of utilization due to insufficient incoming raw water or demand for the water supplied.

The Company's city water supply facilities are subject to normal wear and tear in the course of construction and operation. As a result, the Company's facilities may require extended downtime for repairs and maintenance. If the time and cost required for such repairs and maintenance exceeds the Company's expectations, its operations may be affected for a period longer than anticipated and its revenue from the relevant city water supply project may be reduced. In addition, if any extraordinary or extensive repairs to the Company's facilities or equipment are required due to any significant or catastrophic event or otherwise, or due to construction activities by third parties beyond the Company's control, its facilities could require significant downtime during which they would not be able to process or supply raw or tap water as required under the Company's concession arrangements. Any significant downtime of the Company's facilities may also have far-reaching consequences to the communities and industries around them, which in turn, could cause the Company's customers to terminate their agreements with the Company or subject the Company to claims for damages.

In addition, each of the Company's city water supply projects has been or will be built to a specified designed capacity in accordance with the terms of the relevant agreements. For the years ended March 31, 2023, 2024 and 2025, the average utilization rate of the raw water supply facilities for the Company's raw water supply projects was 68.1%, 68.8% and 70.32%, respectively, and the average utilization rate of the Company's operating tap water treatment plants was 66.1%, 66.8% and 64.33%, respectively. The utilization rates of the Company's raw water supply facilities and tap water treatment plants depend on a number of factors, such as the local population size, the level of urbanization, the demand for raw or tap water, access to a pipeline network and the general social and economic conditions in the areas serviced by the relevant facilities. The Company's decision to enter into a concession arrangement may depend on its expectation of future increases in the quantity of raw water or tap water to be supplied, which may not be realized. The Company cannot assure you that there will not be any significant reduction in demand for its services or incoming raw water. Any reduction in the amount of incoming raw water or demand for the Company's services could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company's future acquisitions or participation in joint ventures or other strategic alliances may not be successful and may have a material adverse effect on its business.

The Company's strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances with suppliers or other companies in China in the water supply industry. As such, the Company intends to pursue a targeted acquisition strategy to strengthen market position and enhance competitiveness in the water supply industry in China. The implementation of acquisition strategy is subject to a number of risks, including (i) any failure to identify suitable acquisition targets; (ii) any failure to identify certain defects or risks in the acquired business during the due diligence process such as hidden liabilities, including exposure to lawsuits associated with newly acquired companies; (iii) any failure to integrate the acquired business and its personnel into the Company's existing business; (iv) higher costs of integration than the Company may anticipate; (v) any delay or failure to realize the expected benefits of the acquired business or its products or services; (vi) any failure to obtain the necessary financing, (vii) difficulties in obtaining government and other regulatory approvals; (viii) changes in market circumstances and demands; and (ix) diversion of the Company's management's time and attention from other business concerns.

The Company cannot assure you that it will be able to implement its acquisition strategy successfully or that it will be able to make acquisitions or investments on terms favorable to it or within a desired time frame. Even if the Company is able to successfully acquire suitable businesses, the Company cannot assure you that it will achieve expected returns on such acquisitions. If the Company fails to acquire suitable businesses or if the Company fails to achieve expected returns on such acquisitions, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Company's inability to maintain competitiveness could adversely affect its financial performance.

The industries of city water supply as well as pipeline direct drinking water supply services in the PRC are highly fragmented and competitive, with a large number of service providers throughout the country. The Company competes primarily with existing water supply companies in the PRC and new entrants to the market, some of which may have a lower cost structure, such as lower capital expenditures or financing costs, or greater access to customers. They may also possess more advanced water treatment techniques or have stronger access to capital. The Company cannot assure you that it will be able to compete successfully with its competitors in existing markets.

In addition, when the Company enters into a new geographic market, it may face intense competition from other city water supply operators or other water supply companies providing direct drinking water with an established presence in the relevant geographical areas and from other operators or companies with similar expansion targets. The Company cannot assure you that it will be able to successfully compete to expand into other parts of the PRC or overseas. Failure to maintain competitiveness and any increase in competition may materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Company is exposed to credit and liquidity risks with respect to the payment structure under project agreements, and payment delays or defaults by customers may adversely affect the Group's business, financial condition, results of operations and prospects.

The Company is subject to the credit risks of its customers and the Company's profitability and cash flow are dependent on timely payments by customers for the products and services the Company provides to them. In general, the Company specifies a credit period of 30 days to customers of its city water supply operations. As of March 31, 2023, 2024 and 2025, HK$881.3 million, HK$1,043.1 million and HK$1,255.3 million of the Company's trade and bill receivables were aged over 90 days but not impaired, respectively.

The Company cannot assure you that it will be able to collect all or any of its trade and bill receivables within the period prescribed in its project agreements or purchase agreements. If any of the Company's customers face unexpected situations, including but not limited to, financial difficulties caused by any economic downturn or fiscal constraints, the Company may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers and the Company may need to make greater provisions for receivables, which could materially and adversely affect the Group's business, liquidity, financial condition, results of operations and prospects.

The Company's customers for other construction services and installation and maintenance services may not have sufficient funds to settle the Company's fees.

For the years ended March 31, 2023, 2024 and 2025, the Company's trade and bill receivables aged over 180 days were HK$709.8 million, HK$767.9 million and HK$942.5 million, respectively. The majority of trade receivables aged over 180 days was related to other construction services and installation and maintenance services. Such customers usually settled fees for other construction services and installation and maintenance services in installments based on the progress of project construction. If the Company is engaged by the local governments to conduct the relevant construction works, the settlement of fees may be indirectly affected by the financial resources of such local governments. The settlement for other construction services and installation and maintenance services may delay if such local governments encounter financial difficulties. The Company cannot assure you that such local governments will always have sufficient funds for payment to us, and any delay in the settlement of fees could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Company is subject to risks associated with certain covenants or restrictions under its financing arrangements as well as guarantee provided for certain of these financing arrangements.

The Company relied on bank borrowings to finance the acquisition and construction of water supply projects. The Company is subject to certain restrictive covenants in the loan agreements between it and certain banks and other financial institutions and restrictive covenants under the indenture governing the 4.85% senior notes due 2026. Pursuant to the Company's loan agreements, it is subject to the fulfillment of covenants relating to certain of the Company's financial performance indicator. In addition, the Company may be required to seek the consent of relevant banks and financial institutions in order to carry out any mergers, restructurings, spin-offs, reductions in registered share capital, material asset transfers, liquidations, changes in shareholding or management structures or the establishment of any joint ventures, guarantees to third parties or other relevant behaviors that may adversely affect the Company's ability to repay loans or affect banks' interests. The Company's loan agreements with certain banks may contain cross-default clauses. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness. Should the Company fail to comply with these provisions, the Company's lenders may be entitled to accelerate repayment of the relevant loans, in which case the Group's business, financial condition and results of operations could be materially and adversely affected.

The Company cannot assure you that it will be able to obtain the lending banks' or the noteholders' consent for any of the restricted activities. If the Company engages in such activities and fail to obtain such consent, its business may be impeded. In addition, if the Company breaches the restrictive covenants, make any misrepresentations or commit any other violation under its financing agreements or relevant notes instruments, the Company may trigger an event of default, which in turn could lead to an acceleration of its indebtedness or require the it to compensate the lending banks and noteholders for their losses, and as a consequence, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Company recorded net current liabilities as of March 31, 2023, 2024 and 2025 and the Company cannot assure you that it will not be in a net current liabilities position in the future.

The Company recorded net current liabilities of approximately HK$3,292.1 million, HK$3,871.7 million and HK$3,789.7 million as of March 31, 2023, 2024 and 2025, respectively, mainly due to certain long-term bank loans incurred by the Company that were due in one year and the capital expenditure of the Company which was classified as non-current assets. In the past, the Company used part of its self-generated capital to fund the construction and expansion of water supply projects, which in turn made it necessary to use short-term bank borrowings as a supplemental source for working capital. There can be no assurance that the Company will not record net current liabilities or net liabilities in the future. The Company may not have sufficient working capital to meet current liabilities or expand operations as anticipated. In such circumstances, the Group's liquidity, business operations, financial condition and prospects may be materially and adversely affected.

An increase in interest rates may increase the Company's finance costs and compromise the Company's profitability.

The Company is required to make substantial capital investments during the initial phases of its water supply projects and the Company has relied on bank loans, bond issuances as well as advances from subsidiaries, associates and non-controlling equity holders of subsidiaries to finance a portion of such investments. For the years ended March 31, 2023, 2024 and 2025, the Company's net finance costs were HK$633.2 million, HK$724.7 million and HK$847.1 million, respectively. The Company expects to continue to utilize bank loans to finance a portion of its investments in water supply projects. As the Company's onshore bank loans are principally denominated in Renminbi and its offshore bank loans and bonds are mainly denominated in U.S. dollars, the interest rates on loans are primarily based on the benchmark interest rates set by the PBOC and the U.S. Federal Reserve. The Company may not be able to secure bank loans at the existing interest level if there is any raise in the benchmark interest rates. The Company cannot assure you that the U.S. Federal Reserve or PBOC will not increase interest rates, lending rates or reserve requirement ratios in the future, which may increase the Company's finance costs and thereby materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Company is required to comply with environmental laws and regulations, and the Company could be exposed to risk relating to environmental and health and safety issues.

The Company is required to comply with numerous national and local laws and regulations in China, including ones that require it to obtain licenses and/or approvals, relating to the protection of the environment and land use which are constantly changing. Failure to comply with any environmental laws and regulations by the Company could have a material adverse effect on it, 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 increased expenditures to bring its facilities into compliance.

In addition, the Company's water resources, water supply, and water plant development operations could expose it 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. The Company may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated sites. The Company may also be subject to associated liabilities, including liabilities for natural resource damage, third-party property damage or personal injury as a result of the Company's activities. In the course of the Company's 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, the Company 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.

The Company may fail to adequately protect its intellectual property rights or could face claims for infringement of the intellectual property rights of others.

The Company relies on patents and trademarks to protect its proprietary rights. As of the date of this Offering Memorandum, the Company had more than 131 registered patents, 45 registered trademarks, 35 software copyrights and 30 registered domain names in China. Monitoring unauthorized use of the Company's intellectual property is difficult, and the Company cannot be certain that the steps it has taken will prevent unauthorized use of its technologies. The Company has only entered into confidentiality agreements with its senior management and key staff to protect intellectual property rights. If the Company fails to protect intellectual property rights adequately, its competitors may gain access to its technologies. In addition, applicable laws and regulations may not fully protect the Company's intellectual property rights. Any claims or litigation that the Company may initiate in the future to protect intellectual property rights could be time consuming and expensive and could divert resources from its business regardless of whether or not the disputes are decided in its favor. Moreover, any significant infringement upon the Company's technologies and techniques could weaken its competitive position, increase its operating costs and have an adverse effect on its operations.

Moreover, as the Company expands business and increase geographical coverage, any third parties may assert that the Company's technologies or techniques infringe upon their intellectual property rights. The Company cannot assure you that it will not face any claims or litigation for infringement of the intellectual property rights by any third party. These claims or litigation could adversely affect the Company's relationships with current or future customers, divert management attention and resources and result in substantial expenses, thereby adversely affecting the Group's business, financial condition, results of operations and prospects.

The Company is exposed to default risk by its subcontractors under the relevant subcontracts.

Depends on the availability of the Company's construction subsidiaries, the Company sometimes subcontracts third party contractors primarily to conduct construction work of city water supply projects and pipeline direct drinking water supply projects. While the Company has provided certain provisions in its standard subcontracts to mitigate the risk of default by its subcontractors, there is no assurance that its subcontractors would perform all of their obligations pursuant to the relevant subcontracts. If any of the Company's subcontractors defaults under the relevant subcontract, the Company may not be able to complete construction work for city water supply projects and pipeline direct drinking water supply projects on time, which could materially and adversely affect its water supply businesses.

Work stoppage and other labor relations matters may have an adverse effect on the Company's business.

It is important to have a good working relationship with the Company's employees. Any material work stoppages, strikes or other labor issues may harm the Company's reputation, disrupt its business operation and increase labor costs, which may have a material adverse effect on the Group's business, financial condition and results of operations.

The Company may be subject to legal proceedings in the ordinary course of business.

The Company may be subject to legal proceedings from time to time in the ordinary course of business, which could have a material adverse effect on the Group's business, results of operations and financial condition. Claims arising out of actual or alleged violations of law could be asserted against us by business partners, competitors, governmental entities or other entities in civil or criminal investigations and proceedings. These claims could be asserted under a variety of laws and regulations, including but not limited to environmental protection laws, water laws, intellectual property laws, unfair competition laws, labor and employment laws, tort laws, contract laws and property laws. There is no guarantee that the Company will be successful in defending itself in legal and administrative actions or in asserting its rights under various laws. Even if the Company is successful in its attempt to defend itself in legal and administrative actions or to assert its rights under various laws, enforcing rights against various parties involved may be expensive, time-consuming and ultimately futile. These actions could expose the Company to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

The Company's variety of accepted payment methods subjects it to third-party payment processing-related risk.

The Company accepts payments using a variety of methods, including payments with credit cards and debit cards, payment through third-party online payment platforms such as WeChat Pay and Alipay. The Company generally engages payment gateway companies to process transactions between it and customers. The Company's business may be disrupted if the payment gateway companies become unwilling or unable to provide these services to it. For certain payment methods, including credit and debit cards, the Company pays interchange and other fees, which may increase over time and raise its operating costs and affect its profitability. The Company may also be subject to fraud and other illegal activities in connection with the various payment methods it offers, including online payment options. The Company is also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for the Company to comply with. If the Company fails to comply with these rules or requirements, it may be subject to fines and higher transaction fees and impair the Company's ability to accept customers' payments, process electronic funds transfers or facilitate other types of online payments, and the Group's business, financial condition and results of operations could be materially and adversely affected.

Any negative publicity with respect to the Company, its industries in general, its suppliers or its third-party service providers may materially and adversely affect the Group's reputation, business and results of operations. Any harm to the Company's brand or failure to maintain reputation may materially and adversely affect the Group's business and growth prospects.

Complaints, disputes, litigations, regulatory actions or other negative publicity that arise about the Company's industries in general or the Company in particular, including on the quality, reliability of the Company's products or services, even if groundless, could adversely affect the Company's reputation and the trust and confidence customers, local governments and other business partners have in it. Damage to the Company's reputation and relationships with customers, local governments and other business partners can also arise for many other reasons, including employee misconduct, misconduct of whom the Company partners with or other counterparties, failure by these persons or entities to meet relevant quality standards or otherwise fulfill their contractual obligations or to comply with applicable laws and regulations.

Additionally, negative publicity with respect to the Company's suppliers or third-party service providers could also affect the Company's business and operations. The Company's suppliers or third-party service providers and/or their associates may, from time to time, be subject to regulatory and public scrutiny, which includes complaints to regulatory agencies, investigations, negative media coverage and malicious allegations. For example, one of the network firms of the Company's independent auditor has recently been the subject of investigations in respect of its audit work for a certain PRC company and as a result of which, the PRC regulators have imposed fines, sanctions and a six-month business suspension, as well as a local office closure on such network firm. There are announcements indicating that the Company's independent auditor is also being investigated by the Accounting and Financial Reporting Council in Hong Kong for audit work for a related entity of the same PRC company. It is uncertain what the outcome of such investigation may be. The Company is monitoring this development and will assess its potential impact, however there is no assurance that the Company nor its third-party service providers and/or their associates would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not damage the Company's reputation as well as its business and prospects.

Moreover, the Company is vulnerable to adverse market perception as it operates in an industry where integrity, customer trust, and confidence are critical. Litigation and disputes, misconduct of the Company's personnel, changes in senior personnel, complaints, and outcome of regulatory investigations or penalties on the Company may harm its reputation. Any damage to the Company's reputation may have a material adverse impact on the Group's business, results of operations, financial condition and prospects. The Company believes that the recognition and reputation of its brand among customers and local governments have significantly contributed to the growth of its business. If the Company is unable to maintain reputation, enhance brand recognition or increase positive awareness of services, the Group's business and growth prospects may be materially and adversely affected.

The Company's insurance coverage may not adequately cover the risks related to its business and operations.

The Company maintains various insurance policies covering fixed assets, third-party liabilities, loss and damage to construction equipment and machinery, loss of construction materials and business interruption, as well as insurance for its employees including social insurance and insurance covering accident claims arising during the course of the construction and operation of water supply projects. The Company believes that the type and amount of insurance are in line with the industry norm. As of the date of this Offering Memorandum, no material workers' compensation claims, third party liability claims, accident compensation claims or other kinds of claims had been filed against the Company. However, the Company cannot assure you that such claims will not be brought against it in the future. The Company cannot assure you that its insurance policies will be sufficient to cover all risks associated with its business and operations. The Company may be subject to liabilities against which it is not insured adequately or at all or liabilities against which it cannot insure. Should significant property damage or personal injury occur to the Company's water supply facilities or to its employees due to accidents, natural disasters or other events, its insurance policies may not adequately cover the losses that it incurs, potentially leading to a loss of assets, lawsuits, employee compensation obligations or other forms of economic loss, which may have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, the Company cannot predict the continued availability of insurance at acceptable premium levels or at all, and as such, its insurance policies may not continue to be available at economically acceptable premiums. Moreover, the Company may not be able to obtain certain types of insurance at a reasonable cost or at all, such as insurance covering losses from acts of war, terrorism or natural catastrophes, which may be unavailable and/or cost prohibitive.

The Company is subject to anti-bribery, anti-corruption and anti-money laundering laws and non-compliance with such laws can subject it to criminal penalties or significant fines and harm its business and reputation.

The Company is subject to anti-bribery, anti-corruption and anti-money laundering laws. Anti-bribery and anti-corruption laws have been enforced with great rigor in recent years and are interpreted broadly and prohibit companies and their employees and agents from making or offering improper payments or other benefits to government officials and others in the private sector. Non-compliance with these laws could subject the Company to investigations, sanctions, settlements, prosecution, and disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with specified persons, reputational harm, negative publicity and other collateral consequences. Any investigations, actions and/or sanctions could have a material negative impact on the Group's business, results of operations and financial condition.

Moreover, the Company is required to comply with applicable anti-money laundering, antiterrorism laws and regulations or sanction laws. These laws and regulations require the Company to establish sound internal control policies and procedures with respect to anti-money laundering monitoring, reporting and other obligations. In the event that the Company fails to fully comply with applicable laws and regulations, the relevant government agencies may impose fines or other penalties on us. There can be no assurance that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect the Group's reputation, financial condition and results of operations.

The Company's risk management and internal control systems may not be adequate or effective in all respects, which may materially and adversely affect the Group's business and results of operations.

The Company seeks to establish and continuously improve risk management and internal control systems consisting of policies and procedures that it considers appropriate for business operations. For further details, see "Business – Internal Control and Risk Management." Due to the inherent limitations in the design and implementation of risk management and internal control systems, the Company cannot assure you that its risk management and internal control systems will be able to identify, prevent and manage all risks in a timely manner, or at all. It is not always possible to timely detect and prevent fraud and other misconduct, and the precautions the Company takes to prevent and detect such activities may not be effective.

The Company's risk management and internal controls also depend on the effective implementation by its employees. However, the Company cannot assure you that such implementation will not be subject to any human errors or mistakes, which may materially and adversely affect the Group's business and results of operations. As the Company is likely to offer products and services covering a broader area in the future, it will require the Company to continue to enhance its risk management and internal control capabilities. If the Company fails to timely adapt risk management and internal control policies and procedures to its business development, the Group's business, results of operations and financial condition could be materially and adversely affected.

Misconduct of the Company's personnel could harm its reputation and business.

Misconduct of the Company's personnel could result in violation of laws by the Company, regulatory sanctions against the Company, and material reputational or financial damage. Such misconduct includes conducting unauthorized or unsuccessful activities resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, engaging in fraudulent acts, or otherwise not complying with laws and regulations or the Company's internal control procedures. The Company cannot assure you that there will not be any misconduct of its personnel, and the precautions it takes to prevent and to detect such activity may not be effective in all cases. The Company could also suffer from negative publicity, reputational damage, or litigation losses that may arise from the misconduct by its personnel, which may have a material adverse effect on the Group's business, financial condition, and results of operations.

The Company is dependent on the experience and efforts of its key management team and qualified personnel.

The extensive industry knowledge and operational expertise of the Company's management team have contributed to its results-driven culture which emphasizes quality, efficiency and market responsiveness. The Company's continued success is therefore dependent to a large extent on its ability to retain the services of these key management personnel. Loss of their services without timely and suitable replacements could adversely affect the Company's operations and as a result, the Group's revenue and profit.

Due to the specialized nature of the Company's work, there is a limited supply of adequately qualified technical specialists, including engineers and researchers. The Company's continued success and the implementation of its expansion plans depend largely on its ability to attract and retain high quality personnel, including executive officers, business development personnel, project managers who have the necessary and required experience and expertise to conduct business, and industry experts in developing new technologies to be applied in business operation. If the Company is unable to attract and retain a sufficient number of suitably skilled and qualified specialists and personnel, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

Any future occurrence of outbreaks of contagious diseases, pandemics or natural disasters may have a material and adverse effect on the Group's business operations, financial condition, results of operations and prospects.

The outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases and/or other adverse public health developments, such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome (SARS) or the COVID-19 pandemic, if uncontrolled, could have an adverse effect on the overall business sentiment and environment globally, which in turn may have an adverse impact on domestic and global supply chain, consumption incentive and stability of the economic, financial and exchange markets globally.

The spread of any infectious or contagious diseases may also affect the operations of the Company's suppliers and subcontractors, which in turn may affect the Company's business and operations. The Company cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the government in response to such disasters and epidemics, will not seriously disrupt the Company's operations or those of its suppliers and business partners, which may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Moreover, any natural disasters that may happen in the countries where the Group operates may severely restrict the level of economic activity in affected areas and materially and adversely affect or disrupt the Group's operations.

Changes in the economic, political and social conditions and government policies in China may have an adverse effect on the Company's business.

Given that the Company's business operations are conducted in the PRC, its business and results of operations are subject to the economic, political and social policies and conditions of the PRC.

The development of the economy in China is unique in many respects, including its structure, level of development, and growth rate. Despite the increasing utilization of market forces in the development of the Chinese economy, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. The Group's results of operations, financial condition and prospects may also be affected by changes in foreign currency, social policies and conditions in the PRC.

In addition, the PRC government has undergone various economic reforms in the last few decades, and many of such reforms are expected to be refined, adjusted and modified from time to time based on economic and social conditions. In addition, the scope, application and interpretation of the laws and regulations relating to such reforms will continue to improve. Such refinement, adjustment or modification may affect the Group's results of operations and financial condition.

Governmental regulation of currency conversion may affect the Group's ability to raise capital effectively.

The PRC government, in certain cases, imposes regulation on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. The Company receives substantially all its revenue in Renminbi. Under the Company's current structure, its income is primarily derived from dividend payments from its PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of the Company's PRC subsidiaries to remit sufficient foreign currency to pay dividends or make other payments to it, or otherwise satisfy their foreign currency denominated obligations, if any. Any insufficiency of foreign exchange may restrict the Company's ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation.

Under existing PRC foreign exchange regulations, payments of certain current account items and capital account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, registration with appropriate government authorities is required before Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies according to Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》) which became effective since February 10, 2023. The restrictions on foreign exchange transactions under capital accounts could also affect the Company's subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuation in the value of the Renminbi may have a material adverse effect on the Company's business.

The Company conducts substantially all its business in Renminbi. However, the presentation currency of the Company's financial statements is Hong Kong dollars and any exchange rate fluctuation between Renminbi and Hong Kong dollars will have a direct impact to its results of operation and financial position. The Company recognized foreign exchange differences arising from translation from functional currency to presentation currency. Under the Company's consolidated statements of comprehensive income, it recognized currency translation losses of HK$1,683.7 million, HK$1,617.9 million and HK$315.3 million for the years ended March 31, 2023, 2024 and 2025, respectively. These losses were primarily due to the resulting exchange differences arising from translating the results of the Company's operating entities in the PRC from their functional currency, into the Company's presentation currency, which significantly affected the Company's other comprehensive income.

In addition, the value of the Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the U.S. dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the U.S. dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of the Company's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to the Company by its PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to the Company, to the extent that it needs to convert U.S. dollars or Hong Kong dollars into Renminbi for such purposes.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent the Company from using the proceeds of this offering to make loans or additional capital contributions to its PRC subsidiaries.

In utilizing the proceeds from this offering or any further offering, as an offshore holding company of the Company's PRC subsidiaries, the Company may make loans to its PRC subsidiaries, or the Company may make additional capital contributions to its PRC subsidiaries. Any loans provided by the Company to its PRC subsidiaries are subject to the PRC regulations. For example, loans by the Company to its PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. The Company may also decide to finance its PRC subsidiaries through capital contributions. These capital contributions must be filed to MOFCOM through the National Enterprise Credit Information Publicity System. If the Company fails to complete such registrations or filing procedures, its ability to use the proceeds of the offering and to capitalize its PRC operations may be negatively affected, which could adversely and materially affect its liquidity and ability to fund and expand business.

The Company relies on payments made by its subsidiaries for its cash needs, and any limitation and restriction on the ability of its subsidiaries to make payment of dividends and the repayment of intercompany loans or advances could have a material adverse effect on its ability to conduct business.

The Company conducts all of its business through its subsidiaries incorporated in the PRC. As a holding company, the Company depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, including its PRC subsidiaries, to satisfy its obligations, including its obligations under the Notes, and to pay its operating expenses. The ability of the Company's 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 its subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of the subsidiaries of the Company raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to it to make payments on the Notes. These restrictions could reduce the amounts that the Company receives from its subsidiaries, which would restrict its ability to meet its payment obligations under the Notes.

The payment of dividends by entities established in the PRC is subject to limitations. Payment of dividends is permitted only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of the Company's PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its statutory reserves until the aggregate amount of such reserves reaches 50% of its respective registered capital. The statutory reserves are not distributable as loans, advances or cash dividends. The Company anticipates that in the foreseeable future its PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves.

In addition, dividends paid by the Company's 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 the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income and 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税和防止偷漏税的安排) (the "**Double Tax Avoidance Arrangement**"), 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 the Company's PRC subsidiaries to meet payments required by the Notes, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, the Company currently has given offshore shareholder loans to its PRC subsidiaries and may continue to engage in such offshore lending in the future, to finance the operations of its PRC subsidiaries. The market interest rates 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 the Company's subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. The Company's PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on their 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.

If any of the Company's PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. As a result of the foregoing, the ability of Company's PRC subsidiaries to transfer funds to it could be limited, which could materially and adversely limit the Company's ability to grow, make investments, conduct business and satisfy its obligations under the Notes.

The Company may be considered a "PRC resident enterprise" under the EIT Law and income tax on the dividends that the Company receives from its PRC operating subsidiaries may increase.

The Company was incorporated in Cayman Islands. The Company conducts business through operating subsidiaries in the PRC. Under the Enterprise Income Tax Law (《中華人民共和國企業所得税法》), or the "**EIT Law**" and its implementation regulations, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "PRC resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. SAT released the Notice Regarding the Determination of Chinese-Controlled offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies《(關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**") on April 22, 2009 (which was amended on December 29, 2017) which defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprise." According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise

group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resources matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

If the Company is considered a PRC resident enterprise, it would be subject to enterprise income tax at the rate of 25% on its global income and the filing obligations of such enterprise income tax to the relevant PRC authorities, and any dividend or gain on the sale of its shares received by its non-resident enterprise shareholders may be subject to a withholding tax at a rate of up to 10%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by the Company's PRC operating subsidiaries to it would meet such qualification requirements if the Company were considered a PRC resident enterprise for this purpose. If the Company's global income were to be taxed under the EIT Law, the Group's financial position and results of operations would be materially and adversely affected.

Under the EIT Law and its implementing rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. The Company invests in its PRC operating subsidiaries through subsidiary incorporated in Hong Kong. Pursuant to the Double Tax Avoidance Arrangement, its Hong Kong subsidiary will be subject to a withholding tax at a rate of 5% on dividends received from its PRC operating subsidiaries. However, the SAT promulgated the Announcement of the STA on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中「受益所有人」有關問題的公告》) ("**Circular 9**") on February 3, 2018, which came into effect on April 1, 2018 and provided that the "beneficial owner" shall mean a person who has the ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counter party derive dividend income from the PRC, the individual may be determined as a "beneficial owner." It is unclear whether Circular 9 applies to dividends from the Company's PRC operating subsidiaries paid to it through its Hong Kong subsidiary. It is possible, however, that under Circular 9, the Company's Hong Kong subsidiary would not be considered the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to income tax withholding at the rate of 10% rather than the favorable 5% rate applicable under the Double Tax Avoidance Arrangement. In that case, the Group's financial position and results of operations would be materially and adversely affected.

It may be difficult to effect service of process on the Company's directors or executive officers who reside in the PRC or to enforce against the Company or them in the PRC any judgements obtained from non-PRC courts.

Certain of the Company's directors and senior management members reside in the PRC and substantially all of the assets of those people and the Company are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against the Company or them in the PRC any judgements obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with Bermuda, the United States, the United Kingdom, Japan and many other developed countries and regions. Therefore, recognition and enforcement in China of judgements of a court in any of these jurisdictions may be difficult.

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 the Company believes to be reliable. However, the Company 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.

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 March 31, 2025, our Non-Guarantor Subsidiaries had total indebtedness in the amount of HK$13.8 billion (US$1.8 billion), capital commitments of approximately HK$262.3 million (US$33.7 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 Notes, a substantial amount of indebtedness. Our total borrowings as of March 31, 2023, 2024 and 2025, were HK$23.6 billion, HK$24.9 billion and HK$25.2 billion (US$3.2 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.

Certain investors have purchased a significant portion of the Notes to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of the Notes. Additionally, this may reduce the liquidity of the Notes in the secondary trading market.

Certain investors, including DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH, have purchased a significant portion of the Notes being offered under this offering memorandum. Any non-affiliate holder of a majority in aggregate principal amount of the Notes will have certain rights and powers under the Indenture and related documents. For example, subject to certain exceptions, the non-affiliate holders of a majority in aggregate principal amount of the Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in "Description of the Notes – Amendments and Waiver," the Indenture and the Notes may be amended with the consent of the non-affiliate holders of not less than a majority in aggregate principal amount of the outstanding Notes and the non-affiliate holders of not less than a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Company or any Restricted Subsidiary with any provision of the Indenture and Notes, subject in each case to certain exceptions. Accordingly, any non-affiliate holder that holds a majority in aggregate principal amount of the Notes will be able to exercise such rights and powers on behalf of all holders of the Notes and control the outcome of votes on such matters.

In addition, any non-affiliate holder that holds a significant percentage of the Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the Notes. For example, non-affiliate holders of at least 25% aggregate principal amount of the Notes may declare all of the Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing. Further, the existence of any non-affiliate holder that holds a significant percentage of the Notes may reduce the liquidity of the Notes or affect the trading price of 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. In August 2019, the PBOC on August 5, 2019 set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. 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 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 Notes may not develop, and there are restrictions on resale of the Notes.

The 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 Notes on the SGX-ST. However, we may not obtain or be able to maintain a listing of the Notes on the SGX-ST, or even if listed, a liquid trading market in the Notes may not develop. We have been advised that the Initial Purchasers intend to make a market in the 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 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 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 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 Notes could be adversely affected.

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

The Notes are expected to be assigned a rating of "Ba1" by Moody's Investors Service and "BB+" by Standard & Poor's Global Rating Services. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the 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+ Stable" 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 Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the 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 Notes following the offering may be volatile.

The price and trading volume of the 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 Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the 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 will be 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 will be 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.

The Notes are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Notes must determine the suitability of the Notes in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Memorandum and/or any applicable amendment or supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have the ability to understand and evaluate all information and materials with respect to the Company and the Subsidiary Guarantors;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes including where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors may be subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

The Notes are being issued in accordance with the Group's Green & Blue Finance Framework as described in the section headed "Notes Being Issued as Blue Bonds." Moody's Ratings has issued a second party opinion (the "Second Party Opinion") confirming that the Group's Green & Blue Finance Framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles 2021 (including the June 2022 Appendix 1), and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles 2023. The Notes, however, may not be a suitable investment for all investors seeking exposure to blue assets. The description of eligible green projects elsewhere in this Offering Memorandum is for illustrative purposes only and no assurance can be provided that investment in projects with these specific characteristics will be made by the Group during the term of the Notes.

The Second Party Opinion is not incorporated into, and will not form part of, this Offering Memorandum. The Second Party Opinion (including the section headed the "Notes Being Issued as Blue Bonds" in this Offering Memorandum) is not a recommendation to buy, sell or hold securities and is only current as of the date of issue and are subject to certain disclaimers set out therein. Furthermore, the Second Party Opinion is for information purposes only and none of the Company, the Subsidiary Guarantors, the Group or the Joint Lead Managers accepts any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of the Second Party Opinion and/or the information provided in it.

Whilst the Company has agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed "Notes Being Issued as Blue Bonds" and "Use of Proceeds", it would not be an event of default under the Terms and Conditions of the Notes if (i) the Company were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Notes, in the manner specified in this Offering Memorandum and/or (ii) the Second Party Opinion issued in connection with such Notes were to be withdrawn. Any failure to use the net proceeds of the issue of the Notes in connection with green projects, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental concerns with respect to such Notes, may affect the value and/or trading price of the Notes, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Notes are included in any dedicated "green", "environmental" or other equivalently-labelled index, no representation or assurance is given by the Company, the Subsidiary Guarantors, the Group or the Joint Lead Managers or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. None of the Company, the Subsidiary Guarantors, the Group or the Joint Lead Managers makes any representation as to the suitability for any purpose of the Second Party Opinion or whether the Notes will fulfil the relevant environmental criteria.

Each potential purchaser of the Notes should have regard to the relevant projects and eligibility criteria described under the section headed "Notes Being Issued as Blue Bonds" and determine for itself the relevance of the information contained in this Offering Memorandum regarding the use of proceeds, and its purchase of any Notes should be based upon such investigation as it deems necessary.

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.

The trustee may request the holders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the trustee may request holders to provide an indemnity and/or security and/or prefunding to its satisfaction before it will take actions on their behalf. The trustee will not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. Further, the trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the indenture or in circumstances where there is uncertainty or dispute as to such actions' compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders to take such actions directly.

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 2021 Notes will not guarantee the Notes on the Original Issue Date and for as long as any 2021 Notes remain outstanding, they may continue to guarantee the 2021 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.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalisation and indebtedness as of March 31, 2025 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering (before deducting the underwriting discounts and commissions and other estimated expenses payable by the Company in connection with this offering).

The following table should be read in conjunction with "Use of Proceeds" and the Company's audited consolidated financial statements for the year ended and as of March 31, 2025 and related notes included elsewhere in this Offering Memorandum.

	As of March 31, 2025[1]			
	Actual		As adjusted	
	HK$'000	US$'000	HK$'000	US$'000
		(Unaudited)	*(Unaudited)*	*(Unaudited)*
Cash and cash equivalents[2]	4,771,795	613,349	5,926,378	761,755
Short-term borrowings[3]				
Bank loans – unsecured	3,703,353	476,016	3,703,353	476,016
Bank loans – secured	1,672,860	215,023	1,672,860	215,023
Other loans – unsecured	72,656	9,339	72,656	9,339
Other loans – secured	235,776	30,306	235,776	30,306
Government loans – unsecured	51,343	6,599	51,343	6,599
Subtotal of short-term borrowings	5,735,988	737,283	5,735,988	737,283
Long-term borrowings[3]				
Bank loans – unsecured	6,013,857	772,999	6,013,857	772,999
Bank loans – secured	7,439,318	956,223	7,439,318	956,223
Other loans – unsecured	5,022,321	645,551	5,022,321	645,551
Other loans – secured	973,734	125,160	973,734	125,160
Notes to be Issued	—	—	1,154,583	148,406
Subtotal of long-term borrowings	19,449,230	2,499,933	20,603,813	2,648,339
Total borrowings	25,185,218	3,237,216	26,339,801	3,385,622
Total equity	21,872,686	2,811,435	21,872,686	2,811,435
Total capitalization[4]	41,321,916	5,311,369	42,476,499	5,459,774

Notes:

(1) The translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK$7.7799 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 March 31, 2025.

(2) Cash and cash equivalents exclude pledged deposits of HK$678.2 million (US$87.2 million).

(3) Subsequent to March 31, 2025, the Company has, in the ordinary course of business, entered into additional financing arrangements to finance the construction of the Company's projects and for general corporate purposes. These additional borrowings are not reflected in the table above.

(4) Total capitalisation includes total long-term borrowings plus total equity.

Subsequent to March 31, 2025, the Company has, in the ordinary course of business, entered into additional financing arrangements to finance the construction of the Company's projects and for general corporate purposes. After the completion of this offering, the Company 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 the Company's capitalisation and indebtedness since March 31, 2025.

EXCHANGE RATE INFORMATION

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:

Period	Noon Buying Rate[1]			
	Period End	Average[2]	High	Low
	(HK$ per US$1.00)			
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021	7.7996	7.7728	7.8034	7.7515
2022	7.8015	7.8324	7.8499	7.7693
2023	7.8109	7.8294	7.9119	7.7920
2024	7.7677	7.8028	7.8368	7.7617
2025				
April	7.7548	7.7641	7.7820	7.7549
May	7.8409	7.8015	7.8409	7.7500
June	7.8499	7.8486	7.8499	7.8443
July	7.8499	7.8496	7.8499	7.8467
August	7.7949	7.8260	7.8499	7.7858
September	7.7809	7.7847	7.8052	7.7696
October (through October 3, 2025)	7.7805	7.8717	7.7834	7.7805

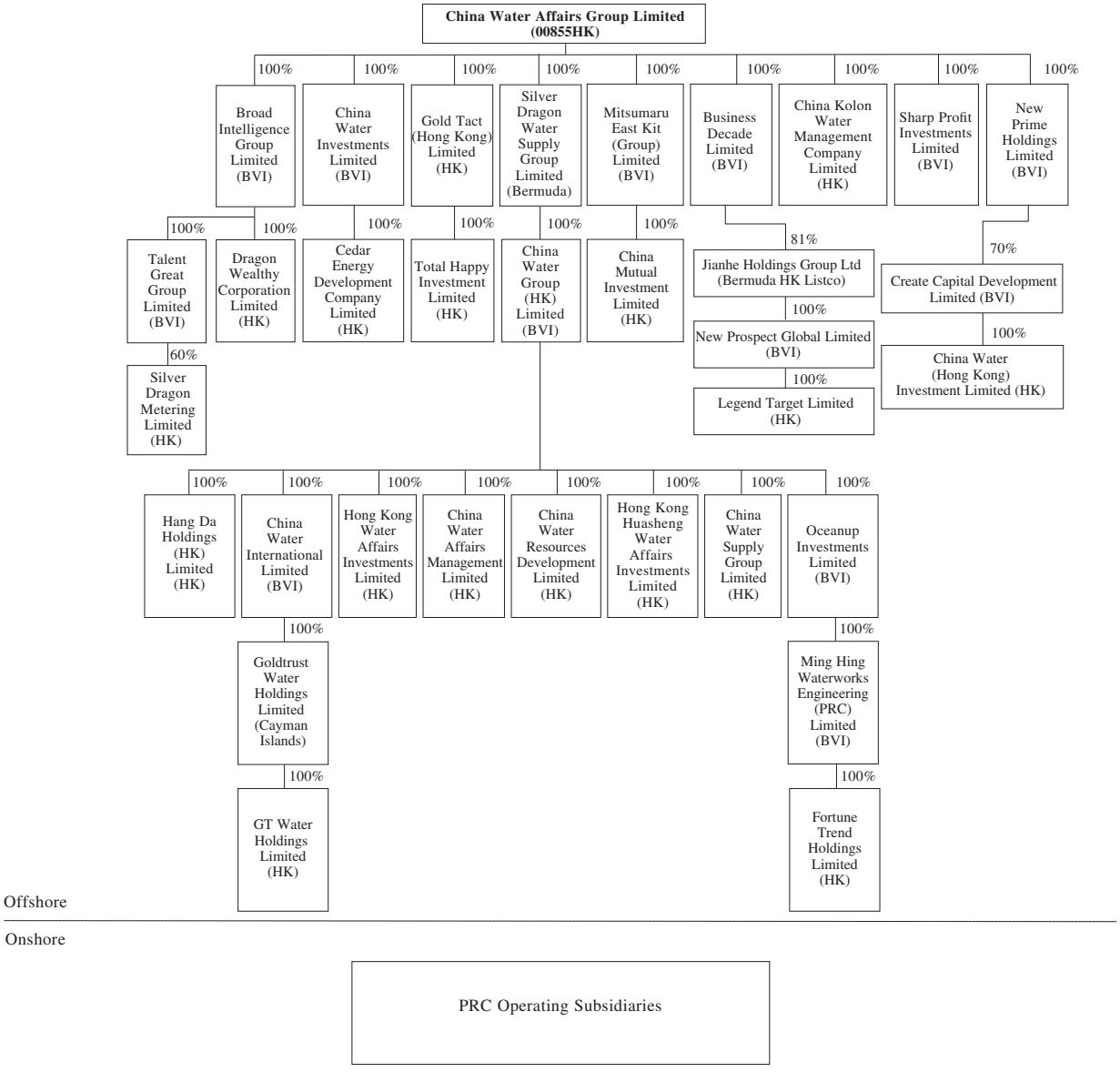
Notes:

(1) Exchange rates between Hong Kong dollars and U.S. dollars represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) Annual averages have been calculated from month-end rates. Monthly averages have been calculated using the average of the daily rates during the relevant month.

CORPORATE STRUCTURE

The following chart shows a simplified corporate structure of the Company, listing only the Company and certain at its subsidiaries as of March 31, 2025:



BUSINESS

OVERVIEW

The Company is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2025. Unlike its peers, the Company uniquely focuses on the water supply business. The Company began its operation in the water sector in 2003 and has experienced significant growth since then, primarily through mergers and acquisitions, especially those targeting developing cities in China. The Company upholds the business vision of "Water-oriented, Kindness to Society" while striving for its goal of becoming the best integrated operator of raw water, tap water, pipeline direct drinking water, sewage treatment, drainage, water environmental renovation, smart water and related services in China. The Company focuses on its core business through implementation of the urban-rural water supply integration and supply-drainage integration and active development in pipeline direct drinking water supply business to establish a twin-driver business portfolio of water supply and pipeline direct drinking water. As part of its integrated approach to the water business, the Company also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Company also undertakes main contractor construction, property development and investment and other business.

Leveraging tariff increases, growth in volume of water sold and new projects, the Company has enjoyed sustainable and rapid growth in water supply capacity. The Company has consistently increased its 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 15.5 million tons per day as of March 31, 2025. The total volume of city water sold by the Group increased from 1,368.5 million tonnes for the year ended March 31, 2023 to 1,401.9 million tonnes for the year ended March 31, 2024 and further to 1,499 million tonnes for the year ended March 31, 2025, representing a CAGR of 5%. In addition to increases in tariffs and increases in volume of water sold, the Company has also expanded its capacity, sales volume and revenue through acquisition of new projects. The Company has 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.

As of March 31, 2025, the Company's water pipeline network reached approximately 151,000 km in length and covered an estimated population of more than 30 million for city water supply. The Company had an extensive portfolio of city water supply projects covering 58 districts, counties and county-level cities across 25 provinces and municipalities in China as of March 31, 2025, comprising (i) 60 tap water supply projects with 168 tap water treatment plants in operation; and (ii) 8 raw water supply projects in operation. As of March 31, 2025, the Company's city water supply business had a total designed installed and planned capacity of 14 million tonnes per day, comprising 9 million tonnes per day in operation, 1 million tonnes per day under construction and 4 million tonnes per day under planning.

The water supply industry in China is exclusive in nature. As a result, the Company has the exclusive right for its water supply business in cities where it operates, with concessions that typically have a term of 30 years. As of March 31, 2025, the coverage of the Company's water supply plants included exclusive rights to operate in 58 cities, with more than 8 million connected water meters used by its residential, industrial and other end users. The number of customer accounts increased steadily from 3.1 million as of March 31, 2018 to 8 million as of March 31, 2025.

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: HK0855). For the years ended March 31, 2023, 2024 and 2025, the Group's revenue was HK$14.2 billion, HK$12.9 billion and HK$11.7 billion (US$1.5 billion) respectively, and its profit for the same years was HK$3.1 billion, HK$2.6 billion and HK$2.0 billion (US$0.3 billion) respectively.

STRENGTHS

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

The Company is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended March 31, 2025. Unlike its peers, the Company is uniquely focused on the water supply business. For the year ended March 31, 2025, the Company sold 14.99 million tons of city water. In addition, the Company recorded revenue of HK$8,729.2 million, HK$8,276.4 million and HK$7,498.1 million for the years ended March 31, 2023, 2024 and 2025, respectively, for city water supply business, representing 61.5%, 64.4% and 64.3% of its total revenue for the respective years.

As of March 31, 2025, the Company's water pipeline network reached approximately 151,000 km in length and covered an estimated population of more than 30 million for city water supply. The Company had an extensive portfolio of city water supply projects covering 58 districts, counties and county-level cities across 13 provinces and municipalities in China as of March 31, 2025, comprising (i) 60 tap water supply projects with 168 tap water treatment plants in operation; and (ii) 8 raw water supply projects in operation. As of March 31, 2025, the Company's city water supply business had a total designed installed and planned capacity of 14 million tonnes per day, comprising 9 million tonnes per day in operation, 1 million tonnes per day under construction and 4 million tonnes per day under planning. Most of the Company's operations are in central or southern China where rainfalls are abundant and its operations are less susceptible to weather conditions. Many of the Company's 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, the Company expects that water demand, and the corresponding volume of water that it supplies and coverages 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 and Substantial Barriers to Entry

The water supply industry in China is exclusive in nature. As a result, the Company has the exclusive right for its water supply business in cities where it operates with concessions that typically have a term of 30 years. As of March 31, 2025, the coverage of the Company's water supply plants included exclusive rights to operate in 58 cities, with more than 8 million connected water meters used by its residential, industrial and other end users. The number of customer accounts increased steadily from 3.1 million as of March 31, 2018 to 8 million as of March 31, 2025.

The Company collects water tariffs directly from end users. If water tariffs are not paid within two months, the Company has the right to discontinue water supply to the specific users. Together with the water tariffs, the Company is also paid to collect other charges for local governments, including sewage treatment fees, solid waste disposal fees and city construction fees. In addition, the Company has a strong record in terms of revenue collection capabilities, with an average account receivable turnover days of approximately 73 days in the fiscal year ended March 31, 2025. As a result, the Company has had a stable and predictable cash flow, which it expects will continue to support its expansion. The Group's operating cash flow before working capital changes for the years ended March 31, 2023, 2024 and 2025 were HK$4.9 billion, HK$4.4 billion and HK$4.7 billion (US$0.6 billion), respectively.

With water supply at the center of its business, complemented by environmental protection business, the Group is 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 the Group's business segments generally enjoy stable margins, in particular for its water supply operations and water supply connection services. The Group's business model, supported by exclusive operation rights and growth through tariff increases, increases in volume of water sold and new acquisitions, has helped it become a stable and growing utility business with economies of scale and resilience during economic downturns.

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. The Company's early establishment, strong brand name and geographical presence have provided an important first mover advantage in this utility industry with high barriers of entry where natural monopolies tend to arise. The Company believes that such first mover advantage, together with its track record, long history working with local governments, understanding of the market and regulatory environment in the PRC, and reputation will allow it to strengthen leadership role in the water industry in China.

Leading Market Position in the Pipeline Direct Drinking Water Supply Business, Creating a Synergy Effect with the City Water Supply Business

The Company is a leading pipeline direct drinking water supplier in China. The Company's pipeline direct drinking water business experienced a rapid growth in the past, as its business model is highly replicable with high profit margin since the tariffs for pipeline direct drinking water are determined on a commercial basis. Pipeline direct drinking water is a desirable option to serve the strong demand for safe drinking water that is convenient, affordable and environmentally friendly, and has distinct advantages as compared to its alternatives such as barrelled water, bottled water and water purifier. The Company believes its convenient, affordable and environmentally friendly pipeline direct drinking water equipment has been and will continue to be attractive to government authorities and corporate entities with environmental commitments in light of the supportive government policies, and will be essential for water consumption by residential and non-residential users with an urge to solve their concern for safe drinking water in the near future.

The Company's pipeline direct drinking water supply business is highly replicable to serve various end-use markets nationwide, including but not limited to schools, hospitals, public venues, offices and residential properties. As of March 31, 2025, the Company operated more than 1,462 and 285 pipeline direct drinking water supply projects in schools and hospitals nationwide, respectively, with an estimated user population of approximately 2.69 million in schools and approximately 140,000 in hospitals, respectively. As of March 31, 2025, the Company served an estimated non-residential user population of approximately 4 million for pipeline direct drinking water supply business. In addition, the Company cooperates with various parties to promote pipeline direct drinking water supply services and to expand residential customer base, including property developers, property management companies, property owners' committees, residential communities, local governments and other tap water suppliers. As of March 31, 2025, the Company served an estimated residential user population of approximately 9 million for pipeline direct drinking water supply business.

Given its industry leading position and early involvement in the sector, the Company's has been working closely with the relevant government authorities to establish industry standards and policies in the pipeline direct drinking water market. The Company has also assisted the local government in certain pilot projects to construct pipeline direct drinking water systems in parks, museums, train stations and local communities and to promote the quality, safety and accessibility of direct drinking water. The Company believes its good relationship with the local governments, leading position in the water supply industry and advanced technological capabilities have provided it with competitive advantages to grow business in the pipeline direct drinking water industry by expanding market share and geographical presence.

The Company's city water supply and pipeline direct drinking water supply projects are synergistic to each other. The Company's large customer base from city water supply business facilitates the promotion of pipeline direct drinking water services in the same areas because the Company already enjoys high recognition by existing customers. The Company also has a proven track record in managing and consolidating its newly acquired water supply projects and further realizing growth in its city water supply and pipeline direct drinking water businesses. For example, since the Company's acquisition of a pipeline direct drinking water company in 2019, the Company managed to transform it into a leading pipeline direct drinking water supplier in Changsha by integrating their advanced equipment with the Company's strong brand name, water supply experience and technological capabilities. Leveraging on the Company's established brand name in city water supply, strong synergies and high level of satisfaction from customers, the Company believes that it is able to capture industry development opportunities arising from the ongoing urbanization and favorable government policies to further expand market share and to solidify leading position in the water supply industry.

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, the Company has enjoyed sustainable and rapid growth in water supply capacity. The Company has consistently increased its 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 15.5 million tons per day as of March 31, 2025. For the year ended March 31, 2025, the volume of city water sold has increased to 1,499 million tons.

Since 2012, the average water tariffs that the Company collects for the water it supplies has been steadily increasing. The Company's average water tariffs have increased from approximately HK$1.83 per cubic meter as of March 31, 2012 to approximately HK$2.29 per cubic meter as of March 31, 2025. As of October 8, 2025, the Company has successfully increased water tariff between 7% and 40% in eight concession cities including Qiandong, Xihua, Yifeng, Shishou, Ningxiang, Shenzhen, Jiangling, and Boluo in 2025 from year to date. In the years to come, the Company believes that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas.

In addition to increases in tariffs, the Company has also expanded its capacity, sales volume and revenue through acquisition of new projects. The Company has 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 has successfully executed strategy of growth through acquisitions over the past ten years and this remains a strategic focus.

The Company has also been able to achieve consistent operational excellence. The Company has a track record of high quality water supply consistently surpassing requirements set by local governments. In addition, the Company has a track record of reducing leakage in its water plants.

Strong Credit and Financial Profile with High Quality Partners

The Company has a strong credit and financial profile and it has consistently maintained strong cash flows due to the exclusive nature of the water utility business. In addition, the Company's EBITDA to interest coverage ratio has been consistently strong. The Company expects to continue to maintain strong liquidity position and credit profile, which will enable it to expand steadily and sustain business plans.

The Company has received financial and strategic support from high quality partners. The Company's partners include the Asian Development Bank. In addition to providing long-term financing, The Company's partners have been instrumental in guiding it with respect the operation of business with a view to meeting international standards.

Highly Experienced Management Team with Extensive Industry and Execution Track Record coupled with a Professional Project Management Team and a Strong Research and Development Team

The Company's senior management team contributes a wealth of experience and in-depth knowledge in the water industry in China. The majority of the Company's senior management team members are veteran experts in the water industry and have deep knowledge of the sector and relevant government policies. The Company also benefits from its professional project management team, strong research and development team and key employees that have accumulated hands-on experience in the execution of projects, which will continue to improve its technological capabilities and the quality and efficiency of its operations. In addition, many of the Company's research and team members have more than 20 years of research and development experience in the water supply industry on average, which enables it to take part in setting up national, regional and industrial standards relating to water quality. With attractive remuneration packages and promising career development opportunities, the Company's key employees and senior management team are highly-incentivized in delivering and executing water supply projects. The Company believes that its strong execution capabilities with high-quality services are evidenced by its consistent track record and its management and talent pool are the paramount driving force to continue operational excellence and future growth.

STRATEGIES

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

The Company plans to continue to strengthen and solidify its leading position in the PRC water business. The Company intends to continue to focus on city water supply business and expand its operations organically to increase recurring revenue streams. The Company plans to continue the development of pipeline direct drinking water supply business to further establish presence nationwide through existing water supply network and cooperation with local water supply project companies. The Company intends to continue to evaluate its business model and strive to optimize its business portfolio, and may, depending on market conditions, resort to equity capital markets to obtain financing to fund expansion of core business. In addition, the Company plans 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 through Organic Growth and Acquisition of New Projects and Improve Utilization Rate and Efficiency

The Company intends to focus on the development of its water and related businesses, and aims 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 it operates. The Company also plans to continue to develop pipeline direct drinking water supply, fingertip water application and smart pipeline network system. As water demand is expected to continue to increase, the Company plans to continue to invest in expanding the installed capacity of existing city water supply facilities. The Company also intends to expand city water supply business to new regions through project acquisition or partnership opportunities. The Company will seek to actively participate in city water supply projects through partnerships or joint ventures established with local governments to further promote the integration of urban and rural water supply (城鄉供水一體化) and to facilitate the urbanization of rural areas.

As the Company acquires more project companies, it expects to be able to share its technical and operational know-how to improve utilizations rates and efficiency. The Company seeks to operate water supply business utilizing various information technology systems and technological devices to achieve synergies in water management, to enhance the efficiency of water resources usage, and to provide more convenient water supply services. The Company aims to achieve higher synergies between its city water supply and pipeline direct drinking water supply businesses through better resource sharing. The Company also seeks to further improve business operations by conducting regular maintenance to its water supply facilities and lowering utilities consumption of its water supply operations.

Continue to Prudently Acquire High Quality Projects to Expand Water Supply Business

The Company intends to continue to expand presence in the market through selective mergers and acquisitions. The Company has 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, the Company intends to acquire and integrate companies with water supply capacity in various regions of China. In particular, the Company plans to acquire government-owned, under-performing water plants in cities with growth potential in terms of water demand and tariffs, allowing the Company to achieve sustainable growth of its water supply business and maintain a reasonable level of return on investments.

Continue to Explore Opportunities for Water Tariff Increases

According to the Measures for the Administration of Urban Water Supply Prices (《城鎮供水價格管理辦法》), the pricing departments of the governments at or above the county level are the authorities in charge of urban water supply prices. The development of residential water price level or pricing mechanism shall be carried out in accordance with the relevant provisions for price hearings. In setting the price of water supply, the competent pricing department shall carry out cost supervision and examination, and implement cost disclosure. The Company expects higher tariffs will be charged for higher tiers of water consumption volume in China going forward, in which case it will be able to adjust water tariffs upward based on a cost-plus model upon successful public hearing if necessary to ensure reasonable profit. As such, the Company intends to continue reviewing and optimizing its water tariffs to achieve higher profitability in the future. 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, the Company believes that water tariffs will continue to increase due to the relatively low level of China's current water tariffs in urban areas, and the PRC government's incentive to set higher water tariffs to discourage excess consumption. The Company intends to take full advantage of opportunities to increase its water tariffs.

Continue to Strengthen Brand Recognition and Awareness and Enhance Customers' Satisfaction

The Company's corporate brand is recognized for high quality services, safe water supply and technological innovation. The Company intends to increase marketing and branding efforts to strengthen recognition of corporate brand and service brands, namely "China Water" ("中國水務") for city water supply services and "Water Cup" ("水杯子") for pipeline direct drinking water services, across China by devoting more resources to sales and marketing activities and customer engagement. The Company plans to expand sales and marketing team and increase the number of customer services centers as its city and pipeline direct drinking water supply business penetrates new city districts or counties, which will allow it to continue to understand the evolving needs and concerns of users and provide more tailored services to them.

With the continuous expansion of its businesses and customer base, the Company intends to actively explore opportunities to enhance quality of services and increase the satisfaction level of customers through better customer services, which is essential for sustainable business development. The Company will continue to maintain 24-hour hotline services to accommodate diversified needs of customers in a timely manner and enhance service quality by implementing a standardized service procedure and more frequent service assessment. The Company also plans to deploy more sales and marketing staff to customer service stores in regions where it operates so that its customers can reach it through various communication channels. The Company also intends to organize community activities such as open day of water treatment plants from time to time to sustain relationship with customers.

Develop and Promote Value-added Services

In addition to water supply and sewage treatment services, the Company also provides construction services. The 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. The Company intends to continue to develop this aspect of its business to expand value-added services.

THE GROUP'S BUSINESS

The Company's primary business is water supply business, which consists of city water supply, pipeline direct drinking water supply, environmental protection business and related engineering and construction work. As part of its integrated approach to the water business, the Company also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Company also undertakes main contractor construction, property development and investment and other business.

The Company began operations in city water supply in 2003, and have since experienced significant growth primarily through cooperation with local governments. Among the 168 water treatment plants the Company operated as of March 31, 2025, the vast majority were acquired by it through investment in existing or new water supply project companies. The Company then substantially upgrade and expand the water treatment plants and water pipelines with a view to increasing the processing capacity, enhancing operational and cost efficiencies, and expanding the customer reach.

In addition to the city water supply business, the Company aims to build on an increasing demand in China for safe and high-quality drinking water that is convenient, affordable and environmentally friendly. Leveraging its extensive experience in the water supply industry, the Company began to engage in the pipeline direct drinking water supply business in 2015 and further expanded business through various acquisitions since 2019. The Company has developed and will continue to develop its own core technology for pipeline direct drinking water. The Company also collaborates with various research institutions and universities in the roll-out of its filtration products. As a pioneer in pipeline direct drinking water supply in China, the Company works closely with local governments in promoting the supply of safe drinking water, by assisting them in the drafting of local policies and standards in relation to the pipeline direct drinking water industry and in the construction of pipeline direct drinking water systems in local communities.

The table below sets forth the Group's revenue by business segment for the years ended March 31, 2023, 2024 and 2025.

	Year ended March 31,		
	2023	**2024**	**2025**
	HK$'000	**HK$'000**	**HK$'000**
City water supply	8,729,233	8,276,397	7,498,114
Pipeline direct drinking water supply	1,310,146	1,721,929	656,787
Environmental protection	1,409,945	1,071,518	1,523,478
Main contractor construction	1,198,706	826,840	664,363
Property development and investment	544,931	207,482	361,323
All other segments[(1)]	1,001,992	754,349	951,500
Total	**14,194,953**	**12,858,515**	**11,655,565**

Note:

(1) Includes revenue from rental income and others.

City Water Supply

The Company constructs and operates water treatment plants and water pipelines to supply tap water and raw water generally to residential users and non-residential users. The Company's city water supply business comprises city water supply operations, city water supply construction services, installation and maintenance services and other city water supply-related services. The Company recorded revenue of HK$8,729.2 million, HK$8,276.4 million and HK$7,498.1 million for the years ended March 31, 2023, 2024 and 2025, respectively, for city water supply business, representing 61.5%, 64.4% and 64.3% of its total revenue for the respective years.

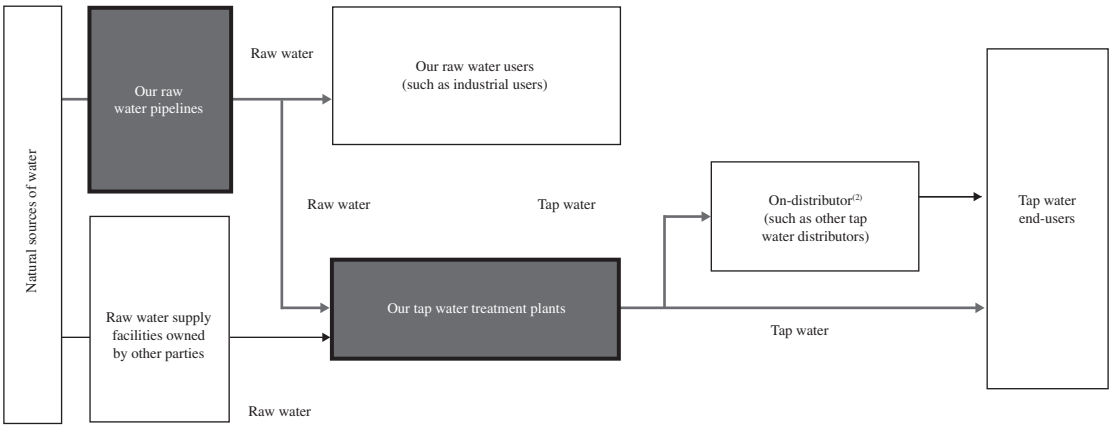
The Company operates city water supply business through water supply project companies controlled by it to operate each city water supply project. Depending on the circumstances of the city water supply project, the Company either (i) forms or invest in a joint venture project company with the local government grantor, in which it holds a controlling equity interest; or (ii) establishes a wholly owned water supply project company.

The Company's project companies have made concession arrangements with the local government grantor for each of tap water supply projects. Under the concession arrangements, the Company holds the operation right to the relevant water supply facilities and generally obtain the ownership of the water supply facilities. Under certain circumstances, the Company is entrusted by the local government grantor to operate the water supply facility without ownership of the assets. According to the concession arrangements, the Company shall operate the water supply facilities and conduct upgrades or expansion works to the water supply facilities and charge water tariffs from customers on a monthly basis during the contract period. The contract period of city water supply projects varies depending on concession arrangements with the relevant local government grantor. As further described below, the Company is typically given a priority to apply for renewal of the arrangements at no extra cost after the contract period. Furthermore, the Company shall seek to renew the concession arrangements and retain the water supply facilities upon any expiry. If the Company fails to renew, it shall dispose of the water supply project company for which it has ownership of the underling water supply facilities to the local government grantor or other third party and shall be entitled to receive consideration based on the then asset value determined by a third-party appraiser.

City water supply operations

The Company's city water supply operations primarily comprise the provision of city water to residential, commercial and industrial end-users in China. Revenue from city water supply operations primarily comprises tariffs charged for raw water supply as well as tap water treatment and supply. The arrangements under which the Company operates tap water treatment plants allow it to collect water tariffs directly from end-users. Together with the water tariffs, the Company is also paid to collect other charges for and on behalf of local governments, including but not limited to sewage treatment fees, waste disposal fees and city construction fees. The Company collects these tariffs on a monthly basis on behalf of the local government and receive service charges on a *pro rata* basis with reference to the amount of tariffs collected. If water tariffs are not paid within two months, the Company has the right to discontinue water supply to the specific users.

The chart below sets forth the Company's simplified production and operation process:



Notes:

(1) The Company's water supply business is indicated in gray color in the above chart.

(2) The Company supplied processed tap water to one other tap water distributor for onward distribution to the end-users.

Raw water supply

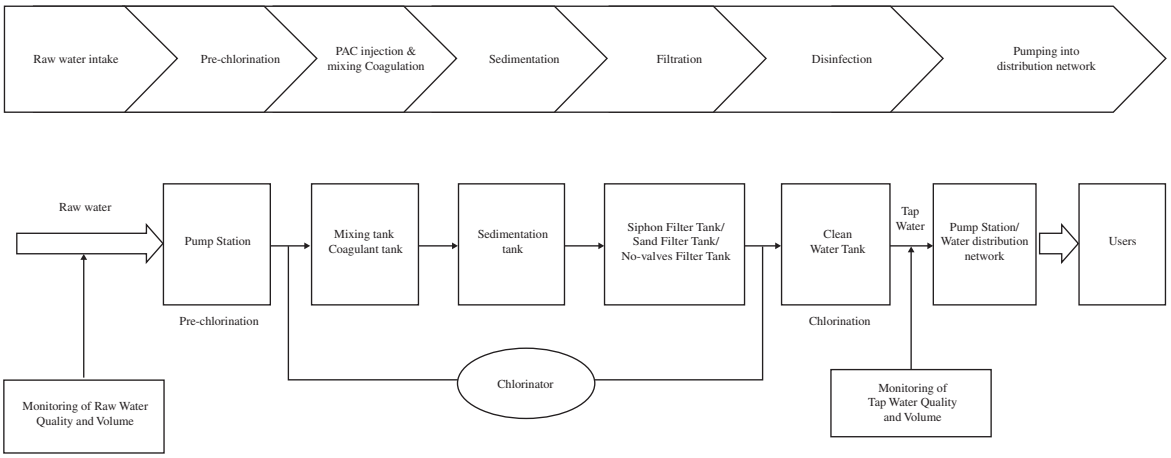
Raw water is untreated water from natural sources such as rivers, lakes, reservoirs or underground aquifers. The Company generally transmits raw water from various natural resources such as local rivers and reservoirs, and store at its water treatment plants. The Company's raw water is supplied by a project company through raw water pipelines to (i) water treatment plant(s) under the same project company; (ii) water treatment plant(s) under another project company; and/or (iii) customers for further treatment, depending on the designed installed capacity of the relevant raw water pipelines and the internal and external demand for raw water. With respect to raw water supply projects, raw water is transmitted through the water diversion and supply networks and would be distributed to customers of raw water supply which are generally industrial users. Other raw water would be used by water treatment plants, as one of raw materials for tap water supply operations.

Tap water supply

When raw water is transmitted to water treatment plants, the raw water will be filtered, purified and processed to meet the applicable quality standards, including the National Drinking Water Standards (GB 5749-2022) (國家生活飲用水衛生標準). The filtered, purified and processed tap water will then be pumped into water pipeline network and distributed via distribution network to residential, industrial, commercial and other end-users.

Operation process and sales of water

The general process of the Company's city water supply business features the following steps:



The Company's tap water supply projects usually adopt conventional technologies using a spectrum of physical and chemical methodologies in the treatment and processing of tap water. First, the raw water is pumped up, if needed, and delivered to water treatment plant via water pipeline network, and chlorine is added to enhance the flocculation effect and to kill microorganisms such as bacteria, protozoa and viruses. The water then flows into treatment lines with mixing tanks where water is mixed with Polyaluminum Chloride, as the coagulant, to destabilize natural fine particulate matter suspended in the water. The water then flows into a sedimentation tank equipped with sludge scrappers which removes the suspended particulate from the water. Subsequently, the water enters a siphon filter tank or sand filter tank or no-valves filter tank, depending on different treatment methods, and then is disinfected with chlorine. After the treatment process, treated water from the plant is stored in clean water tanks and then pumped into the distribution network for distribution to end-users customer such as household users, industrial users, commercial entities and government institutions.

Except for the one other tap water distributor in Yichun, Jiangxi Province, the Company distributes tap water and raw water to end-users directly through its pipeline network. The Company's end-users include both residential users and non-residential users.

The Company actively works to improve the operating efficiency and capacity of existing water treatment plants and it took various measures to proactively reduce non-revenue water, including upgrading old pipelines, increasing the frequency of pipeline maintenance to detect and fix leakage point, and enhancing the accuracy of meter reading. The Company generally inspects its trunk pipelines and other significant facilities on a monthly basis, and branch pipelines, rural water supply pipelines and auxiliary facilities on a quarterly basis. As a result, the Company has a track record of high-quality water supply consistently surpassing requirements set by local governments.

In addition, the Company's tap water treatment plants have a track record of steadily increasing water supply over the years. For the years ended March 31, 2023, 2024 and 2025, the average daily water supply volume of the Company's tap water treatment plants amounted to approximately 4.4 million tonnes per day, 4.5 million tonnes per day and 4.8 million tonnes per day, respectively.

City water supply construction services

The Company also provides construction services in relation to city water supply operations under the relevant concession arrangements. The city water supply construction services include the design, construction, upgrade and installation of water treatment plants and pipelines, with respect to city water supply projects, in order to expand the designed installed capacity. To a very limited extent, the Company also provides construction services to third parties including local governments under construction services agreements. The Company conducts construction services through both in-house construction team and third-party subcontractors that are licensed and qualified to undertake construction works throughout all provinces in the PRC. As of the date of this Offering Memorandum, the Company has obtained the relevant qualifications to carry out construction works.

Project management

The Company manages each of its city water supply projects by going through a number of processes including the following:

Project identification and selection

The Company typically (i) invests or forms a joint venture water supply project company with the local government grantor, of which it holds the controlling stake or (ii) establishes a wholly owned water supply project company, to acquire the relevant assets including water treatment plants, associated water pipelines and operation rights from the relevant local government grantor through the water supply project company. Upon establishment of the water supply project company, it typically takes the Company around three years to turn the plant around to become profit-making. Thereafter, the Company continues to improve the operational efficiency of these projects and achieve organic growth.

The Company has established a professional investment team to source new projects and have developed a set of key investment criteria for new projects, including:

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

- ***Pipeline network and tariff collection rights:*** The Company prefers investing in projects with existing pipeline network to secure tariff collection and maintain strong cash flow.

- ***Management control:*** For joint venture water supply project companies, the Company aims to acquire a controlling stake (no less than 51%), so that it can have control of the board of directors and rights of management of the business.

- ***Eligibility criteria and environmental and social management:*** Targets should have an optimal internal rate of return, potential for efficiency improvement and proper records and documentation for environmental and social matters. 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:*** The Company targets projects with the local government's commitment to support non-state-owned operators in urban-rural water supply.

- ***Water resources:*** The Company assesses raw water availability and quality, and only choose the sites with strong proven resources.

Based on the above principles, the Company pursues expansion into towns or neighboring districts and counties in accordance with the relevant government authority's water efficiency improvement plan. The Company generally establishes initial presence in a region through acquisitions of an existing city water supply project, and then subsequently expand to other districts, counties and/or county-level cities. The Company's trustful relationship with the local government also positions it well to take on other water supply projects in an urban or rural development program.

Tender or competitive negotiations

The Company usually obtains city water supply projects from local government grantor, and to a limited extent, other construction projects from local government grantor and other third parties, via tenders or competitive negotiations. For tenders, the local government grantor or other third-party customers shall issue a tender notice to invite bidders to submit tender documents. They then select a winner based on the tender documents submitted and enter into agreements with such party. For competitive negotiations, the local government grantor and other third-party customers generally invite at least three potential candidates to participate in one-on-one negotiations with them. They then select a winner and enter into agreements with such party.

Agreements negotiation and signing

With respect to city water supply projects, after a successful negotiation or tender, the Company generally invests in or forms a joint venture with the local government grantor and enters into a joint venture agreement with them. The joint venture agreement generally sets forth major terms such as the business scope, water supply scope, shareholding ratio, board of directors and supervisory board composition, management and audit policy and contract period of the joint venture, as well as the rights and obligations of each party, and may include the relevant concession right to provide water supply services. Depending on the circumstances of the city water supply project, the Company may establish a wholly-owned water supply project company and enter into an asset purchase agreement with the local government grantor to purchase the water supply facilities from them. According to the asset purchase agreement, the Company shall acquire the underlying assets of the water supply facilities for consideration which is negotiated and determined by both parties and is generally based upon the value of the assets provided by the local government grantor. Under certain circumstances, the Company is engaged by the local government grantor to operate the water supply facilities on an entrusted basis. In addition, the Company's tap water supply project companies may also enter into a concession agreement with the local government grantor or its related department to further set forth the details of the concession arrangements.

As of the date of this Offering Memorandum, the Company had 60 tap water supply projects held by a total of 168 water supply project companies, all of which had made concession arrangements with the relevant local government grantor to provide tap water supply services pursuant to the joint venture agreement, concession agreement and/or other related agreement(s).

Design planning and construction work of water supply facilities

The Company is generally responsible for any construction or upgrade of the water supply facilities during the contract period. The Company generally conducts the construction work through in-house construction team and engages third-party subcontractors for other construction work that (i) requires specific construction qualifications which in-house construction teams do not possess such as Class I Qualification for General Contracting of Municipal Utilities Construction (市政公用工程施工總承包一級資質); or (ii) are located in regions where it does not have a local in-house construction team.

The Company's project management department is responsible for supervising the construction phase of city water supply projects. During the construction process, the Company supervises in-house construction teams or the subcontractors' construction works, principally through project managers and the Company may also engage third-party professional supervision companies from time to time.

Operation and maintenance during contract period

The Company's project management team is responsible for the overall supervision of the operation and maintenance of water supply facilities. The Company is responsible for all operation, repair and maintenance costs during the operation phase. The Company's supplied tap water is required to meet the National Drinking Water Standard (GB 5749-2022) (國家生活飲用水衛生標準). The quality of incoming raw water and supplied tap water from water supply facilities are monitored constantly by the Company and tested periodically by the local health authorities. The Company maintains its own monitoring systems according to its operation and maintenance manual to ensure that the quality of its incoming raw water meets contractual requirements and that the quality of its supplied tap water meets both regulatory and contractual standards.

Ownership of the assets under the water supply project company after contract period

After the contract period, the Company intends to secure the extension of its concession arrangement through a bidding or negotiation process and retain all the assets under the relevant water supply project company. Nevertheless, if the Company fails to renew the concession arrangement, it shall dispose of its equity interest in the relevant project company which has the ownership of the assets to the local government grantor or other third party with considerations based on the appraisal of the then asset value as determined by a competent third-party appraisal company at the end of the contract period.

Pipeline maintenance

The Company's production and operation team is in charge of pipeline repair and maintenance. The Company has implemented routine inspection and maintenance procedures and schedules for underground pipeline network.

Installation and Maintenance Services

In addition to city water supply, the Company also provides installation and maintenance services, which include the upgrade, installation, connection, repair and maintenance of the last mile water pipelines as well as the water meters for end-users. The 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. As of March 31, 2025, the Company leased a property in Dongguan, Guangdong Province as production facility of water meters generally for internal use and to a lesser extent, for sales to third parties. The Company may also be engaged by property developers or non-residential premises owners to maintain, repair and replace the last mile water pipelines within the relevant residential or non-residential area.

Arrangements with end-users

When non-residential premises owners or property developers of residential premises require the Company's tap water supply service or maintenance of the existing pipeline network, or if certain local communities want to extend or upgrade their tap water supply pipeline network in response to the government's urban planning, they will engage the Company to upgrade, install and connect water pipelines and water meters for the locations and connect such water pipelines to the Company's water pipeline network. The Company provides installation and maintenance services for such locations in exchange for an installation and maintenance fee. The installation and maintenance fee for non-residential premises is calculated based on standards set in relevant regulations of the local government. The installation and maintenance fee for residential premises is a fixed fee charged on each residential household pursuant to relevant regulations of the local government.

The Company generally enters into a pipeline construction agreement with non-residential premises owners, property developers or property management companies of residential premises, construction companies or local communities.

Pipeline Direct Drinking Water Supply

The Company mainly supplies pipeline direct drinking water to local residential communities and non-residential users including but not limited to hospitals, schools, commercial establishments and public institutions, through the installation of advanced water filtering equipment to the last section of the tap water pipeline network for processing tap water into drinkable water. The treated direct drinking water is then supplied through a separate pipeline system to the end-users to avoid contamination. The Companys believe that its pipeline direct drinking water supply enjoys several advantages as compared to other existing safe drinking water alternatives, including barrelled water, bottled water and water purifier:

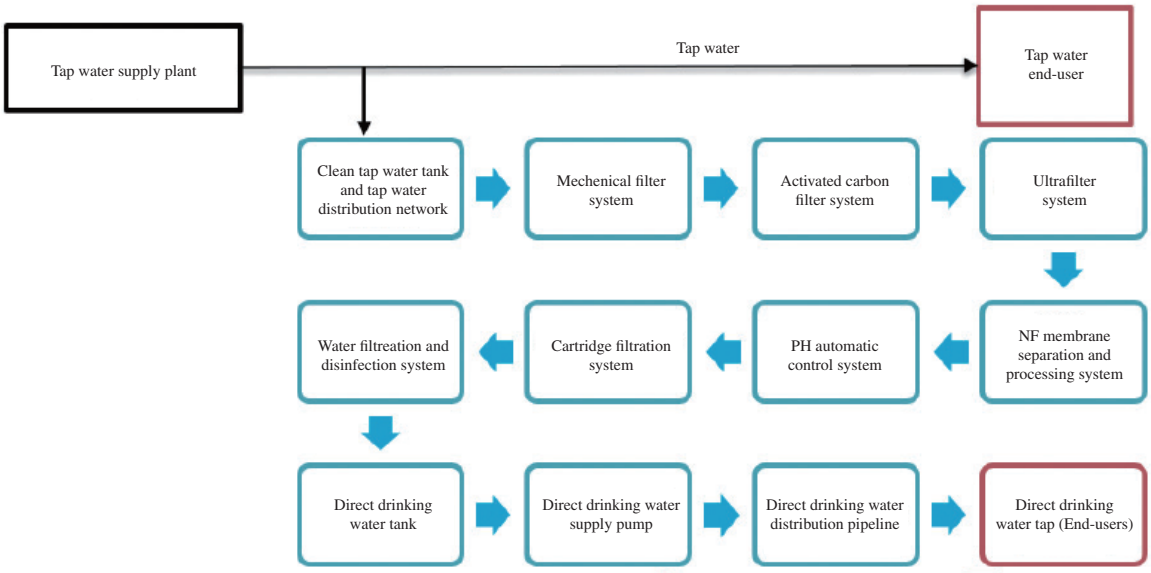
The Company's pipeline direct drinking water business primarily includes (i) pipeline direct drinking water supply operations; (ii) pipeline direct drinking water supply construction services; (iii) installation and maintenance services; and (iv) other services such as after sales services and manufacturing and sales of pipeline direct drinking water equipment. For the years ended March 31, 2023, 2024 and 2025, the revenue generated from the Company's pipeline direct drinking water supply business amounted to approximately HK$1,310.1 million, HK$1,721.9 million and HK$656.8 million, respectively, representing 9.2%, 13.4% and 5.6% of its total revenue for the respective years.

Pipeline Direct Drinking Water Supply Services

The Company's pipeline direct drinking water supply services primarily includes the construction of direct drinking water pipelines and equipment and supplying direct drinking water to various end-users including local communities, schools, hospitals, commercial establishments, and public venues. For local communities, the construction cost of the equipment and pipeline is generally borne by the end users or the property developers and the Company collects water tariffs based on the consumption volume. The Company is generally responsible for the investment and construction of the direct drinking water equipment and pipelines for schools, hospitals, commercial establishments, and public venues at its own cost. For school, the Company generally collects water tariffs either (i) from the school or local government according to the local rules and regulations at a fixed amount based on the number of students and staff or based on the

consumption volume measured by the water meters; or (ii) from the students based on their actual consumption volume. For hospitals and commercial establishments, the Company generally collects the water tariffs at a fixed amount based on the number of beds or based on the consumption volume measured by the water meters. For public venues such as park and playgrounds, the Company generally does not collect water tariffs and may collect certain operation service fees from the local government annually.

The Company's pipeline direct drinking water is produced by adding a piece of further and advanced processing equipment to the last section of the existing water pipeline network that connects to the end-users such as of schools, hospitals, commercial establishments, or residential properties. The tap water transmitted to the Company's filtering equipment will be further processed into direct drinkable water. The Company's customers of pipeline direct drinking water supply business can simply drink the water distributed to their taps via the Company's special steel pipeline into their homes or water vending machines. The general process of the Company's provision of pipeline direct drinking water supply business features the following steps:



Throughout the years, the Company endeavors to provide high quality pipeline direct drinking water to the end-users and have been conducting various research and development activities to enhance the quality of supply of pipeline direct drinking water. The table below sets forth comparisons of the Company's pipeline direct drinking water against the National Drinking Water Standard (GB 5749-2022) and the Water Quality Standards for Fine Drinking Water (CJ 94–2005) in terms of quality:

Key supplied tap water index	The Company's pipeline direct drinking water	Water Quality Standards for Fine Drinking Water (CJ 94–2005)	National Drinking Water Standard (GB 5749–2022)
Total coliform (CFU/100ml)	0	0	0
Escherichia coliform (CFU/100ml)	0	0	0
Chloroform (mg/L)	0.02	0.03	0.06
Cadmium (mg/L)	0.001	0.003	0.005
Aluminum (mg/L)	0.1	0.2	0.2
Turbidity (NTU)	0.3	0.5	1
Total hardness (in terms of $CaCO_3$) (mg/L)	200	300	450
Dissolved solids (mg/L)	300	500	1,000

The Company commenced the promotion of pipeline direct drinking water supply business in all regions and localities of existing city water supply business while implementing pipeline direct drinking water business in peripheral and other regions through strategic cooperation with and acquisitions and mergers of other local direct drinking water supply companies. As of March 31, 2025, the Company's pipeline direct drinking water supply business served an estimated user population of approximately 13 million, of which around 11 million were within the regions in which existing city water supply projects operated while the rest were from the regions where the Company did not operate any city water supply projects. The Company had been expanding pipeline direct drinking water business through its existing water supply network and strategic cooperation with certain property developers and schools such as in Chongqing and Guizhou Province.

As of March 31, 2025, the Company operated more than 10,000 pipeline direct drinking water supply projects in 319 districts, counties and county-level cities across 24 provinces, municipalities and autonomous regions throughout China.

Direct Drinking Water Supply Equipment

The Company endeavors to manufacture direct drinking water equipment that can produce safe and high– quality "fresh water" for the users. The Company has been focused on the research and development of advanced water filtration methods such as ultra-filtration and nano-filtration to effectively remove harmful substances in the water while retaining various minerals and nutrients essential to the human beings. Through continuous efforts, the Company designed and developed a series of direct drinking water supply equipment including central water purification equipment, water station and all-in-one water machine for pipeline direct drinking water supply business, with a daily installed capacity ranging from 0.1 tonnes to 10 tonnes. The Company generally applies these direct drinking water supply equipment for provision of pipeline direct drinking water supply services and may also engage in the sales of the relevant pipeline direct drinking water supply equipment to third parties including property development companies and local education bureaus in remote and rural areas, so as to achieve the aim of integration of urban and rural water supply. As of March 31, 2025, the Company owned two production facilities in Xinyu, Jiangxi Province and Nanjing, Jiangsu Province, respectively, and partly owned and partly leased one production facility in Changsha, Hunan Province, for the manufacturing of its pipeline direct drinking water supply equipment.

Environmental Protection Business

As part of its integrated water resource management business model, the Company also engage in sewage treatment and related construction work. For the years ended March 31, 2023, 2024 and 2025, the Company's revenue from environmental protection business was HK$1,409.9 million, HK$1,071.5 million and HK$1,523.5 million, respectively, accounting for 9.9%, 8.3% and 13.1% of its total revenue for the respective years.

The Company's 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. The Company's sewage treatment plants are primarily located in Beijing, Tianjin, Guangdong, Henan, Hebei, Hunan, Hubei, Guizhou, Jiangxi and Shaanxi provinces of China. As of March 31, 2025, the Company had 25 sewage treatment plants with a daily water treatment capacity of approximately 899,000 cubic meters.

For its sewage treatment projects, the Company typically enters into service concession arrangements with certain government authorities in the PRC. These service concession arrangements generally involve the Company, through a designated project company, as an operator (i) constructing sewage treatment infrastructures for those arrangements; (ii) paying a specific amount for those arrangements; 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. The Company typically will be paid for its services over the relevant service concession periods at prices stipulated through a pricing mechanism. The Company generally is 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 the Company 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 the Company and the relevant governmental authorities in the PRC that set out, among others, performance standards, mechanisms for adjusting prices for the services rendered by the Company, specific obligations levied on it 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 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.

SUPPLIERS

The Company's principal suppliers included (i) operation-related suppliers such as suppliers of raw water and utilities and chemical supply companies; (ii) construction-related suppliers such as contractors the Company engaged to construct facilities and install equipment for its water supply projects, structural and engineering companies that design projects and suppliers of equipment; and (iii) other suppliers such as raw material suppliers for pipelines and valves. The Group's largest suppliers included suppliers for raw water, utilities and water pipelines as well as contractors for construction works.

Selection of Suppliers

The Company manages procurement for its water supply operations at the group level. Prior to each financial year, the Company's procurement department will compile a list of qualified suppliers and submit it to the management for approval. In selecting qualified suppliers, the procurement department evaluates a number of relevant factors, including the candidate suppliers' operational status, production capacity, price, supply capacity, technology capacity, management and after-sales services. Upon approval of the list, the procurement department can procure supply needed from suppliers on the list for the financial year. As of the date of this Offering Memorandum, the Company did not experience any material disputes with its suppliers.

With respect to its construction-related suppliers, the Company has readily available alternative suppliers in the market who offer similar construction capabilities with terms comparable to existing suppliers. To mitigate the risks associated with any reliance on its major suppliers, the Company periodically seeks potential alternative suppliers and obtain quotations from such suppliers with the view to keeping in contact with potential suppliers who can offer favorable pricing and delivery terms. As of the date of this Offering Memorandum, the Company had not experienced any material difficulties in obtaining any construction services, raw materials or equipment for its business operations.

Operation-Related Suppliers

The Company procures (i) raw water from local governments and raw water supply operators for tap water supply operations; (ii) tap water to support pipeline direct drinking water supply operations; (iii) chemicals and other materials for water purification processes at water treatment plants; and (iv) electricity to operate water supply facilities. The Company has maintained a long-term and good business relationship with all of its suppliers. The Company generally transmits raw water from natural sources pursuant to the water intake permits granted by local governments with a valid term ranging from three to five years.

Construction-Related Suppliers

The Company's construction-related suppliers include (i) subcontractors it engaged to construct and install equipment for water supply facilities; (ii) structural and engineering companies that design such facilities; and (iii) suppliers of machinery, pipes and equipment. The Company enters into construction contracts with construction-related suppliers primarily to build or expand water supply facilities.

INVENTORY MANAGEMENT

The Company's inventories primarily consist of (i) raw materials and supplies such as chemicals, water pipelines, valves and other construction materials, (ii) work in progress including ongoing constructions and products under production; and (iii) finished goods including water meters and direct drinking water equipment. The Company has a stringent inventory management policy in place to enhance the control of inventory. The Company's inventory system contains the full record of its inventories and assists it in planning and managing inventory control. The Company conducts inventory reviews and carry out physical stock take on a regular basis. The Company's procurement, warehousing and finance team timely monitor its inventories, including inventory levels, inventory age, inventory composition and inventory turnover rate.

CUSTOMERS AND SALES

The Company's customers for city water supply business were generally end-users, which include residential, commercial enterprises and industrial users and public institutions where its city water supply business operate. Due to the nature of its business, the Company is generally able to retain customers once they were connected to the Company's city water supply pipeline network and use its city water supply services, unless such customers relocate to outside service areas. The Company's customers for installation and maintenance services are usually commercial or government entities which require upgrade, installation and maintenance of water pipes and meters in local communities. The Company's customers for pipeline direct drinking water supply services include local public and private communities, such as schools, hospitals and commercial or residential properties. The Group's largest customers were state-owned entities and other non-residential customers related to its city water supply business.

Pricing Policy

The water tariffs the Company charges to city water users are set by the relevant local authorities, including the local development and reform commissions, pursuant to the relevant rules and regulations. According to the local rules and regulations, the Company may apply for adjustments of tap water prices via public hearing and adjustments of raw water via application, when it considers necessary such as in the event its city water supply projects are loss-making or do not provide a reasonable return on investment. The Company's water tariffs are generally determined based on its production costs and the prevailing profit margins of similar water enterprises in the region.

For city water supply construction services in relation to city water supply projects, the Company does not receive any payment during the construction phases of the projects and its investment costs are covered by water tariffs it charges to end-users. The Company's other construction service fees and fees for its installation and maintenance services are usually determined based on its work required and the cost of construction or operating costs, as well as the prevailing market price of similar business activities in the relevant region and based on the relevant local regulations.

The water tariffs for pipeline direct drinking water are generally determined based on commercial negotiation with customers and guidance price provided by the local governments (if any). The Company takes various factors into consideration when determining the unit price of pipeline direct drinking water supplied including the cost incurred and price level of the market and other alternatives. The Company's fees are collected directly from businesses or end-users based on consumption volume, number of users or number of machinery and equipment provided.

Credit Terms

In general, the Company grants a credit period of 30 days to customers of its city water supply operations, after which it can discontinue the city water supply services to customers in the event that the water tariffs are not settled within two months. For pipeline direct drinking water supply operations, the Company generally grants a credit period of 30 days to customers using water meters as a fee measurement method and may grant a credit period of up to 360 days to customers using an annual lump-sum fee model. The Company generally grants a credit period up to 90 days for installation and maintenance services except for certain projects for which settlement is made in accordance with the terms specified in the relevant contracts.

Customer Relationship Management

The Company's customer relationship management aims to build and maintain sustainable customer relationships by focusing on delivering superior customer value and satisfaction, which it believes are critical to the long-term success of businesses. As such, the Company has implemented water supply customer service manuals in relation to its customer service procedures and standards. In order to provide more communication channels for it to understand the needs of its customers, and to foster trust and enhance brand recognition among the public, the Company has established over 170 customer services centers across the regions where it operates city water supply business as of March 31, 2025. The Company also provides other customer services to tap water and pipeline direct drinking water end-users, including emergency or scheduled on-site repair and maintenance, on-site meter reading, a 24-hour hotline for scheduling on-site repair and free short message notice service for temporary water shutdown or other events during the contract period or service period, as the case may be.

QUALITY CONTROL

Quality control is crucial to the Company's water supply business. The tap water and pipeline direct drinking water the Company distributes to end-users have to meet the applicable quality standards, including the Standards for Drinking Water Quality (GB 5749-2022) (國家生活飲用水衛生標準), which was jointly promulgated by the Standardization and Administration of the PRC and the Ministry of Health of the PRC (now known as the National Health and Family Planning Commission of the PRC) on July 1, 2007 and further revised on March 15, 2022. In addition, the raw water the Company distributes to end-users has to meet the Surface Water Environment Standards (GB 3838) (地表水環境品質標準), jointly promulgated by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine on April 28, 2002.

As such, the Company has strictly followed the National Drinking Water Standard Inspection Procedures (GB/T 5750) (國家生活飲用水標準檢驗方法) for its water quality inspection and monitor the quality of raw water it procures from natural sources. The Company has implemented a comprehensive water supply management and quality control system and standards to control various perspectives throughout water supply operation process such as water purification, water quality inspection, pipeline network maintenance and equipment operating procedures. The Company has established a professional quality control team which is led by its Executive General Manager, Mr. Liu Zhaohui. The Company's quality control team generally consists of staff with extensive experience in water supply and drainage or with assistant engineer qualifications, who primarily focus on standardizing inspection procedures and maintaining and supervising water supply quality throughout operational process. The Company has obtained ISO9001 certification in recognition of its quality control.

As of the date of this Offering Memorandum, the Company had not encountered any material quality problems with respect to its services.

RESEARCH AND DEVELOPMENT

The Company collaborated with various research institutions and universities in China to conduct researches on water treatment and filtering technologies. The Company's research and development team is led by Dr. Dong Ping. Dr. Dong Ping is a professor in Nanjing University and possess more than 30 technological patents in relation to pipeline direct drinking water. He has more than 20 years of experience in the water supply industry and has participated in the drafting and amendments of various national standards in relation to the pipeline direct drinking water. The Company's research and development team also possesses extensive experience in research and development in the water supply industry and are dedicated to product development and technology advancement.

INTELLECTUAL PROPERTY

The Company's intellectual property rights are important to its business and as of the date of this Offering Memorandum, the Company had more than 131 registered patents, 45 trademarks, 35 software copyrights and 30 domain names in China. The Company also had 50 pending patent registrations and one trademark registration in the PRC as of the date of this Offering Memorandum.

The Company relies on a combination of laws and regulations including but not limited to copyright and trademark laws, as well as confidentiality agreements signed by its senior management and key staff to protect intellectual property rights. As of the date of this Offering Memorandum, there had not been any pending or threatened material claims made against the Company, nor had there been any material claims made by it against third parties, with respect to the infringement of intellectual property rights owned by it or third parties. As of the date of this Offering Memorandum, the Company was not aware of any infringement by it of any intellectual property rights owned by any third parties or by any third party of any intellectual property rights owned by it, which, individually or in aggregate, have any material adverse effect to the Company.

COMPETITION

China's water supply industry is fragmented and has relatively strong regional barriers. Local governments usually tend to choose local state-owned enterprises as the operators of raw and tap water supply. As a result, state-owned enterprises generally have a very strong presence in this industry. As such, the Company faces fierce competition with those state-owned enterprises in the PRC. In addition, there are several entry barriers for the water supply industry including, among others, (i) construction and operation capability and qualification requirements; (ii) government authorization for water supply; (iii) intensive capital investment in the construction of the pipelines, water treatment plants and related ancillary facilities; and (iv) advanced treatment technology for the rising standards for water supply. However, the Company believes that the most important competitive factors in the water supply industry are the ability to provide high– quality and safe water to end-users with a stable supply. The Company believes it can compete effectively in the market leveraging on its extensive pipeline network and leading water supply capacity to provide high-quality and safe water to the end-users in China.

China's pipeline direct drinking water market is still in the initial stage comparing with developed regions and is expected to grow rapidly in the coming years with support from the government. China's pipeline direct drinking water market is also highly fragmented with thousands of market players. The Company primarily competes with other water supply companies providing direct drinking water including barrelled water, bottled water and water purifier. There are also entry barriers for the pipeline direct drinking water industry such as (i) brand reputation and awareness with great proven performance, (ii) advanced treatment technology for direct drinking water; (iii) high demand for professional labors with relevant skillsets; and (iv) high cost and long-term research and development efforts for standardized components and processes and achieving economies of scale. The Company believes it can compete effectively in the market leveraging on existing customer base from city water supply operations and research and development capabilities on pipeline direct drinking water.

EMPLOYEES

As of March 31, 2025, the Company had a total of 10,932 full-time employees, of which 30 employees were located at its headquarters in Hong Kong and the remaining 10,902 employees were based in Mainland China.

The Company enters into individual employment contracts with all of its full-time employees. The Company's remuneration packages are generally structured by reference to market rates and individual merits. The Company's employees are generally remunerated by way of a fixed salary. The Company utilizes an appraisal system for its employees and consider the appraisal results of individual employees in conducting their salary reviews, making promotion decisions and determining the amount of bonuses. The Company's employees are also entitled to a performance-based bonus, paid leave and various subsidies.

The Company currently recruits employees primarily through on-campus recruiting programs, advertisements on recruitment websites and referrals. The Company believes that its management policies, working environment, employee development opportunities and employee benefits have together contributed to good employer-employee relations and successful employee retention.

In order to expand the vision of its employees, to strengthen their knowledge, commitment and undertaking, to increase their overall competitiveness and performance quality and to build a team of complex talents, the Company is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Company provides training across different operational functions, including induction training for new employees, technical training, cross-regional, cross-company and cross-positions on-job exchange training sessions, as well as training to enhance the employees' knowledge of safety measures when performing their duties. The Company also provides distinctive career paths for employees with excellent performance during the training period in order to reserve quality staff and management team. The Company has maintained a good working relationship with employees and maintained a low turnover rate. The Company upholds the corporate culture of "openness, inclusion, motivation and win-win" and strictly abides by the anti-discrimination principle at the workplace to treat all employees equally, regardless of their age, gender, ethnicity, marital status, health conditions or religion. According to the applicable rules and regulations in PRC and Hong Kong, the Company is required to make social insurance contributions and housing provident funds for its PRC employees and mandatory provident funds for its Hong Kong employees.

PROPERTIES

The Company's headquarters, which is leased by it, is located in Hong Kong. The Company's property interests principally comprise: (i) the land and buildings with respect to its water treatment plants and (ii) the properties leased by it.

Land Use Rights and Building Ownerships

As of the date of this Offering Memorandum, the Company occupied and used parcels of land and buildings for operation activities, of which it had not obtained the land use right certificates for certain parcels of land, and had not obtained the building ownership certificates for some of the buildings.

As of the date of this Offering Memorandum, the land use right for some of the Company's parcels of land owned were mortgaged. Except as disclosed above, there were no encumbrances on the land use rights owned by the Company or the local governments or their designees or other third-parties as of the date of this Offering Memorandum.

Leased Properties

As of the date of this Offering Memorandum, the Company leased properties in mainland China and Hong Kong, which are primarily used for operation and offices. As of the date of this Offering Memorandum, the Company had not obtained valid title certificates from relevant landlords to prove their legal rights for some of the Company's leased properties in the PRC.

As of the date of this Offering Memorandum, the Company did not experience any dispute arising out of its leased properties. As of the date of this Offering Memorandum, the Company was not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in its leased properties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Company is subject to various PRC environmental laws and regulations promulgated by the National People's Congress, the Standing Committee of the National People's Congress, central and local governments, including 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.

The Company is subject to certain environmental risks during business operations and environmental protection and safety are always a priority at all of its facilities. As of the date of this Offering Memorandum, certain subsidiaries of the Company have obtained the ISO14001 certification in recognition of their environmental management system. The Company believes that it is crucial to comply with the relevant environmental laws and regulations for long-term development and success. Any non-compliance with the environmental laws and regulations not only may subject the Company to penalties but also harm the environment. Any penalty imposed by the relevant authorities may have an adverse impact on the Company's financial position and create a negative corporate image on it, which may affect its development of future projects. Accordingly, the Company has been pursuing a sustainable approach to the environment, as well as proper consideration of its social and economic responsibilities to the wider community. The Company had a water supply management policy in place to manage overall water supply businesses in relation to its water treatment plants, pipeline network, water supply operations, brand and safety production. The Company also considers that establishing and implementing sound environmental, social and governance ("**ESG**") principles and practices will help increase the investment value and provide long-term returns to its stakeholders.

To ensure the effectiveness of its ESG risk management, the Company has adopted an extensive environmental and social management system (the "**ESMS**") and established an environmental and social management committee to supervise the ESMS and report to its Board on an annual basis. The Company had a comprehensive set of internal policies and procedures in place for daily operation and management including but not limited to bribery and corruption policy, employee code of conduct, supplier code of conduct, employment policy, environmental, health, safety and social manual, human rights policy and whistleblowing policy, to ensure social and corporate governance.

The Company has also adopted the following approaches and strategies to evaluate and manage the material ESG related issues and ensure compliance with the relevant rules and regulations, including but not limited to, (i) identifying material issues by rationalizing policies, setting clear strategies, reviewing business and determining sustainable development goals as well as considering stakeholder engagement; (ii) discussing with key stakeholders on the material ESG areas identified, and prioritizing them in terms of importance according to the degree of impact on the economy, environment and society; (iii) collecting opinions from experts, users and stakeholders and formulating administrative measures; and (iv) discussing among management to ensure all the material ESG areas which are important to business development are being reported and complied with.

As of the date of this Offering Memorandum, the Company did not have any material environment-related incident that would have a material adverse effect on its business operations, and the Company had not been subject to any fines or legal proceedings for any environmental-related violations, nor have the Company identified any threats or pending investigations by competent government authorities that would have a material adverse impact on its business operations.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company endeavors to uphold the integrity of its business by maintaining an internal control system in organizational structure. In accordance with the applicable laws and regulations, the Company has established procedures for developing and maintaining internal control system, covering areas such as corporate governance, operations, management, legal, finance and audit to meet specific business needs and to minimize risk exposure. The Company believes that its internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for its current business operation.

The Company has implemented various risk management policies and measures to identify, assess and manage risks arising from its operations. Details on risk categories identified by the Company's management, internal and external reporting mechanisms, remedial measures and contingency management have been codified in its policies.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Company is subject to the PRC laws and regulations on labor, safety and work-related incidents. The Company has established occupational safety and sanitation systems and provided safety-related training to its employees to increase their awareness of workplace safety. The Company also conducts regular inspection and maintenance checks on its equipment to ensure they meet the applicable national or industrial standards in respect of their design, manufacturing, installation and use. As of the date of this Offering Memorandum, certain subsidiaries of the Company had obtained the ISO45001:2018 certification in recognition of their occupational safety and sanity management system.

The Company believes that its health and safety control measures are adequate and comply with applicable laws and regulations in all material respects. As of the date of this Offering Memorandum, none of the Company's employees had been involved in any major accident in the course of their employment.

INSURANCE

The Company carries various insurance policies covering fixed assets, third-party liabilities, loss and damage to construction equipment and machinery, loss of construction materials, the amount and coverage of which are consistent with the market practice and business interruption. The Company also maintain social insurance cover for employees in accordance with the applicable PRC laws and the requirements of the local authorities and insurance covering accident claims arising during the course of the construction and operation of water supply projects. The Company believe that its insurance policies are adequate and consistent with the industry practice in China.

LEGAL PROCEEDINGS

The Company may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of its business such as proceedings in respect of disputes with suppliers or customers, labor disputes or infringement of intellectual property rights. As of the date of this Offering Memorandum, there had not been any material legal, arbitration, or administrative proceedings, regulatory inquiries or investigations made or pending or threatened against the Company or any of its directors.

DIRECTORS AND MANAGEMENT

Directors

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

Name	Age	Position
Duan Chuan Liang (段傳良)	62	Executive director and chairman
Ding Bin (丁斌)	49	Executive director
Li Zhong (李中)	56	Executive director
Duan Jerry Linnan (段林楠)	34	Executive director
Li Hao (李浩)	43	Non-executive director
Bai Li (白力)	51	Non-executive director
Xu Yan (許研)	50	Non-executive director
Wang Xiao Qin (王小沁)	52	Non-executive director
Chau Kam Wing (周錦榮)	62	Independent non-executive director
Siu Chi Ming (邵梓銘)	45	Independent non-executive director
Ho Ping (何萍)	53	Independent non-executive director
Xiao Zhe (肖喆)	40	Independent non-executive director

Executive Directors

Mr. Duan Chuan Liang (段傳良), aged 62, graduated from the North China University of Water Resources and Electric Power with a bachelor's degree in Water Conservancy Engineering and Construction. He is the founder of water business of the Group and has over 30 years of in-depth and distinctive experience in the water industry in China. He joined the Group in 2003.

Ms. Ding Bin (丁斌), aged 49, 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 the Group in 2007.

Mr. Li Zhong (李中), JP, aged 56, 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 1998. He held various key positions with central state-owned enterprises and well-known multinational enterprises. 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 executive director of the China Overseas Friendship Association, the honorary chairman of the Hong Kong Volunteers Association and a Hong Kong member of the standing committee of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Li is also the co-chairman and executive director of Kangda International Environmental Company Limited (stock code: 6136), which is listed on the main board of the Stock Exchange. He is currently an independent director of Konka Group Co., Ltd. (stock code: 000016, 200016), which is listed on the Shenzhen Stock Exchange. He joined the Group in 2015.

Mr. Duan Jerry Linnan (段林楠), aged 34, 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 (stock code: 6136), which is listed on the main board of the Hong Kong Stock Exchange. 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. Li Hao (李浩), aged 43, holds a bachelor degree from Dalian University of Technology and a Master of Business Administration degree in Finance from Waseda University, Japan. Mr. Li has been with ORIX Corporation ("**ORIX**", a substantial shareholder of the Company) since October 2007. He is currently the executive officer (responsible for Greater China Group) and general manager of Greater China Group at ORIX, a diversified financial services company and whose shares are listed on both Tokyo Stock Exchange and New York Stock Exchange. Mr. Li also serves as the director and president of each of ORIX (China) Investment Company Limited and ORIX Asia Capital Limited, both of which are wholly-owned subsidiaries of ORIX, and the director and the chief executive officer of ORIX China Industrial Holdings Limited, which is an affiliate of ORIX. He is also a non-executive director of Beijing Energy International Holding Co., Ltd. (stock code: 686), a non-executive director and the vice chairman of the board of directors of Shoucheng Holdings Limited (stock code: 697), whose shares are both listed on the Stock Exchange. He joined the Group in 2024.

Mr. Bai Li (白力), aged 51, graduated from Nanjing University with a doctorate. He served successively as deputy director and director of the News Department of the General Office of the People's Bank of China (during which time he served as assistant to the mayor of Xicheng District People's Government of Beijing, and concurrently served as secretary of the Party Leadership Group and executive deputy commander of the Beijing Financial Street Construction Command), and secretary of the Youth League Committee of the People's Bank of China (at the division and bureau level). He is currently the Party Secretary and Chairman of Greatwall Life Insurance Co., Ltd., which is a shareholder of the Company holding approximately 5.02% of the Company's total issued shares. He is currently a non-independent director of Guangdong Construction Engineering Group Co., Ltd. (stock code: 002060.SZ), which is listed on the Shenzhen Stock Exchange. Mr. Bai is also a non-executive director of China Datang Corporation Renewable Power Co., Limited (stock code: 1798) which is listed on the main board of the Stock Exchange. He joined the Group in 2025.

Mr. Xu Yan (許研), aged 50, graduated from Northeastern University with a doctorate. He has worked for Dalian Development and Reform Commission and served as senior management in various state-owned and private enterprises. He joined ORIX Group in 2022. ORIX Corporation is a substantial shareholder of the Company. Mr. Xu is currently the Co-President of ORIX (China) Industrial Holdings Co., Ltd. and the Executive President of 大連金融產業投資集團有限公司 (Dalian Financial & Industry Investment Group Co., Ltd.*). He is also currently a director of 北京東方中科集成科技股份有限公司 (Beijing Oriental Zhongke Integrated Technology Co., Ltd.*), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002819).

Ms. Wang Xiao Qin (王小沁), aged 52, 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 the Group in 2004.

Independent Non-executive Directors

Mr. Chau Kam Wing (周錦榮), aged 62, 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), which is listed on the GEM of the Hong Kong Stock Exchange. He joined the Group 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 45, obtained a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. He is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Chartered Governance Institute as well as The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). Mr. Siu was 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 53, 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.

Mr. Xiao Zhe (肖喆), aged 40, has over 10 years of working experience in finance and investment. From March 2015 to December 2018, he worked as an investment manager in China Minsheng Investment Group (中國民生投資集團), where he was responsible for investment management. From May 2013 to March 2015, he worked as an analyst in securities research department of Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司). From March 2010 to May 2013, he worked as an analyst in securities research department of Sinolink Securities Co., Ltd. (國金證券股份有限公司). Mr. Xiao obtained a bachelor's degree in Materials Science and Engineering in July 2007 and a master's degree in Finance in March 2010 from Shanghai Jiao Tong University in the PRC, respectively. He joined the Group in 2024. He is also a member of the audit committee and remuneration committee of the Company.

Board Committees

Audit Committee

The Company has an audit committee in compliance with the Hong Kong Listing Rules. The audit committee consists of four 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 four 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

Mr. Lie Chi Wing, Aston (李志榮), aged 47, 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 (stock code: 3963), a company listed on the main board of the Hong Kong Stock Exchange. He joined the Group in 2010.

Mr. Liu Yong (劉勇), aged 55, is the general manager of the Group. Mr. Liu graduated from the Southeast University with a bachelor's degree in Detection Technology and Instrument and obtained a master's degree in Business Administration from Fudan University in 2014. Mr. Liu has been a senior water supply and drainage engineer since 2004 and he acquired the PRC Certified Asset Appraiser Certificate from the China Assets Appraisal Association in 1997. Mr. Liu has over 20 years of senior management experience in water project design, water construction project management and water plant operation in water industry in China. He joined the Group in 2006.

SUBSTANTIAL SHAREHOLDERS

As of March 31, 2025, as far as the Company is aware, the following persons had interests or short positions in the shares or underlying shares which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company (%)
Duan Chuan Liang	Beneficial	445,443,901	Long position	27.29
Asset Full Resources Limited[1]	Beneficial	218,044,301	Long position	13.36
ORIX Corporation[2]	Beneficial	445,136,277	Long position	27.27
青島海發國有資本投資運營集團有限公司[3]	Beneficial	122,772,000	Long position	7.52
ORIX (China) Industrial Holdings Limited[2]	Beneficial	122,772,000	Long position	7.52
長城人壽保險股份有限公司	Beneficial	82,000,000	Long position	5.02

Note:

(1) These shares are beneficially owned by Asset Full Resources Limited, a company incorporated in the British Virgin Islands, whose entire issued capital is wholly and beneficially owned by Mr. Duan Chuan Liang, the Chairman and executive Director of the Company.

(2) The shares were held by ORIX Corporation as to 291,170,277 shares by ORIX Corporation directly, 122,772,000 shares through its controlled corporation ORIX (China) Industrial Holdings Limited and 31,194,000 shares through its controlled corporation ORIX Asia Capital Limited.

(3) 青島海發國有資本投資運營集團有限公司 was deemed to be interested in 122,772,000 shares through its controlled corporation ORIX (China) Industrial Holdings Limited.

Save as disclosed above, as of March 31, 2025, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

NOTES BEING ISSUED AS BLUE BONDS

PURPOSE

The Group's Green & Blue Finance Framework ("GFF" or the "Framework") has been developed to detail how the Group and its subsidiaries intend to issue green financing transactions ("GFT") to fund projects and developments that will deliver environmental benefits to support its 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 and Notes issued under the Framework will be aligned with the ICMA Green Bond Principles 2021 ("GBP") with June 2022 Appendix or as they may be subsequently amended.

- Loans issued under the Framework will be aligned to the LMA/APLMA/LSTA Green Loan Principles 2023 ("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.

For Blue Bonds and Blue Loans, an equivalent amount of the net proceeds will be exclusively applied to Sustainable Water and Wastewater Management category. Additionally, the Blue Bonds and Blue Loans issued under this Framework will align with the Guidelines for Blue Finance developed by the International Finance Corporation (IFC) – January 2022 version.

GFTs do not place restrictions on the tenor and currency and can include other terms and conditions including covenants, to reflect the Group's 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 the Group's 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. The Group is 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	GBP-environmental Objectives Mapping
Sustainable Water and Wastewater Management *Eligible for Blue Bonds & Loans*	• 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	 	Pollution Prevention and Control Climate Change Mitigation Natural Resource Conservation
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		Climate Change Mitigation

1. 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

- Wastewater treatment plant that dedicated to fossil fuel related industries

- Other activities listed in the UNEP FI's Recommended Exclusions for Financing a Sustainable Blue Economy

II. Project Evaluation and Selection

The Group imposes strict environmental and risk management policy during its 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 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 the 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

The Group intends 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 the Group's finance team and the proceeds from each GFT will be deposited in general funding accounts and will be earmarked to Eligible Green Projects. The Group 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 and notes, 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 the Group's liquidity guidelines for short term time deposits or investments. The Group commits 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, and at least on annual basis. The Group strives to maintain over time 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, the Group commits to substitute that project with an alternative Eligible Green Project.

IV. Reporting

The Group will provide information on the allocation of the net proceeds from each GFT in its 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

The Group 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, the Group aims 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

I. Pre-issuance – Second Party Opinion

The Group has engaged Moody's Ratings 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 SPO has been made public on the Group's website at http://www.chinawatergroup.com/.

II. Post-issuance – Compliance Review and Verification

On a yearly basis until the full allocation of the net proceeds of the Green Financing Instruments, The Group will engage an independent third party to review whether the eligible projects are in compliance with this Framework. In addition, the Group will also engage an independent third party to provide verification on the impact indicators. The report will be made public on the Group's website at http://www.chinawatergroup.com/.

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 Notes are to be issued under an indenture (the "Indenture"), to be 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 to Holders electronically via e-mail from the Trustee upon prior written request and proof of holding and identity satisfactory to the Trustee, so long as any of the Notes are outstanding.

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 October 22, 2030, 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 5.875% 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 October 22 and April 22 of each year (each an "Interest Payment Date"), commencing April 22, 2026. 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 October 7 or April 7 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 Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that payment of interest shall be made by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) in accordance with the rules of Euroclear and Clearstream.

The Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of China Water Supply Group Limited, Fortune Trend Holdings Limited, GT Water Holdings Limited, Hang Da Holdings (HK) Limited, Gold Tact (Hong Kong) Limited, Dragon Wealthy Corporation Limited, China Water (Hong Kong) Investment Limited, Silver Dragon Water Supply Group Limited, China Water Group (HK) Limited, Oceanup Investment Limited, Ming Hing Waterworks Engineering (PRC) Limited, China Water International Limited, New Prime Holdings Limited, Broad Intelligence Group Limited, Create Capital Development Limited and Goldtrust Water Holdings Limited. All of the Subsidiary Guarantors are holding companies that do not have significant operations. All of the Company's Restricted Subsidiaries other than the initial Subsidiary Guarantors are referred to as the "Initial Non-Guarantor Subsidiaries".

The Company will cause each of its future Restricted Subsidiaries (other than those Restricted Subsidiaries organized under the laws of the PRC who will be identified in writing by the Company to the Trustee (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 and all other amounts payable under the Indenture. 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 March 31, 2025,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total consolidated indebtedness of approximately HK$25.2 billion (US$3.2 billion), of which HK$9.5 billion (US$1.2 billion) was secured; and

- the Non-Guarantor Subsidiaries had total indebtedness of approximately HK$13.8 billion (US$1.8 billion).

In addition, as of March 31, 2025, the Non-Guarantor Subsidiaries had capital commitments of approximately HK$262.3 million (US$33.7 million) for the purchase of property, plant and equipment 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 and any and all other obligations under the Indenture 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. In addition, the Company must deliver an Officer's Certificate of the Company to the Trustee stating that all conditions precedent to such release have been satisfied.

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" in compliance with the terms of the Indenture. 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.

In addition, the issuance of any Additional Notes by the Company will be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be guaranteed under the Indenture, the Notes, any Subsidiary Guarantees to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued; and

(2) the Company shall have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture.

Optional Redemption

At any time and from time to time on or after October 22, 2028, 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 October 22 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**
2028	**102.938%**
2029 and thereafter	**101.469%**

At any time prior to October 22, 2028, 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 October 22, 2028, 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 105.875% 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 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 notify the Trustee and the Holders and 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.

Neither the Trustee nor any Agent shall 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 and the Agents 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 and the Agents 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 and the Agents 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 and the Agents 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) upon which the Trustee can conclusively rely on without any duty of verification.

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, 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) facilitate (if required) the completion by 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. By their acquisition of the Notes, the Holders hereby authorize the Trustee to take such actions as is directed by the Issuer to assist it to create and maintain the Liens, pledge, collateral or security arrangements.

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 Company 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 or if the Note is a Global Note, in accordance with the rules and procedures of Euroclear and Clearstream. 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.

Upon a Suspension Event, the Company shall deliver an Officer's Certificate to the Trustee certifying that a Suspension Event has occurred and that certain covenants are subject to a period of suspension. Upon the date the covenants are reinstituted, the Company shall deliver an Officer's Certificate to the Trustee certifying that such covenants are no longer subject to suspension.

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 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 (refusal which the Company shall inform the Trustee in writing

which the Trustee is entitled to rely on); 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. The Trustee shall not be required to review or verify the accuracy and correctness of any calculation and arithmetic computation in the Officers' Certificate furnished or delivered to it as contemplated in this clause, and shall not be liable to any Holder or any other person for not doing so.

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 (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), 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 and/or prefunding 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 and/or prefunding 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 written 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 and all other amounts payable under the Indenture 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 and all other amounts payable under the Indenture 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 and all other amounts payable under the Indenture;

(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 and all other amounts payable under the Indenture, 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 shall 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 or the Agents. 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 and the Agents shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee and the Agents 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 and the Agents 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 and the Agents have no duty to monitor the performance or compliance of the Company in the fulfillment of the Company's obligations under the Indenture.

The Trustee and the Agents 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.

"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 October 22, 2028, 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 October 22, 2028 (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 October 22, 2028, 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) the Permitted Holders, directly or indirectly, cease to beneficially hold at least 20% of the total voting power of the Voting Stock of the Company or Mr. Duan Chuan Liang ceases to be the chairman of the Board of Directors;

(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 October 22, 2028 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 October 22, 2028.

"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, amended on August 26. 2021, amended by way of consent and waiver letter on February 21, 2022, and as subsequently amended and restated on March 20, 2023, 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, on March 28, 2019 and on March 20, 2023, 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, among others, the Company, the persons named therein as guarantors and DEG– Deutsche Investititions-und Entwicklungsgesellschaft MBH and Société de Promotion et de Participation pour la Coopération Economique S.A. as lenders, as amended on September 9, 2019 and as amended and restated on September 27, 2022, and as may be further amended and/or restated from time to time and (ii) the Loan Agreement dated August 25, 2023 between, among others, Silver Dragon Water Supply Group Limited as borrower, the Company and the other persons named therein as guarantors and DEG– Deutsche Investititions-und Entwicklungsgesellschaft MBH and Société de Promotion et de Participation pour la Coopération Economique S.A. as lenders, 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 Ratings Ltd., a subsidiary of the Fitch Group, a jointly owned subsidiary of Fimalae, S.A. and Hearst Corporation, 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 ules 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.

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 (中華人民共和國水法) 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.

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, implemented on June 1, 2015 and amended on March 28, 2024, 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.

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) amended on March 28, 2024, the concession term for infrastructure and public utilities concession projects shall not exceed 40 years in principle, but the concession term for those with significant investment scale and long investment return cycle may be extended appropriately in accordance with the actual situation of projects, unless otherwise provided by laws and regulations. After the term expires, governments may re-select the concessionaire based on the relevant procedures.

Pricing

According to the Measures for the Administration on the Price of Urban Water Supply (城鎮供水價格管理辦法) promulgated on August 3, 2021 and implemented on October 1, 2021 by the NDRC and the MOHURD, the competent price departments of the government at or above county level shall be the competent departments for the urban water supply price. The price of urban water supply is set by the government. In determining the price of urban water supply, a hearing system and an announcement system shall be adopted.

According to the Regulations on Urban Water Supply (城市供水條例) promulgated by the State Council on July 19, 1994, implemented on October 1, 1994, and amended on March 19, 2018 and March 27, 2020, the water for production and operation shall be priced with reasonable pricing. The method for formulating urban water supply prices shall be prescribed by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

According to the Rules on the Government's Conduct of Pricing (政府制定價格行為規則) promulgated by NDRC on September 18, 2017, and implemented on January 1, 2018, when setting prices, the pricing authorities shall perform procedures such as cost investigation, cost supervision and examination, social opinion soliciting, legality examination, group deliberation and decision making on pricing.

According to the Measures for the Supervision and Examination of Urban Water Pricing related Cost (城鎮供水定價成本監審辦法) promulgated by the NDRC and the MOHURD on August 3, 2021, and implemented on October 1, 2021, the verification of the pricing cost of urban water supply should follow the following principles: principle of legality, principle of relevance, and principle of rationality. According to the NDRC and the MOHURD's Guiding Opinions on Accelerating the Establishment and Improvement of the Urban Residential Water Ladder Price System (國家發展改革委、住房城鄉建設部關於加快建立完善城鎮居民用水階梯價格制度的指導意見) issued by the NDRC and the MOHURD on December 31, 2013, the resident ladder water price system is demanded to be established and improved. The system should be no less than three levels. According to the guarantee function of different levels, the first and second levels should maintain the appropriate price difference, and the third level should reflect the scarcity of water resources, increase the price difference, and restrain unreasonable consumption.

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) (GB5749-2022), promulgated on March 15, 2022 and effective from April 1, 2023. 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 24, 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:

- 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.

- 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.

- 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.

- 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;

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

Business Qualifications and Licenses

Health Permit

Through 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 on January 21, 1988 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 five 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

Through 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.

Through 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 to establish 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 and 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税和防止偷漏税的安排), 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 (國家税務總局關於執行税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(國家税務總局關於税收協定中"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税政策的通知), 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税政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on December 9, 2008 and repealed on July 1, 2015.

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to the Law of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設税法), promulgated by the Standing Committee of the National People's Congress of the PRC on August 11, 2020 and implemented on September 1, 2021, entities or individuals who are subject to consumption tax and value added tax are also 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 December 29, 2023 and effective on July 1, 2024 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.

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 Bondholder 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 the Company or by its shareholders in respect of its 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 the Company 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.

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

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, profession 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;

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(c) interest on the Notes is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

(d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of Section 16(3) of the Inland Revenue Ordinance).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Notes will be subject to profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of the sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Notes.

PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (《中華人民共和國企業所得税法》), or the "EIT Law" and its implementation regulations, enterprises that are established under the laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Company or any Subsidiary Guarantor is within the PRC, the Company or such Subsidiary Guarantor may be held to be a PRC tax resident enterprise for purposes of the EIT Law and income or gains paid with respect to the Notes may considered to be derived from sources within the PRC, and be subject to enterprise income tax at the rate of 25%.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC.

In the event the Company is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Notes may be considered to be PRC source, in which case the Company would be required to withhold income tax at a rate of 10% from payments of interest in respect of the Notes to any non-resident enterprise Bondholders or 20% in the case of non-resident individual Bondholders. Any capital gain realised by a non-resident enterprise from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC withholding tax of 10% for non-resident enterprise Bondholders or 20% in the case of non-resident individual Bondholders. Any PRC tax liability of non-resident Bondholders may be reduced under applicable tax treaties. However, it is unclear whether in practice non-resident Bondholders may be able to obtain the benefits of tax treaties between their countries and the PRC.

Value-add Tax

On March 23, 2016, MOF and SAT issued Circular 36 which confirms that business tax is replaced by VAT from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to the Company and the Group, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Company is deemed to be in the PRC by the PRC tax authorities, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Company to any non-resident Bondholders may subject to withholding VAT at the rate of around 6%.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, if the Company is regarded as a PRC tax resident enterprise, the Company shall withhold EIT (should such tax apply) and VAT (should such tax apply) from the payments of interest in respect of the Notes to any non-PRC-resident Bondholder. However, in the event that the Company is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Company has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. The requirement to pay additional amounts will increase the cost of servicing the debt.

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Notes or upon a subsequent transfer of Notes to the extent that the register of holders of the Notes is maintained outside the PRC, the relevant contracts are signed outside the PRC and their governing law is not PRC law, and the issuance and the sale of the Notes is made outside of the PRC.

PLAN OF DISTRIBUTION

Morgan Stanley & Co. International plc, Barclays Bank PLC, China International Capital Corporation Hong Kong Securities Limited, China CITIC Bank International Limited, Deutsche Bank AG, Hong Kong Branch, DBS Bank Ltd. and SMBC Nikko Securities (Hong Kong) Limited, are acting as the joint global coordinators 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 Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	**Principal Amount of Notes**
Morgan Stanley & Co. International plc	US$30,000,000
Barclays Bank PLC	US$20,000,000
China International Capital Corporation Hong Kong Securities Limited	US$20,000,000
China CITIC Bank International Limited	US$20,000,000
Deutsche Bank AG, Hong Kong Branch	US$20,000,000
DBS Bank Ltd.	US$20,000,000
SMBC Nikko Securities (Hong Kong) Limited	US$20,000,000
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 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 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 Notes.

The Initial Purchasers propose initially to offer the 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 Notes through certain of their affiliates.

DEG-Deutsche Investitions-und Entwicklungsgesellschaft mbH ("DEG") has subscribed for an aggregate principal amount of US$35 million of the Notes.

Notes Are Not Being Registered

The 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 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 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 Notes will be deemed to have made acknowledgments, representations and agreements as described under "Notice to Investors."

New Issue of Notes

The Notes are a new issue of securities with no established trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the 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 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 Notes. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. If the 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 Notes will be made to investors on or about October 22, 2025, which will be the 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 Notes prior to the delivery of the Notes hereunder will be required, by virtue of the fact that the 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 Notes who wish to trade the Notes prior to their date of delivery hereunder should consult their advisors.

Investors who purchase 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 Notes sold to the Initial Purchasers pursuant to the purchase agreement.

Stabilization and Short Positions

In connection with the offering of the 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 Notes than they are required to purchase in the offering. The Initial Purchasers may close out any short position by purchasing 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 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 Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the 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 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 Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. Each of the Initial Purchasers or its affiliates may purchase the 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 Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the 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 notes offered hereby. Any such short positions could adversely affect future trading prices of the 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.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OC(s) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Company, the Subsidiary Guarantors or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and, if applicable, any MiFID II product governance and UK MiFIR product governance language set out elsewhere in this offering memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to the OC(s) when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Company or the Subsidiary Guarantors. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Initial Purchasers (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: omnibus_debt@morganstanley.com, barclayssfcomnibusorders-debt@barclays.com, TMG_Syndicate@cncbinternational.com, asiasyn.omnibus@list.db.com, DCMOmnibus@dbs.com and dcmnea@smbcnikko-hk.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OC(s); and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OC(s). By submitting an order and providing such information to any OC(s), each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OC(s) and/or any other third parties as may be required by the SFC Code, including to the Company, the Subsidiary Guarantors, relevant regulators and/or any other third parties as may be required by the

SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Initial Purchasers with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Initial Purchasers that it is not a Sanctions Restricted Person. A "Sanctions Restricted Person" means an individual or entity (a "Person"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "SSI List"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "EU Annexes"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of June 3, 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of November 12, 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "Sanctions Authority" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China;(f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

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 Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes, in any jurisdiction where action for any such purpose may be required. Accordingly, the 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 Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Initial Purchaser or its affiliate on behalf of the Issuer in such jurisdiction.

United States

The 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 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 Notes and the Subsidiary Guarantees, an offer or sale of the 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 Notes, in whole or in part, for any reason. This offering memorandum does not constitute an offer to any person in the United States. 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.

Prohibition of Sales to EEA Retail Investors

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 Notes to any retail investor in the European Economic Area ("EEA"). For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (as amended, 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.

Prohibition of Sales to UK Retail Investors

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 Notes to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(b) 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 by virtue of the EUWA.

Other Regulatory Restrictions in the 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 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 Notes in, from or otherwise involving the United Kingdom.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution, and that are "accredited investors", as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Hong Kong

The 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 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 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 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 Notes. Accordingly, the 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 Notes may not be circulated or distributed, nor may the 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 or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to 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.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 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

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons 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 Notes but the Notes may be acquired by British Virgin Islands persons who receive the offer outside the British Virgin Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

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 Notes.

The Notes and the Subsidiary Guarantees are subject to restrictions on transfer as summarized below. By purchasing the 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 Notes and the Subsidiary Guarantees have not been registered under the Securities Act or any other applicable securities laws;

   - the 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 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 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 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 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 Notes and the Subsidiary Guarantees. You agree that you have had access to such financial and other information concerning us and the Notes and the Subsidiary Guarantees as you have deemed necessary in connection with your decision to purchase the 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 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 Notes in violation of the Securities Act.

5. You acknowledge that each Note will contain a legend substantially to the following effect:

THIS NOTE AND THE SUBSIDIARY GUARANTEES RELATED TO THIS 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 Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any 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 Notes may not be circulated or distributed, nor may the 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 or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to 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.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time 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 Notes are expected to be assigned a rating of "Ba1" by Moody's Investors Service and "BB+" by Standard & Poor's Global Rating Services. A security rating is not a recommendation to purchase, hold or sell the Notes inasmuch as such rating does not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgement, circumstances so warrant. See "*Risk Factors – Risks Relating to the Notes – Credit ratings may not reflect all risks and the ratings assigned to the Notes may be lowered or withdrawn in the future*."

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+ Stable" by Standard & Poor's Global Rating Services. The Company cannot assure you that the ratings on the Notes or its 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.

GENERAL INFORMATION

Listing

Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the accuracy or correctness of any of the statements made or opinions or reports contained in this Offering Memorandum. Approval in-principle granted by the SGX-ST for the listing 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. The Notes will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Approval in-principle has been obtained for the Notes to be recognised under the SGX Sustainable Fixed Income initiative on the SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Notes will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the SGX-ST may remove the recognition from the Notes at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX website.

Authorisation

The issue of the Notes was authorised by a resolution of the board of directors of the Company passed on October 10, 2025. The Company has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

NDRC Registration

The Company has registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on October 25, 2024 evidencing such registration. The Company will undertake to file or cause to be filed with the NDRC the requisite information and documents on the issuance of the Notes to the NDRC within the prescribed time period prescribed by the NDRC after the Issue Date and any implementation rules as issued by the NDRC from time to time.

Legal and Arbitration Proceedings

Except as disclosed in this Offering Memorandum, neither the Company nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Company is aware), which may have or have had, during the 12 months prior to the date of this Offering Memorandum, a significant adverse effect on the financial position or profitability of the Company or the Group.

Significant/Material Change

There has been no material adverse change in the financial or trading position or prospects of the Company and the Group since March 31, 2025.

Auditor

The Audited Financial Statements, which are included elsewhere in this Offering Memorandum, have been audited by the Company's predecessor auditor, PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein. PricewaterhouseCoopers has issued unqualified opinions on the Audited Financial Statements.

INDEX TO THE FINANCIAL STATEMENTS

The Audited Financial Statements of the Company for the years ended March 31, 2024 and 2025 below are extracted from the audited consolidated financial statements of the Group as of and for the year ended March 31, 2024 and the audited consolidated financial statements of the Group as of and for the year ended March 31, 2025.

Audited Consolidated Financial Statements of the Company for the Year Ended March 31, 2025

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Audited Consolidated Financial Statements of the Company for the Year Ended March 31, 2024

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Consolidated Income Statement

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Revenue	6	**11,655,565**	12,858,515
Cost of sales		**(7,250,587)**	(8,082,551)
Gross profit		**4,404,978**	4,775,964
Other income, net	6	**544,506**	372,709
Selling and distribution costs		**(222,035)**	(265,942)
Administrative expenses		**(702,201)**	(822,560)
Expected credit loss on trade and other receivables	22, 27	**(497,735)**	(10,000)
Operating profit	8	**3,527,513**	4,050,171
Finance costs	9	**(847,116)**	(724,654)
Share of results of associates	18	**69,748**	44,141
Profit before income tax		**2,750,145**	3,369,658
Income tax expense	10	**(722,067)**	(778,301)
Profit for the year		**2,028,078**	2,591,357
Profit for the year attributable to:			
Owners of the Company		**1,074,663**	1,533,543
Non-controlling interests		**953,415**	1,057,814
		2,028,078	2,591,357
Earnings per share for profit attributable to owners of the Company during the year	11	**HK$**	HK$
Basic		**0.66**	0.94
Diluted		**0.66**	0.94

The notes on pages 61 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

	2025 HK$'000	2024 HK$'000
Profit for the year	**2,028,078**	2,591,357
Other comprehensive loss		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**(315,316)**	(1,617,922)
– Recycling of currency translation differences upon deregistration or disposal of subsidiaries, net	**(1,130)**	26
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**13,397**	(111,890)
– Share of other comprehensive income/(loss) of an associate	**17,068**	(5,128)
Other comprehensive loss for the year, net of tax	**(285,981)**	(1,734,914)
Total comprehensive income for the year	**1,742,097**	856,443
Total comprehensive income attributable to:		
Owners of the Company	**880,949**	227,264
Non-controlling interests	**861,148**	629,179
	1,742,097	856,443

The notes on pages 61 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**2,532,627**	3,422,496
Right-of-use assets	16	**1,332,683**	1,388,089
Investment properties	17	**1,457,690**	1,306,249
Investment in associates	18	**2,266,806**	2,151,263
Financial assets at fair value through other comprehensive income	19	**361,214**	345,320
Goodwill	20	**1,362,565**	1,371,118
Other intangible assets	21	**34,155,770**	31,847,158
Prepayments, deposits and other receivables	22	**679,244**	686,960
Contract assets	23	**2,080,110**	1,798,014
Receivables under service concession arrangements	28	**2,043,187**	2,049,741
		48,271,896	46,366,408
Current assets			
Properties under development	24	**610,162**	1,199,731
Properties held for sale	25	**1,328,890**	1,049,150
Inventories	26	**672,520**	667,498
Contract assets	23	**2,936,615**	2,220,961
Receivables under service concession arrangements	28	**151,464**	120,796
Trade and bills receivables	27	**2,527,194**	2,135,973
Financial assets at fair value through profit or loss	29	**5,435**	491,668
Amounts due from non-controlling equity holders of subsidiaries	35	**394,652**	214,792
Amounts due from associates	18	**1,118,031**	394,240
Prepayments, deposits and other receivables	22	**2,424,756**	2,830,658
Pledged deposits	30	**678,233**	745,396
Cash and cash equivalents	30	**4,771,795**	4,804,799
		17,619,747	16,875,662
Current liabilities			
Lease liabilities		**47,059**	38,613
Contract liabilities	31	**854,323**	1,069,563
Trade and bills payables	32	**8,087,089**	6,849,362
Accrued liabilities, deposits received and other payables	33	**2,995,083**	2,685,314
Amounts due to associates	18	**29,995**	21,764
Borrowings	34	**5,735,988**	6,971,524
Amounts due to non-controlling equity holders of subsidiaries	35	**212,917**	126,857
Provision for tax		**3,446,970**	2,984,412
		21,409,424	20,747,409
Net current liabilities		**(3,789,677)**	(3,871,747)
Total assets less current liabilities		**44,482,219**	42,494,661

Consolidated Statement of Financial Position

As at 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Non-current liabilities			
Borrowings	34	**19,449,230**	17,878,737
Lease liabilities		**408,271**	332,314
Contract liabilities	31	**249,810**	254,574
Amounts due to non-controlling equity holders of subsidiaries	35	**777,323**	818,436
Deferred government grants	36	**180,534**	190,700
Deferred tax liabilities	37	**1,544,365**	1,567,358
		22,609,533	21,042,119
Net assets		**21,872,686**	21,452,542
Equity			
Equity attributable to owners of the Company			
Share capital	38	**16,323**	16,323
Reserves	40	**13,155,624**	12,770,470
		13,171,947	12,786,793
Non-controlling interests		**8,700,739**	8,665,749
Total equity		**21,872,686**	21,452,542

The consolidated financial statements on pages 52 to 166 were approved and authorised for issue by the board of directors on 30 June 2025 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 61 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Equity attributable to owners of the Company													
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium 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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2023	**16,323**	**293,818**	**281,716**	**3,304**	**32,373**	**(179,136)**	**96,808**	**(74,418)**	**8,149**	**1,331,059**	**11,183,158**	**12,993,154**	**8,178,980**	**21,172,134**
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	236,360	236,360
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	72,395	–	–	–	72,395	(233,585)	(161,190)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	41,497	41,497
Final dividend 2023 (note 12)	–	(293,818)	–	–	–	–	–	–	–	–	–	(293,818)	–	(293,818)
Interim dividend 2024 (note 12)	–	–	–	–	–	–	–	–	–	–	(212,202)	(212,202)	–	(212,202)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(186,682)	(186,682)
Transactions with owners	**–**	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**72,395**	**–**	**–**	**(212,202)**	**(433,625)**	**(142,410)**	**(576,035)**
Proposed final dividend 2024 (note 12)	**–**	**244,848**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,848)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138,364**	**(138,364)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,533,543	1,533,543	1,057,814	2,591,357
Other comprehensive (loss)/income														
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	(111,890)	–	–	(111,890)	–	(111,890)
– Currency translation	–	–	–	–	–	(1,189,287)	–	–	–	–	–	(1,189,287)	(428,635)	(1,617,922)
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	(875)	(4,253)	–	–	(5,128)	–	(5,128)
– Recycling of currency translation differences upon disposal of a subsidiary	–	–	–	–	–	26	–	–	–	–	–	26	–	26
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(1,189,261)**	**–**	**(875)**	**(116,143)**	**–**	**1,533,543**	**227,264**	**629,179**	**856,443**
Balance at 31 March 2024	**16,323**	**244,848**	**281,716**	**3,304**	**32,373**	**(1,368,397)**	**96,808**	**(2,898)**	**(107,994)**	**1,469,423**	**12,121,287**	**12,786,793**	**8,665,749**	**21,452,542**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Equity attributable to owners of the Company														
	Share capital HK$'000	Proposed final dividend HK$'000	Treasury shares HK$'000 (note 38)	Share premium HK$'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$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2024	**16,323**	**244,848**	**-**	**281,716**	**3,304**	**32,373**	**(1,368,397)**	**96,808**	**(2,898)**	**(107,994)**	**1,469,423**	**12,121,287**	**12,786,793**	**8,665,749**	**21,452,542**
Share repurchase	-	-	(27,515)	-	-	-	-	-	-	-	-	-	(27,515)	-	(27,515)
Share repurchase expenses	-	-	(85)	-	-	-	-	-	-	-	-	-	(85)	-	(85)
Transactions with non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	(11,194)	-	-	-	(11,194)	(209,956)	(221,150)
Deregistration or disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,021)	(1,021)
Capital injection by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	55,280	55,280
Final dividend 2024 (note 12)	-	(244,848)	-	-	-	-	-	-	-	-	-	-	(244,848)	-	(244,848)
Interim dividend 2025 (note 12)	-	-	-	-	-	-	-	-	-	-	-	(212,153)	(212,153)	-	(212,153)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(670,461)	(670,461)
Transactions with owners	**-**	**(244,848)**	**(27,600)**	**-**	**-**	**-**	**-**	**-**	**(11,194)**	**-**	**-**	**(212,153)**	**(495,795)**	**(826,158)**	**(1,321,953)**
Proposed final dividend 2025 (note 12)	**-**	**244,132**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(244,132)**	**-**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,028**	**(190,028)**	**-**	**-**	**-**
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	1,074,663	1,074,663	953,415	2,028,078
Other comprehensive (loss)/income															
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	-	-	-	-	-	-	-	-	-	13,397	-	-	13,397	-	13,397
– Currency translation	-	-	-	-	-	-	(223,049)	-	-	-	-	-	(223,049)	(92,267)	(315,316)
– Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	3,395	13,673	-	-	17,068	-	17,068
– Recycling of currency translation differences upon deregistration or disposal of subsidiaries	-	-	-	-	-	-	(1,130)	-	-	-	-	-	(1,130)	-	(1,130)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(224,179)**	**-**	**3,395**	**27,070**	**-**	**1,074,663**	**880,949**	**861,148**	**1,742,097**
Balance at 31 March 2025	**16,323**	**244,132**	**(27,600)**	**281,716**	**3,304**	**32,373**	**(1,592,576)**	**96,808**	**(10,697)**	**(80,924)**	**1,659,451**	**12,549,637**	**13,171,947**	**8,700,739**	**21,872,686**

The notes on pages 61 to 166 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Cash flows from operating activities			
Profit before income tax		**2,750,145**	3,369,658
Adjustments for:			
Finance costs	9	**847,116**	724,654
Share of results of associates	18	**(69,748)**	(44,141)
Interest income	6	**(185,482)**	(191,674)
Dividend income from financial assets	6	**(6,465)**	(5,542)
Amortisation of deferred government grants	6	**(10,425)**	(13,205)
(Gain)/loss on disposal of property, plant and equipment, net	6	**(179)**	1,009
(Gain)/loss on disposal of right-of-use assets	6	**(4,410)**	406
(Gain)/loss on disposal of other intangible assets, net	6	**(214)**	866
Gain on disposal of investment properties		**–**	(275)
Fair value gain on investment properties	6	**(55,908)**	–
(Gain)/loss on deregistration or disposal of subsidiaries, net	6	**(28,960)**	6,515
Gain on disposal of financial assets at fair value through other comprehensive income		**–**	(4,080)
Depreciation of property, plant and equipment	8	**146,694**	150,308
Depreciation of right-of-use assets	8	**85,101**	74,034
Amortisation of other intangible assets	8	**890,950**	833,846
Property, plant and equipment written off	8	**979**	277
Trade receivables written off	8	**1,038**	817
Expected credit loss on trade and other receivables	8	**497,735**	10,000
Write-down of completed properties held for sales	8	**94,789**	–
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		**(279,246)**	(489,440)
Operating profit before working capital changes		**4,673,510**	4,424,033
Increase in properties under development		**(117,003)**	(166,311)
Decrease in properties held for sale		**307,594**	145,051
Increase in inventories		**(39,473)**	(52,023)
Increase in contract assets		**(1,293,168)**	(1,334,990)
(Increase)/decrease in receivables under service concession arrangements		**(47,707)**	126,473
Increase in trade and bills receivables		**(461,563)**	(1,378)
Decrease/(increase) in prepayments, deposits and other receivables		**60,128**	(214,376)
Decrease in contract liabilities		**(184,600)**	(300,938)
Increase in trade and bills payables		**1,313,908**	1,701,745
Increase/(decrease) in accrued liabilities, deposits received and other payables		**338,403**	(351,765)
Cash generated from operations		**4,550,029**	3,975,521
Interest paid for bank and other loans		**(823,153)**	(706,234)
Interest paid on lease liabilities		**(23,963)**	(18,420)
Income taxes paid		**(309,267)**	(473,566)
Net cash generated from operating activities		**3,393,646**	2,777,301

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Cash flows from investing activities			
Interest received		**185,482**	191,674
Dividend received from financial assets		**6,465**	5,542
Purchase of property, plant and equipment	15	**(291,491)**	(412,292)
Proceeds from disposal of property, plant and equipment		**2,213**	4,521
Purchase of right-of-use assets – land lease payments	16	**(19,642)**	(180,480)
Proceeds from disposal of right-of-use assets		**5,121**	282
Additions of investment properties	17	**(109,732)**	(28,786)
Proceeds from disposal of investment properties		**–**	10,165
Purchase of financial assets at fair value through other comprehensive income		**(1,465)**	(2,315)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	82,828
Proceeds from disposal of financial assets at fair value through profit or loss, net		**477,091**	42,857
Additions of other intangible assets		**(2,932,814)**	(4,547,225)
Proceeds from disposal of other intangible assets		**428**	153
Acquisition of subsidiaries (net of cash and cash equivalent acquired)		**30**	(157,356)
Disposal of subsidiaries (net of cash and cash equivalent disposed)		**20,015**	7,685
(Increase)/decrease in amounts due from non-controlling equity holders of subsidiaries		**(182,195)**	20,134
Investments in associates		**(1,359)**	(440)
Proceeds from disposal of associates		**–**	432
Dividends received from associates		**23,050**	14,763
Decrease/(increase) in amounts due from associates		**11,979**	(137,297)
Increase in other receivables		**(129,557)**	(98,797)
Deferred government grants received		**2,306**	–
Decrease/(increase) in pledged deposits		**60,880**	(249,886)
Net cash used in investing activities		**(2,873,195)**	(5,433,838)

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

	Notes	2025 HK$'000	2024 HK$'000
Cash flows from financing activities			
Payment for repurchase of ordinary shares		**(27,600)**	–
Acquisition of additional interests in subsidiaries		**(221,914)**	(164,884)
Capital injection by non-controlling equity holders of subsidiaries		**55,280**	41,497
Change in amounts due to non-controlling equity holders of subsidiaries		**55,051**	(188,314)
Dividend paid to non-controlling equity holders of subsidiaries		**(670,461)**	(186,682)
Change in amounts due to associates		**8,468**	(11,165)
Repayment of lease liabilities		**(47,703)**	(37,403)
Drawdown of bank loans		**10,369,009**	11,164,242
Repayment of bank loans		**(11,151,451)**	(10,018,975)
Drawdown of other loans		**2,241,896**	1,000,247
Repayment of other loans		**(591,721)**	(438,225)
Dividend paid		**(457,050)**	(554,990)
Net cash (used in)/generated from financing activities		**(438,196)**	605,348
Net increase/(decrease) in cash and cash equivalents		**82,255**	(2,051,189)
Cash and cash equivalents at beginning of year		**4,804,799**	6,984,821
Effect of foreign exchange rates, net		**(115,259)**	(128,833)
Cash and cash equivalents at end of year	30	**4,771,795**	4,804,799

The notes on pages 61 to 166 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 46 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 30 June 2025.

2 SUMMARY OF MATERIAL 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 HKFRS Accounting Standards. 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 2025, the Group's current liabilities exceeded its current assets by approximately HK$3,790 million. Whilst the Group has cash and cash equivalents of HK$4,772 million, the current liabilities are significant which would require the Group to accelerate its collection of receivables and to secure sufficient financing to meet with its obligation as and when they fall due.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, taking into consideration a number of plans and measures as set out below:

- On 21 March 2025, the Company, Silver Dragon Water Supply Group Limited ("Silver Dragon") and Silver Dragon Water Affairs Investments Co., Ltd. (being the "Silver Dragon Water Affairs") (both of which are wholly-owned subsidiaries of the Company), entered into the equity investment agreement with Taikang Assets Management Co., Ltd ("Taikang Assets"), pursuant to which, Taikang Assets has conditionally agreed to invest RMB1.5 billion (equivalent to approximately HK$1.6 billion) into Silver Dragon Water Affairs by cash in return for the equity interests in the Silver Dragon Water Affairs. The first tranche of RMB1.3 billion was completed on 15 May 2025 and the corresponding proceed was received on 15 May 2025. The second tranche of RMB0.2 billion will be completed before 31 December 2025 after the approval by Taikang Asset's internal investment committee.

  The proceeds from this investment are being strategically deployed to strengthen the Group's financial position. The funds will be used to repay external borrowings, support planned capital expenditure, fulfil payment to creditors, and to finance the general working capital of Silver Dragon Water Affairs and the Group.

  Besides, the Group is also actively looking for other strategic investors to invest in the Group so as to enhance the capital structure and reduce overall financing expenses of the Group.

- As at 31 March 2025, the Group had unutilised committed banking facilities of approximately HK$1,993 million in the PRC and unutilised committed banking facilities of HK$719 million in Hong Kong, both of which are for general working capital purpose. The Group has letter of intent received from various local PRC banks to provide credit facilities to the Group totalling of approximately HK$8,140 million. Also, the Group has obtained approval from National Association of Financial Market Institutional Investors for the issuance of RMB3,000 million panda bond of which RMB700 million was issued within the financial year ended 31 March 2025. Subsequent to 31 March 2025, the Group has obtained new borrowings for general working capital purpose in Hong Kong amounting to HK$833 million and HK$1,290 million in the PRC, mainly for its projects.

  The Group has maintained good track record in compliance with the terms and conditions of its existing borrowings. The directors of the Company are confident that the aforementioned financing arrangement will be available as and when needed for the next twelve months from 31 March 2025.

- As at 31 March 2025, the Group had contract assets of HK$2,937 million, trade and bills receivables of HK$2,527 million (of which HK$943 million are over 180 days due), and other receivables of HK$2,117 million. To improve the Group's liquidity position, management has implemented a dedicated plan focused on the improvement in turnover and collection of its current assets. This involves proactively pursuing the collection of outstanding amounts, particularly the aged and construction-related receivables, through more direct communication with the local governments and agreement of repayment schedules.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- As at 31 March 2025, the Group had trade and bills payables of HK$8,087 million amongst which HK$2,499 million was over 180 days overdue and other payables of HK$2,504 million. The Group will reduce these liabilities by using the cash proceeds from the Taikang Assets investment, other available financing and collection of receivables balances. The directors of the Company are of the view that they have the ability to manage the progress of the projects from time to time and will negotiate with the creditors to agree on settlement schedules.

  Alongside this, a key component of the Group's plan is to control its capital expenditure. Based on the Group's latest understanding of relevant local government policies and the overall economic conditions, management is actively optimising its project pipeline to prioritise essential investments and defer non-core projects, thereby reducing capital expenditure while meeting its operational needs.

The directors of the Company have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from 31 March 2025. After assessing the Group's current and forecasted cash positions, the directors of the Company are of the opinion that, (i) considering the equity investment by Taikang Assets, (ii) the available financing resources, (iii) the dedicated plan for collection of receivables balances, (iv) the agreement of settlement schedules and (v) the management of capital expenditure, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2025. Accordingly, the directors of the Company consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

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.

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 mandatory for the year ended 31 March 2025.

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements
HKFRS 16 (Amendments)	Lease Liability in Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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 2025

2 SUMMARY OF MATERIAL 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 2024 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 2025 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to IFRSs – Volume 11	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Hong Kong Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between on Investor and its Associate or Joint Venture	To be determine

Except for the new standards and amendments to standards mentioned below, 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 2025

2 SUMMARY OF MATERIAL 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 2024 and have not been early adopted (Continued)

Presentation and Disclosure in Financial Statements – HKFRS 18

HKFRS 18 will replace HKAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

The key new concepts introduced in HKFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The references in HK Interpretation 5 have been updated correspondingly to reflect the requirements in HKFRS 18.

The Group will apply the new standard from its mandatory effective date of 1 January 2027. Retrospective application is required, and so the comparative information for the financial year ending 31 March 2027 will be restated in accordance with HKFRS 18.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL 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 2025

2 SUMMARY OF MATERIAL 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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.

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

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

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

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

(v) "Property development and investment" segment involves development of properties for sale and investments in properties for long-term rental yields or for capital appreciation.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

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 transactions 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, expected credit loss on other receivables and gain/loss on deregistration or disposal of subsidiaries, net are excluded from segment results.

Segment assets exclude corporate assets (mainly comprises cash and cash equivalents and pledged deposits), financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment in associates. 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.

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".

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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.

(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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (Continued)

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.

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	Shorter of lease term or 50 years
Leasehold improvements	Shorter of lease term or 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income, net" 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.

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, HKAS 16 for owned property and HKFRS 16 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 HKAS 16 or HKFRS 16 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

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. Whether 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.

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 55 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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.

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 2025

2 SUMMARY OF MATERIAL 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, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other income, net, 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 income, net. Interest income from these financial investments and other financial assets is included in other income, net 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 2025

2 SUMMARY OF MATERIAL 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, net 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 2025

2 SUMMARY OF MATERIAL 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 2025

2 SUMMARY OF MATERIAL 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL 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 the 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

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 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are 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 2025

2 SUMMARY OF MATERIAL 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Share capital and repurchase of shares

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.

Where any group company purchases the Group's equity instruments, the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to equity holders of the Group as treasury shares until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to equity holders of the Group.

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.

Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts that an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, when suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. The liabilities under supplier finance arrangement are presented under trade and bills payable.

Trade payables and liabilities under supplier finance arrangement 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 a right to defer settlement of the liability for at least 12 months after the end of the reporting period. Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification.

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 2025

2 SUMMARY OF MATERIAL 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 water supply operations services 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;

(ii) Revenue from 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 operations services 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 installation and maintenance income 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;

(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;

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(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 over time 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, net" in the consolidated income statement.

2.26 Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in "Other income, net" 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 2025

2 SUMMARY OF MATERIAL 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 2025

2 SUMMARY OF MATERIAL 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 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 investments 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 2025

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, amounts due from non-controlling equity holders of subsidiaries, amounts due from associates, pledged deposits 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;

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

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 current portion of 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 current portion of contract assets.

To measure the expected credit losses, trade and bills receivables and current portion of contract assets have been grouped based on shared credit risk characteristics and aging. The current portion of 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 current portion of contract assets.

The expected loss rates are based on the payment profiles of customers over 12 months before 31 March 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted 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.

Impairment losses on trade and bills receivables and current portion of contract assets are presented as separate line item in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 current portion of contract assets (Continued)

As at 31 March 2025, expected loss rate of trade and bills receivables was determined as follows:

	Current HK$'000	1 to 90 days HK$'000	91 to 180 days HK$'000	Over 180 days HK$'000	Total HK$'000
Expected credit loss rate	**0.1%**	**5.4%**	**10.5%**	**28.0%**	
Trade and bills receivables (gross carrying amount)	**1,985,744**	**203,058**	**156,637**	**293,227**	**2,638,666**
Loss allowance	**1,895**	**10,891**	**16,447**	**82,239**	**111,472**

As at 31 March 2024, expected loss rate of trade and bills receivables was determined as follows:

	Current HK$'000	1 to 90 days HK$'000	91 to 180 days HK$'000	Over 180 days HK$'000	Total HK$'000
Expected credit loss rate	0.1%	4.4%	10.2%	26.3%	
Trade and bills receivables (gross carrying amount)	1,762,626	156,957	86,464	200,619	2,206,666
Loss allowance	2,207	6,862	8,849	52,775	70,693

Trade and bill receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

As at 31 March 2025 and 2024, expected loss rate of current portion of contract assets is assessed to be low. The amount of loss allowance provision for current portion of contract assets was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

Impairment allowance policies for other financial assets at amortised cost

The other financial assets, which mainly comprise non-current portion of contract assets, deposits and other receivables, amounts due from non-controlling equity holders of subsidiaries and amounts due from associates.

Expected loss rate of other financial assets at amortised cost is assessed to be low. As at 31 March 2025, 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 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 no material 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 no material 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Interest rate risk (Continued)

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$197,352,000 (2024: HK$193,001,000) 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$544,000 (2024: HK$49,167,000) 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$36,121,000 (2024: HK$34,532,000) 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 2025

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 2025					
Lease liabilities	–	17,940	52,046	558,724	628,710
Trade and bills payables	5,860,165	565,827	1,661,097	–	8,087,089
Accrued liabilities and other payables	1,466,431	643,148	170,732	–	2,280,311
Amounts due to associates	11,517	–	18,478	–	29,995
Borrowings	11,797	1,449,360	4,429,884	25,093,789	30,984,830
Amounts due to non-controlling equity holders of subsidiaries	185,611	423	26,883	781,394	994,311
	7,535,521	2,676,698	6,359,120	26,433,907	43,005,246

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For the year ended 31 March 2025

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 2024					
Lease liabilities	–	14,769	42,304	459,021	516,094
Trade and bills payables	4,873,824	878,612	1,096,926	–	6,849,362
Accrued liabilities and other payables	1,925,404	301,750	361,743	–	2,588,897
Amounts due to associates	3,083	–	18,681	–	21,764
Borrowings	94,488	1,284,350	5,867,985	24,116,539	31,363,362
Amounts due to non-controlling equity holders of subsidiaries	91,582	–	35,275	825,254	952,111
	6,988,381	2,479,481	7,422,914	25,400,814	42,291,590

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 2025

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).

At 31 March 2025, 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	**1,116**	**–**	**360,098**	**361,214**
Financial assets at fair value through profit or loss	**–**	**–**	**5,435**	**5,435**
	1,116	**–**	**365,533**	**366,649**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 2024, 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	1,427	–	343,893	345,320
Financial assets at fair value through profit or loss	–	–	491,668	491,668
	1,427	–	835,561	836,988

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 investments in 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 2025

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	2025 HK$'000	2024 HK$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity securities	**360,098**	343,893	Market approach	Enterprise value to sales multiple	2.0 to 3.3 times (2024: 2.0 to 6.8 times)	The higher of sales multiple, the higher of fair value
Wealth management products and structured deposits issued by various licensed banks	**5,435**	402,198	Income approach	Expected return rate	1.5% to 2.25% (2024: 1.3% to 3.6%)	The higher of expected return rate, the higher of fair value
Unlisted exchange bonds	**–**	89,470	Option pricing model	Volatility	2024: 70.4%	The higher of volatility, the lower of fair value

The movements of Level 3 instruments during the year are as follows:

	2025 HK$'000	2024 HK$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	**343,893**	373,289
Changes in fair value recognised in other comprehensive income	**18,478**	(10,989)
Acquisition of subsidiaries	**–**	733
Additions	**1,465**	2,315
Exchange realignment	**(3,738)**	(21,455)
At end of the financial year	**360,098**	343,893
Financial assets at fair value through profit or loss:		
At beginning of the financial year	**491,668**	653,320
Net disposal and changes in fair value of financial assets at fair value through profit or loss	**(486,233)**	(161,652)
At end of the financial year	**5,435**	491,668

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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

	2025 HK$'000	2024 HK$'000
At amortised cost		
– Trade and bills receivables	**2,527,194**	2,135,973
– Contract assets	**5,016,725**	4,018,975
– Receivables under service concession agreements	**2,194,651**	2,170,537
– Other receivables	**2,116,868**	2,625,371
– Amounts due from associates	**1,118,031**	394,240
– Amounts due from non-controlling equity holders of subsidiaries	**394,652**	214,792
	13,368,121	11,559,888
– Cash and cash equivalents and pledged deposits	**5,450,028**	5,550,195
	18,818,149	17,110,083
At fair value		
– Financial assets at fair value through other comprehensive income	**361,214**	345,320
– Financial assets at fair value through profit or loss	**5,435**	491,668
	19,184,798	17,947,071

Financial liabilities

	2025 HK$'000	2024 HK$'000
At amortised cost		
– Lease liabilities	**455,330**	370,927
– Contract liabilities	**1,104,133**	1,324,137
– Trade and bills payables	**8,087,089**	6,849,362
– Accrued liabilities and other payables	**2,280,311**	2,588,897
– Amounts due to associates	**29,995**	21,764
– Borrowings	**25,185,218**	24,850,261
– Amounts due to non-controlling equity holders of subsidiaries	**990,240**	945,293
	38,132,316	36,950,641

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

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:

	2025 **HK$'000**	2024 HK$'000
Capital		
Total equity	**21,872,686**	21,452,542
Overall financing		
Borrowings	**25,185,218**	24,850,261
Amounts due to associates (note 18)	**18,478**	18,681
Amounts due to non-controlling equity holders of subsidiaries (note 35)	**75,751**	122,208
	25,279,447	24,991,150
Capital-to-overall financing ratio	**0.87 times**	0.86 times

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For the year ended 31 March 2025

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 and other 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's estimates, including growth rate, etc, 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 2025

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 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation (Continued)

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. 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.

(x) Estimates for net realisable value of properties under development and properties held for sale

The Group assesses the carrying amounts of properties under development ("PUD") and properties held for sale according to their net realisable value ("NRV") based on the realisability of these properties. The NRV is determined by reference to management's estimates of the selling prices based on prevailing market conditions, less the estimated selling expenses based on certain percentage of estimated selling price and, for PUD, the estimated costs to completion.

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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 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 or paying a specific amount to obtain the water supply and sewage treatment infrastructures depending on the type of arrangements; and (ii) 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").

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 2025, the Group has 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	Practical processing capacity per day (m^3)	Service concession period
Water supply	PRC	3,000 – 700,000	10 to 55 years
Sewage treatment	PRC	10,000 – 100,000	20 to 30 years

During the year, the Group recognised water supply construction service income of HK$2,605,706,000 (2024: HK$4,561,084,000), sewage treatment construction service income of HK$643,199,000 (2024: HK$585,072,000) and finance income of HK$58,550,000 (2024: HK$54,811,000) 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 46 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:

	2025 HK$'000	2024 HK$'000
Revenue:		
Point in time		
City water supply operations	**3,525,711**	3,310,678
Pipeline direct drinking water supply operations	**314,587**	293,426
Sales of goods (note 1)	**1,097,504**	490,854
Sales of properties	**333,839**	187,351
Others	**277,106**	250,229
	5,548,747	4,532,538
Overtime		
City water supply installation and maintenance services	**1,332,454**	1,658,418
Pipeline direct drinking water supply installation and maintenance services	**43,263**	132,560
City water supply construction services	**2,832,823**	3,927,636
Pipeline direct drinking water supply construction services	**219,760**	1,274,642
Sewage treatment and drainage operations services	**641,414**	377,438
Sewage treatment and water environmental renovation construction services	**729,528**	654,534
Hotel and rental income	**109,389**	108,726
Finance income	**58,550**	54,811
Handling income	**41,965**	41,681
Others	**97,672**	95,531
	6,106,818	8,325,977
Total	**11,655,565**	12,858,515
Other income, net:		
Interest income	**185,482**	191,674
Government grants and subsidies (note 2)	**144,256**	193,393
Amortisation of deferred government grants	**10,425**	13,205
Dividend income from financial assets	**6,465**	5,542
Fair value gain on investment properties	**55,908**	–
Gain/(loss) on disposal of other intangible assets, net	**214**	(866)
Gain/(loss) on deregistration or disposal of subsidiaries, net	**28,960**	(6,515)
Gain/(loss) on disposal of property, plant and equipment, net	**179**	(1,009)
Gain/(loss) on disposal of right-of-use assets	**4,410**	(406)
Miscellaneous income/(loss), net	**108,207**	(22,309)
Total	**544,506**	372,709

Notes:

1. Sales of goods included sales of pipeline direct drinking water equipment of HK$78,121,000 (2024: HK$23,942,000).

2. 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 2025

7 SEGMENT INFORMATION

The executive directors have identified the Group's five 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 2025

	City water Supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue								
From external customers	7,498,114	656,787	1,523,478	664,363	361,323	951,500	–	11,655,565
From inter-segment	157,861	2,843	51,569	895,489	–	–	(1,107,762)	–
Segment revenue	7,655,975	659,630	1,575,047	1,559,852	361,323	951,500	(1,107,762)	11,655,565
Segment profit	2,492,882	243,153	555,837	553,591	47,820	4,695	–	3,897,978
Unallocated corporate income								198,129
Unallocated corporate expense								(568,594)
Finance costs								(847,116)
Share of results of associates	17,299	(338)	52,205	–	–	582	–	69,748
Profit before income tax								2,750,145
Income tax expense								(722,067)
Profit for the year								2,028,078
Other segment information								
Additions of investment properties	3,367	–	–	–	106,365	–	–	109,732
Additions to other non-current segment assets	2,968,136	450,106	154,756	–	–	86,714	–	3,659,712
Amortisation of deferred government grants	7,736	28	2,661	–	–	–	–	10,425
Amortisation of other intangible assets	(837,456)	(28,646)	(17,697)	–	–	(7,151)	–	(890,950)
Depreciation of property, plant and equipment and right-of-use assets	(80,936)	(33,728)	(39,566)	(1,668)	(7,920)	(67,977)	–	(231,795)
Property, plant and equipment written off	(343)	(500)	(121)	–	(4)	(11)	–	(979)
Write-down of completed properties held for sale	–	–	–	–	(94,789)	–	–	(94,789)
Expected credit loss on trade receivables	(28,585)	(4,084)	(8,171)	–	–	–	–	(40,840)
Trade receivables written off	(859)	(179)	–	–	–	–	–	(1,038)
Cost of consumables and raw materials	(1,319,533)	(255,594)	(517,377)	(390,163)	(248,518)	(29,667)	–	(2,760,852)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2025 (Continued)

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Total HK$'000
Segment assets	37,110,742	4,453,330	6,776,555	2,892,173	4,035,119	1,656,089	56,924,008
Other financial assets							366,649
Investment in associates	259,243	3,197	1,868,513	–	–	135,853	2,266,806
Other corporate assets							6,334,180
							65,891,643
Segment liabilities	6,530,550	975,171	327,115	4,579,609	209,069	409,336	13,030,850
Deferred tax liabilities							1,544,365
Provision for tax							3,446,970
Other corporate liabilities							25,996,772
							44,018,957

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

7 SEGMENT INFORMATION (Continued)
For the year ended 31 March 2024

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue								
From external customers	8,276,397	1,721,929	1,071,518	826,840	207,482	754,349	–	12,858,515
From inter-segment	60,886	8,264	–	1,669,394	28,270	–	(1,766,814)	–
Segment revenue	8,337,283	1,730,193	1,071,518	2,496,234	235,752	754,349	(1,766,814)	12,858,515
Segment profit	2,490,175	591,716	354,163	610,535	41,056	10,601	–	4,098,246
Unallocated corporate income								203,197
Unallocated corporate expense								(251,272)
Finance costs								(724,654)
Share of results of associates	29,941	(176)	13,402	–	–	974	–	44,141
Profit before income tax								3,369,658
Income tax expense								(778,301)
Profit for the year								2,591,357
Other segment information								
Additions of investment properties	–	–	–	–	28,786	–	–	28,786
Additions to other non-current segment assets	3,941,930	1,511,007	102,275	706	–	125,605	–	5,681,523
Amortisation of deferred government grants	8,079	28	5,098	–	–	–	–	13,205
Amortisation of other intangible assets	(793,520)	(17,253)	(15,843)	–	–	(7,230)	–	(833,846)
Depreciation of property, plant and equipment and right-of-use assets	(79,891)	(32,265)	(27,696)	(742)	(8,142)	(75,606)	–	(224,342)
Property, plant and equipment written off	(115)	(9)	(30)	–	–	(123)	–	(277)
Expected credit loss on trade receivables	(7,910)	(2,090)	–	–	–	–	–	(10,000)
Trade receivables written off	(817)	–	–	–	–	–	–	(817)
Cost of consumables and raw materials	(1,665,916)	(344,726)	(214,516)	(744,256)	(158,662)	(23,038)	–	(3,151,114)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2024 (Continued)

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Total HK$'000
Segment assets	34,154,999	4,027,574	5,984,634	2,214,353	3,983,930	3,158,194	53,523,684
Other financial assets							836,988
Investment in associates	263,423	2,202	1,818,969	–	–	66,669	2,151,263
Other corporate assets							6,730,135
							63,242,070
Segment liabilities	5,891,785	963,102	150,090	4,078,455	428,799	140,161	11,652,392
Deferred tax liabilities							1,567,358
Provision for tax							2,984,412
Other corporate liabilities							25,585,366
							41,789,528

For the years ended 31 March 2025 and 2024, the Group did not depend on any single customer under each of the segments.

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

8 OPERATING PROFIT

Profit from operation is arrived at after charging the following:

	2025 HK$'000	2024 HK$'000
Cost of consumables and raw materials	**2,760,852**	3,151,114
Subcontracting costs	**824,242**	1,569,195
Cost of utilities used	**462,146**	428,497
Cost of raw water and water resources	**460,693**	460,146
Depreciation of property, plant and equipment	**146,694**	150,308
Depreciation of right-of-use assets	**85,101**	74,034
Amortisation of other intangible assets	**890,950**	833,846
Write-down of completed properties held for sale	**94,789**	–
Trade receivables written off	**1,038**	817
Expected credit loss on trade and other receivables	**497,735**	10,000
Short-term lease and low-value assets lease expenses in respect of:		
– leasehold land and buildings	**7,406**	6,822
– other property, plant and equipment	**2,515**	2,142
Auditors' remuneration		
– Audit services	**8,800**	9,280
– Non-audit services	**1,000**	200
Staff costs (including directors' emoluments – note 13(a)):		
– Direct labour costs	**293,910**	345,510
– Salaries and wages	**352,880**	436,505
– Pension scheme contribution	**183,150**	186,881
– Other staff costs	**67,932**	69,212
	897,872	1,038,108
Property, plant and equipment written off	**979**	277
Net foreign exchange (gain)/loss	**(18,006)**	41,943

9 FINANCE COSTS

	2025 HK$'000	2024 HK$'000
Interest on bank loans	**1,120,712**	1,108,450
Interest on other loans	**343,425**	277,480
Interest on amounts due to non-controlling equity holders of subsidiaries	**9,587**	5,009
Interest on lease liabilities	**23,963**	18,420
Total borrowing costs	**1,497,687**	1,409,359
Less: interest capitalised included in property, plant and equipment, investment properties, contract assets, other intangible assets and properties under development (note)	**(650,571)**	(684,705)
	847,116	724,654

Note: The borrowing costs have been capitalised at rates of 7.4% for the year ended 31 March 2025 (2024: 7.2%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

10 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2025 HK$'000	2024 HK$'000
Current income tax:			
– the PRC	(b)	**702,917**	456,988
Deferred tax (note 37)		**19,150**	321,313
Total income tax expense		**722,067**	778,301

(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% (2024: 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% (2024: 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:

	2025 HK$'000	2024 HK$'000
Profit before income tax	**2,750,145**	3,369,658
Less: Share of results of associates	**(69,748)**	(44,141)
	2,680,397	3,325,517
Tax calculated at PRC corporate income tax rate of 25% (2024: 25%)	**670,099**	831,379
Tax effect of non-taxable items	**(126,512)**	(91,171)
Tax effect of non-deductible items and unrecognised tax losses	**274,878**	193,172
Tax concession	**(110,556)**	(164,815)
Others	**14,158**	9,736
Income tax expense	**722,067**	778,301

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

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$1,074,663,000 (2024: HK$1,533,543,000) and the weighted average of 1,631,799,000 (2024: 1,632,322,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 March 2025 and 2024.

12 DIVIDENDS

(a) Dividends attributable to the year

	2025 HK$'000	2024 HK$'000
Interim dividend of HK$0.13 (2024: HK$0.13) per ordinary share	**212,202**	212,202
Proposed final dividend of HK$0.15 (2024: HK$0.15) per ordinary share	**244,132**	244,848
	456,334	457,050

The final dividends proposed after the reporting date for the year ended 31 March 2025 and 2024 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

	2025 HK$'000	2024 HK$'000
Final dividend in respect of the previous financial year of HK$0.15 (2024: HK$0.18) per ordinary share	**244,848**	293,818

(c) Dividends recognised as distributions during the year ended 31 March 2025 amounted to HK$457,001,000 (2024: HK$506,020,000) or HK$0.28 (2024: HK$0.31) per ordinary share.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 2025:

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	–	8,200	–	–	18	–	8,218
Ms. Ding Bin	–	840	–	–	18	407	1,265
Mr. Li Zhong	–	1,289	–	–	18	1,184	2,491
Mr. Duan Jerry Linnan	–	240	–	–	18	1,920	2,178
Non-executive directors							
Mr. Li Hao (appointed on 28 June 2024)	–	46	–	–	–	–	46
Mr. Bai Li (appointed on 21 March 2025)	–	–	–	–	–	–	–
Ms. Wang Xiaoqin	–	1,340	–	–	18	1,143	2,501
Ms. Liu Yu Jie	–	2,400	–	–	18	–	2,418
Mr. Makoto Inoue (resigned on 28 June 2024)	–	15	–	–	–	–	15
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	300	–	–	–	–	–	300
Mr. Xiao Zhe (appointed on 15 July 2024)	214	–	–	–	–	–	214
Ms. Zhou Nan (resigned on 15 July 2024)	87	–	–	–	–	–	87
Total	1,249	14,370	–	–	108	4,654	20,381

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

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 2024:

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	–	–	18	5	10,023
Ms. Ding Bin	–	480	–	–	18	363	861
Mr. Li Zhong	–	1,289	–	–	18	1,121	2,428
Mr. Duan Jerry Linnan	–	240	–	–	18	960	1,218
Non-executive directors							
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	–	–	18	1,190	2,408
Ms. Liu Yu Jie (subsequently re-designated to non-executive director with effect from 12 April 2023)	–	2,400	–	–	18	–	2,418
Mr. Zhao Hai Hu (resigned on 8 March 2024)	–	112	–	–	–	303	415
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
Total	1,248	15,781	–	–	108	3,942	21,079

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 (2024: 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 (2024: 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 (2024: 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 (2024: Nil).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included four directors (2024: three directors), details of whose emoluments have been disclosed in note 13(a) to the consolidated financial statements above. The emoluments paid to the remaining one individual (2024: two individuals) during the year are as follows:

	2025	2024
	HK$'000	HK$'000
Salaries, allowances and other benefits	**3,116**	6,297
Retirement scheme contribution	**68**	90
	3,184	6,387

The emoluments fell within the following bands

	2025	2024
HK$3,000,001 to HK$3,500,000	**1**	2

During the years ended 31 March 2025 and 2024, 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 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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 2023						
Cost	2,171,392	41,738	1,010,485	340,209	531,336	4,095,160
Accumulated depreciation	(241,985)	(23,664)	(241,195)	(250,197)	–	(757,041)
Net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
Year ended 31 March 2024						
Opening net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
Additions	6,015	–	24,094	25,409	356,774	412,292
Acquisition of subsidiaries	–	–	132	1,777	165	2,074
Disposals	–	–	(4,473)	(1,057)	–	(5,530)
Disposal of a subsidiary	–	–	–	(3)	–	(3)
Written off	(109)	–	(48)	(120)	–	(277)
Transfers	71,456	–	64,275	35	(135,766)	–
Transfer from properties held for sale	11,540	–	–	–	–	11,540
Depreciation	(65,122)	(247)	(58,439)	(26,500)	–	(150,308)
Exchange realignment	(108,651)	(90)	(42,585)	(5,452)	(28,633)	(185,411)
Closing net carrying amount	1,844,536	17,737	752,246	84,101	723,876	3,422,496
At 31 March 2024						
Cost	2,136,852	41,738	1,039,274	341,024	723,876	4,282,764
Accumulated depreciation	(292,316)	(24,001)	(287,028)	(256,923)	–	(860,268)
Net carrying amount	1,844,536	17,737	752,246	84,101	723,876	3,422,496
Year ended 31 March 2025						
Opening net carrying amount	**1,844,536**	**17,737**	**752,246**	**84,101**	**723,876**	**3,422,496**
Additions	**1,391**	–	**10,868**	**18,396**	**260,836**	**291,491**
Disposals	–	–	**(1,710)**	**(324)**	–	**(2,034)**
Disposal of subsidiaries	**(809,935)**	–	**(173,677)**	**(783)**	**(9,692)**	**(994,087)**
Written off	–	–	**(478)**	**(501)**	–	**(979)**
Transfers	**29,757**	–	**34,733**	**98**	**(64,588)**	–
Depreciation	**(58,003)**	**(242)**	**(63,614)**	**(24,835)**	–	**(146,694)**
Exchange realignment	**(20,721)**	**(47)**	**(8,239)**	**(1,002)**	**(7,557)**	**(37,566)**
Closing net carrying amount	**987,025**	**17,448**	**550,129**	**75,150**	**902,875**	**2,532,627**
At 31 March 2025						
Cost	**1,222,575**	**41,738**	**869,345**	**345,991**	**902,875**	**3,382,524**
Accumulated depreciation	**(235,550)**	**(24,290)**	**(319,216)**	**(270,841)**	**–**	**(849,897)**
Net carrying amount	**987,025**	**17,448**	**550,129**	**75,150**	**902,875**	**2,532,627**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2025, the property, plant and equipment with a net carrying amount of HK$406,430,000 (2024: HK$1,347,149,000) were pledged to secure loan facilities granted to the Group (note 34(i)(d)).

Depreciation charge for the year ended 31 March 2025 amounted to HK$116,317,000 (2024: HK$117,234,000) has been included in cost of sales in the consolidated income statement.

16 RIGHT-OF-USE ASSETS

	2025	2024
	HK$'000	HK$'000
Leasehold land and land use right	**1,039,388**	1,180,208
Buildings	**293,295**	207,881
	1,332,683	1,388,089

As at 31 March 2025, it was included in the leasehold land and land use right with a net carrying amount of HK$66,208,000 (2024: HK$75,067,000) for which the Group is still in the process of obtaining the land use right 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 2025, there is no legal impediment for the Group to obtain these land use right certificates.

As at 31 March 2025, the leasehold land and land use right with a net carrying amount of HK$230,164,000 (2024: HK$339,674,000) were pledged to secure loan 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.

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 2025 were HK$19,642,000 (2024: HK$180,480,000).

Disposal of the leasehold land and land use right during the year ended 31 March 2025 were HK$711,000 (2024: HK$688,000).

During the year ended 31 March 2025, total cash outflow for leases of HK$47,703,000 (2024: HK$37,403,000) was included in net cash generated from financing activities.

Depreciation charge for the year ended 31 March 2025 amounted to HK$52,212,000 (2024: HK$41,983,000) 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$9,921,000 (2024: HK$8,964,000) have been included in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

17 INVESTMENT PROPERTIES

	2025 HK$'000	2024 HK$'000
At fair value		
Opening net carrying amount	**1,306,249**	1,362,198
Additions	**109,732**	28,786
Disposal	**–**	(9,890)
Change in fair value	**55,908**	–
Exchange realignment	**(14,199)**	(74,845)
Closing net carrying amount	**1,457,690**	1,306,249

As at 31 March 2025, the investment properties with a carrying amount of HK$1,445,978,000 (2024: HK$1,170,230,000) were pledged to secure loan facilities granted to the Group (note 34(i)(f)).

Investment properties were revalued on 31 March 2025 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

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
For the year ended 31 March 2025

17 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 property under development located in the PRC	Level 3	Direct comparison approach	Market price of car park per space	HK$456,522 to HK$495,652 (2024: HK$450,549)	The higher of market price, the higher of fair value
		Income capitalisation method	Market unit rents per square meter per month	HK$225 to HK$270 (2024: HK$227 to HK$273)	The higher of market price, the higher of fair value
			Market yield	4.7% (2024: 4.8%)	The higher of market yield, the lower 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$91,631 to HK$101,568 (2024: HK$93,983 to HK$102,540)	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$489 to HK$580 (2024: HK$473 to HK$480)	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.

For minimum lease payments receivables on leases of investment properties, refer to note 42(b) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

18 INVESTMENT IN ASSOCIATES

	2025 HK$'000	2024 HK$'000
Share of net assets	**2,187,169**	2,072,492
Goodwill	**79,637**	78,771
	2,266,806	2,151,263

As at 31 March 2025, the Group owned 28.46% (2024: 28.46%) 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 2025, the market value of Kangda International was HK$641,920,000 (2024: HK$556,331,000). In the opinion of the directors, Kangda International is considered the principal associate of the Group.

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 2024 and 2023 have been used, taking into account any known changes in the subsequent period from 1 January 2025 to 31 March 2025 that would have materially affected the results.

All amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2025 and 2024 except for the amounts due from associates with carrying amount of HK$535,026,000 (2024: HK$Nil) as at 31 March 2025 which bore interest rates ranged from 5.1% to 6.8% per annum (2024: Nil) and were repayable within one year (2024: Nil); and the amount due to an associate with carrying amount of HK$18,478,000 (2024: HK$18,681,000) as at 31 March 2025 which bore interest rate at 4.5% per annum (2024: bore interest rate at 5.0% per annum) and was repayable within one year (2024: repayable within one year).

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For the year ended 31 March 2025

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

	As at 31 December 2024 HK$'000	As at 31 December 2023 HK$'000
Summary of consolidated statement of financial position:		
Current assets	**7,624,212**	7,265,305
Non-current assets	**13,195,273**	13,863,664
Current liabilities	**(5,763,727)**	(6,342,252)
Non-current liabilities	**(8,512,448)**	(8,358,111)
	6,543,310	6,428,606
Less: Non-controlling interests of Kangda International's subsidiaries	**(92,264)**	(151,915)
Closing net assets	**6,451,046**	6,276,691
Group's share in %	**28.46%**	28.46%
Reconciliation to carrying amount:		
Opening carrying values as at 1 April	**1,786,347**	1,854,346
Share of profit for the year	**51,970**	39,016
Share of other comprehensive income/(loss) for the year	**17,068**	(5,128)
Exchange realignment	**(19,417)**	(101,887)
Closing carrying values as at 31 March	**1,835,968**	1,786,347

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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 2024 HK$'000	For the year ended 31 December 2023 HK$'000
Year ended 31 December		
Summary of consolidated statement of profit or loss and other comprehensive income:		
Revenue	**2,457,915**	2,435,584
Net profit for the year	**182,607**	137,091
Other comprehensive income/(loss) for the year	**48,043**	(14,945)
Total comprehensive income for the year	**230,650**	122,146

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:

	2025 HK$'000	2024 HK$'000
Carrying values	**430,838**	364,916
Profit before income tax	**17,779**	31,483
Other comprehensive income	**–**	–
Total comprehensive income	**17,779**	31,483

The Group has not incurred any contingent liabilities relating to its investments in the associates.

As at 31 March 2025 and 2024, the Group has other commitments relating to its investment in the associates as set out in note 42(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	**2025 HK$'000**	2024 HK$'000
Listed equity securities in Hong Kong	HK$	**1,116**	1,427
Unlisted equity securities outside Hong Kong	RMB	**360,098**	343,893
		361,214	345,320

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

During the year, the following gain/loss was recognised in consolidated income statement and other comprehensive income.

	2025 HK$'000	2024 HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**13,397**	(111,890)
Dividend income from financial assets (note 6)	**6,465**	5,542

(iii) Non-current assets pledged as security

As at 31 March 2025, the financial assets at fair value through other comprehensive income with carrying amount of HK$234,783,000 (2024: HK$218,681,000) were pledged to secure loan facilities granted to the Group (note 34(i)(j)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

20 GOODWILL

The amount of goodwill arising from business combinations is as follows:

	2025 HK$'000	2024 HK$'000
At 1 April		
Gross carrying amount	**1,371,118**	1,419,442
Accumulated impairment	**–**	–
Net carrying amount	**1,371,118**	1,419,442
Opening net carrying amount	**1,371,118**	1,419,442
Acquisition of subsidiaries	**914**	2,184
Exchange realignment	**(9,467)**	(50,508)
Closing net carrying amount	**1,362,565**	1,371,118
At 31 March		
Gross carrying amount	**1,362,565**	1,371,118
Accumulated impairment	**–**	–
Net carrying amount	**1,362,565**	1,371,118

Goodwill acquired through business combinations has been allocated to the following CGUs for impairment testing:

– city water supply CGUs within city water supply segment;

– pipeline direct drinking water supply CGUs within pipeline direct drinking water supply segment;

– environmental protection CGUs within environmental protection segment; and

– other CGUs, which include gas sales and other operations.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

20 GOODWILL (Continued)

The carrying amounts of goodwill allocated to each of the CGUs are as follows:

	City water supply CGUs	Pipeline direct drinking water supply CGUs	Environmental protection CGUs	Other CGUs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Carrying amount at 31 March 2025	**811,691**	**72,042**	**289,050**	**189,782**	**1,362,565**
Carrying amount at 31 March 2024	818,498	72,064	290,668	189,888	1,371,118

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 concession periods.

The key assumptions used for the value-in-use calculations include volume growth, water tariff and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession periods as well as the pre-tax discount rate adopted on city water supply, pipeline direct drinking water supply, gas supply and sewage treatment respectively to reflect specific risks relating to the relevant CGUs as at 31 March 2025 are shown as below:

	As of 31 March	
	2025	2024
Pre-tax discount rate	**12%–17%**	11%–16%
Volume growth rate*	**1%–12%**	1%–11%
Operating costs growth rate*	**1%–8%**	1%–7%
Water tariff growth rate*	**1%–6%**	1%–5%
Sewage charges growth rate*	**1%–4%**	1%–3%

* The management used average annual growth rate over the forecast period to determine values.

Notes to the Consolidated Financial Statements

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20 GOODWILL (Continued)

Management determined the cash flow projections based on the period of the service concession arrangement governing the relevant operations. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2025.

The sensitivity analysis below has been determined based on the exposure to the pre-tax discount rate, water tariff growth rate, volume growth rate, operating costs growth rate and sewage charges growth rate, representing the key inputs to the determination of the recoverable amount.

The range of headroom of each of the city water supply CGUs, pipeline direct drinking water supply CGUs, environmental protection CGUs and other CGUs are shown as below:

	As of 31 March	
	2025	2024
	HK$'000	HK$'000
Headroom	**31,826–337,879**	16,044–365,374

Had the estimated key assumptions been changed as below, the headroom would be decreased by:

	As of 31 March	
	2025	2024
Pre-tax discount rate increased by 2%	**8.9%**	14.3%
Water tariff growth rate decreased by 2%	**16.9%**	10.6%
Volume growth rate decreased by 2%	**8.7%**	13.7%
Sewage charges growth rate decreased by 2%	**7.3%**	10.9%
Operating costs growth rate increased by 2%	**6.2%**	3.5%

Management assessed that any reasonably possible changes in the key assumptions used in the value-in-use calculations would not affect management's view on impairment as at 31 March 2025.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

21 OTHER INTANGIBLE ASSETS

	Concession rights to operate water supply		Concession rights to operate sewage treatment		Other operating rights		Total	
	2025 HK$'000	2024 HK$'000	**2025 HK$'000**	2024 HK$'000	**2025 HK$'000**	2024 HK$'000	**2025 HK$'000**	2024 HK$'000
At beginning of the year								
Cost	**36,619,792**	33,312,450	**222,809**	225,641	**176,264**	186,512	**37,018,865**	33,724,603
Accumulated amortisation	**(5,118,045)**	(4,563,207)	**(21,335)**	(11,859)	**(32,327)**	(26,556)	**(5,171,707)**	(4,601,622)
Net carrying amount	**31,501,747**	28,749,243	**201,474**	213,782	**143,937**	159,956	**31,847,158**	29,122,981
For the year ended								
Opening net carrying amount	**31,501,747**	28,749,243	**201,474**	213,782	**143,937**	159,956	**31,847,158**	29,122,981
Additions	**3,211,530**	5,021,384	**252,263**	15,281	**–**	–	**3,463,793**	5,036,665
Acquisition of subsidiaries	**–**	90,013	**–**	–	**–**	–	**–**	90,013
Disposals	**(1,181)**	(1,019)	**–**	–	**–**	–	**(1,181)**	(1,019)
Disposal of a subsidiary	**–**	(12,709)	**–**	–	**–**	–	**–**	(12,709)
Amortisation	**(866,103)**	(810,773)	**(17,696)**	(15,843)	**(7,151)**	(7,230)	**(890,950)**	(833,846)
Exchange realignment	**(259,295)**	(1,534,392)	**(2,189)**	(11,746)	**(1,566)**	(8,789)	**(263,050)**	(1,554,927)
Closing net carrying amount	**33,586,698**	31,501,747	**433,852**	201,474	**135,220**	143,937	**34,155,770**	31,847,158
At 31 March								
Cost	**39,520,129**	36,619,792	**466,999**	222,809	**174,348**	176,264	**40,161,476**	37,018,865
Accumulated amortisation	**(5,933,431)**	(5,118,045)	**(33,147)**	(21,335)	**(39,128)**	(32,327)	**(6,005,706)**	(5,171,707)
Net carrying amount	**33,586,698**	31,501,747	**433,852**	201,474	**135,220**	143,937	**34,155,770**	31,847,158

As at 31 March 2025, the other intangible assets with a net carrying amount of HK$1,396,020,000 (2024: HK$1,886,094,000) were pledged to secure loan facilities granted to the Group (note 34(i)(g)).

Amortisation of HK$890,950,000 (2024: HK$833,846,000) has been included in cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements

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22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2025 HK$'000	2024 HK$'000
Non-current			
Prepayments	(i)	**432,213**	403,610
Other receivables		**247,031**	283,350
		679,244	686,960
Current			
Prepayments		**554,919**	488,637
Other receivables	(ii)	**1,869,837**	2,342,021
		2,424,756	2,830,658

Notes:

(i) As at 31 March 2025 and 2024, the balances mainly represented the prepayments for constructions services.

(ii) The balances mainly represented receivables from certain government authorities for funds advancements; and various other receivables including receivables from customers for various municipal service charges on behalf of certain government authorities in the PRC. The balances were unsecured, interest-free and receivable on demand as at 31 March 2025 and 2024, except for the receivables of aggregate carrying amount of approximately HK$68,988,000 (2024: HK$485,448,000) which bore interest rates ranged from 4.9% to 12.0% (2024: 5.0% to 8.0%) per annum and were receivable within one year (2024: receivable within one year).

During the year ended 31 March 2025, the expected credit loss on other receivables amounted to HK$456,895,000 (2024: HK$Nil) was recognised in consolidated income statement (note 8).

The directors of the Company consider that the fair values of current portion of other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Notes to the Consolidated Financial Statements
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23 CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers:

	Notes	2025 HK$'000	2024 HK$'000
Non-current			
Relating to service concession arrangements	(i)	**2,080,110**	1,798,014
Current			
Relating to water supply and water environmental renovation construction businesses	(ii)	**2,936,615**	2,220,961
		5,016,725	4,018,975

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$2,080,110,000 (2024: HK$1,798,014,000) will be reclassified as receivables under service concession arrangements and/or other intangible assets after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to 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$2,936,615,000 (2024: HK$2,220,961,000) 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.

Notes to the Consolidated Financial Statements

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24 PROPERTIES UNDER DEVELOPMENT

	2025 HK$'000	2024 HK$'000
At cost	**610,162**	1,199,731

The amount of properties under development that are expected to be recovered after more than one year is HK$597,394,000 (2024: HK$870,663,000). The remaining balance is expected to be recovered within one year.

25 PROPERTIES HELD FOR SALE

	2025 HK$'000	2024 HK$'000
At cost or net realisable value	**1,328,890**	1,049,150

Write-downs of properties held for sale to net realisable value during the year ended 31 March 2025 amounted to HK$94,789,000 (2024: HK$Nil), which were recognised in the consolidated income statement.

As at 31 March 2025, the properties held for sale with carrying amount of approximately HK$Nil (2024: HK$295,480,000) were pledged to secure loan facilities granted to the Group (note 34(i)(h)).

The amount of properties held for sale that are expected to be recovered after more than one year is HK$401,581,000 (2024: HK$304,053,000). The remaining balance is expected to be recovered within one year.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

26 INVENTORIES

	2025 HK$'000	2024 HK$'000
Raw materials and supplies	**295,686**	317,450
Work-in-progress	**339,266**	296,169
Finished goods	**37,568**	53,879
	672,520	667,498

27 TRADE AND BILLS RECEIVABLES

	2025 HK$'000	2024 HK$'000
Trade receivables – gross	**2,629,796**	2,201,940
Less: loss allowance	**(111,472)**	(70,693)
Trade receivables – net	**2,518,324**	2,131,247
Bills receivables	**8,870**	4,726
	2,527,194	2,135,973

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

	2025 HK$'000	2024 HK$'000
0 to 90 days	**1,271,916**	1,092,879
91 to 180 days	**312,754**	275,241
Over 180 days	**942,524**	767,853
	2,527,194	2,135,973

Notes to the Consolidated Financial Statements

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27 TRADE AND BILLS RECEIVABLES (Continued)

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 ended 31 March 2025, expected credit loss of HK$40,840,000 (2024: HK$10,000,000) on trade receivables was recognised in the consolidated income statement in relation to impaired financial assets. Information about the loss allowance provision to 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.

The movement in the provision for loss allowance during the year is as follows:

	2025	2024
	HK$'000	HK$'000
Opening carrying amount	**70,693**	51,023
Loss allowance during the year (note 8)	**40,840**	10,000
Acquisition of subsidiaries	**–**	10,000
Exchange realignment	**(61)**	(330)
Closing carrying amount	**111,472**	70,693

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.

Notes to the Consolidated Financial Statements
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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 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 service concession arrangements and the finance income is calculated using the effective interest rate ranged from 3.96% to 6.62% (2024: 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 service concession arrangements.

As at 31 March 2025, the receivables under service concession arrangements with a carrying amount of HK$200,650,000 (2024: HK$139,093,000) were pledged to secure loan facilities granted to the Group (note 34(i)(k)).

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2025 HK$'000**	2024 HK$'000
Unlisted exchangeable bonds in Hong Kong	(i)	**–**	89,470
Wealth management products and structured deposits issued by licensed banks	(ii)	**5,435**	402,198
		5,435	491,668

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 1.5% to 2.25% (2024: 1.3% to 3.6%).

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30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2025 HK$'000	2024 HK$'000
Cash at banks/other financial institutions and in hand	**4,771,795**	4,804,799
Deposits	**678,233**	745,396
	5,450,028	5,550,195
Deposits pledged for loan facilities (note 34(i)(i))	**(167,400)**	(167,400)
Deposits pledged for bills payables (note 32)	**(469,093)**	(489,921)
Other pledged deposits	**(41,740)**	(88,075)
	(678,233)	(745,396)
Cash and cash equivalents	**4,771,795**	4,804,799

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 2025, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$5,060,924,000 (2024: HK$5,102,545,000), 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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31 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	2025 HK$'000	2024 HK$'000
Non-current		
Receipt in advance from customers for water supply installation and maintenance business	**249,810**	254,574
Current		
Receipt in advance from customers for water supply and direct drinking water supply operations business	**394,255**	342,868
Receipt in advance from customers for water supply and direct drinking water supply construction, installation and maintenance and water environmental renovation construction businesses	**429,310**	531,602
Receipt in advance from customers for property development and investment businesses	**30,758**	195,093
	854,323	1,069,563

(i) Revenue recognised in relation to contract liabilities

For the year ended 31 March 2025, the carried-forward contract liabilities amounted to HK$901,605,000 (2024: HK$744,263,000) was recognised as revenue of water supply operations, water supply construction, installation and maintenance and water environmental renovation construction and property development and investment businesses in the consolidated income statement.

(ii) Unsatisfied contracts related to water supply construction, installation and maintenance

As at 31 March 2025, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was HK$286,616,000 (2024: HK$337,328,000).

All other contracts related to water supply operations and 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

	2025 HK$'000	2024 HK$'000
Trade payables	**6,773,660**	6,052,952
Bills payables	**1,042,501**	796,410
Liabilities under supplier finance arrangement (note)	**270,928**	–
	8,087,089	6,849,362

Note:

During the year ended 31 March 2025, the Group entered into certain supplier finance arrangements with the ending dates range from April 2025 to March 2026. Under the arrangement, banks acquire the rights to selected trade receivables from the supplier. The terms and conditions of the arrangement are basically unchanged from the trade payables and the supplier finance arrangement.

During the year ended 31 March 2025, liabilities under supplier finance arrangement equals to the amount the supplier has received payment from the finance provider. During the year ended 31 March 2025, the Group made payments totalled HK$239,140,000 through the supplier finance arrangement. The Group has not entered supplier finance arrangement during the year ended 31 March 2024.

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

	2025 HK$'000	2024 HK$'000
0 to 90 days	**3,954,796**	3,510,096
91 to 180 days	**1,632,956**	1,183,315
Over 180 days	**2,499,337**	2,155,951
	8,087,089	6,849,362

As at 31 March 2025, the bills payables of HK$1,042,501,000 (2024: HK$796,410,000) were secured by the pledged bank deposits of HK$469,093,000 (2024: HK$489,921,000) (note 30).

Notes to the Consolidated Financial Statements
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33 ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2025 HK$'000	2024 HK$'000
Accrued liabilities	**287,812**	363,278
Deposits received	**105,179**	96,417
Other payables (note)	**2,602,092**	2,225,619
	2,995,083	2,685,314

Note: Other payables mainly included various municipal service charges received on behalf of certain government authorities in the PRC of HK$621,873,000 (2024: HK$701,608,000), payables for other PRC tax surcharges and construction costs, and payables for the Company's interim dividend of HK$212,153,000 (2024: HK$212,202,000).

34 BORROWINGS

	Notes	Original currency	2025 HK$'000	2024 HK$'000
Current				
Bank loans – unsecured	(ii)	RMB	**2,677,873**	2,471,346
Bank loans – secured	(i), (ii)	RMB	**1,672,860**	1,885,819
Bank loans – unsecured	(ii)	USD	**745,480**	789,679
Bank loans – unsecured	(ii)	HK$	**280,000**	1,406,750
Other loans – unsecured	(iii)	RMB	**–**	6,594
Other loans – unsecured	(iii)	USD	**72,656**	–
Other loans – secured	(i), (iii)	RMB	**144,012**	279,505
Other loans – secured	(i), (iii)	USD	**91,764**	91,764
Government loans – unsecured	(iv)	RMB	**51,343**	40,067
			5,735,988	6,971,524
Non-current				
Bank loans – unsecured	(ii)	RMB	**1,510,973**	1,826,794
Bank loans – secured	(i), (ii)	RMB	**7,439,318**	6,655,908
Bank loans – unsecured	(ii)	USD	**3,369,280**	4,680,313
Bank loans – unsecured	(ii)	HK$	**1,133,604**	100,000
Other loans – unsecured	(iii)	RMB	**1,832,057**	71,971
Other loans – unsecured	(iii)	USD	**3,190,264**	3,241,023
Other loans – secured	(i), (iii)	RMB	**707,537**	928,613
Other loans – secured	(i), (iii)	USD	**266,197**	355,014
Government loans – unsecured	(iv)	RMB	**–**	19,101
			19,449,230	17,878,737
			25,185,218	24,850,261

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

34 BORROWINGS (Continued)

	2025 HK$'000	2024 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,376,213**	6,553,594
In the second year	**1,407,955**	2,329,865
In the third to fifth years, inclusive	**7,102,164**	5,897,553
Beyond five years	**4,943,055**	5,035,597
	18,829,387	19,816,609
Other loans repayable:		
Within one year	**308,432**	377,863
In the second year	**2,997,854**	405,011
In the third to fifth years, inclusive	**2,590,868**	3,686,619
Beyond five years	**407,334**	504,991
	6,304,488	4,974,484
Government loans repayable:		
Within one year	**51,343**	40,067
In the second year	**–**	19,101
	51,343	59,168

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

34 BORROWINGS (Continued)

Notes:

(i) The borrowings at 31 March 2025 and 2024 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;

(d) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2025 was HK$406,430,000 (2024: HK$1,347,149,000) (note 15);

(e) charges over right-of-use assets in which their aggregate carrying amount as at 31 March 2025 was HK$230,164,000 (2024: HK$339,674,000) (note 16);

(f) charges over investment properties in which their aggregate carrying amount as at 31 March 2025 was HK$1,445,978,000 (2024: HK$1,170,230,000) (note 17);

(g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2025 was HK$1,396,020,000 (2024: HK$1,886,094,000) (note 21);

(h) charges over properties held for sale in which their aggregate carrying amount as at 31 March 2025 was HK$Nil (2024: HK$295,480,000) (note 25);

(i) charges over the bank deposits in amount of HK$167,400,000 as at 31 March 2025 (2024: HK$167,400,000) (note 30);

(j) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 31 March 2025 was HK$234,783,000 (2024: HK$218,681,000) (note 19(iii)); and

(k) charges over receivables under services concession arrangements in which their aggregate carrying amount as at 31 March 2025 was HK$200,650,000 (2024: HK$139,093,000) (note 28).

(ii) The effective interest rates of the bank loans ranged from 1.2% to 8.6% (2024: 1.2% to 8.1%) per annum at 31 March 2025.

(iii) The effective interest rates of the other loans ranged from 3.0% to 8.6% (2024: 4.1% to 9.7%) per annum at 31 March 2025.

(iv) The effective interest rates of the government loans ranged from 1.2% to 5.9% (2024: 1.2% to 5.9%) per annum at 31 March 2025.

(v) The Group had complied with all of the financial covenants of its borrowing facilities for the years ended 31 March 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

35 AMOUNTS DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

All the balances were unsecured, interest-free, repayable on demand of current portion and repayable over one year of non-current portion except for:

(i) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK$26,838,000 (2024: HK$44,186,000) as at 31 March 2025 which bore interest rates ranged from 5.7% to 7.0% (2024: bore interest rates ranged from 4.2% to 7.0%) per annum and was repayable within one year; and

(ii) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK$48,913,000 (2024: HK$78,022,000) as at 31 March 2025 which bore interest rate ranged from 1.2% to 4.5% (2024: 1.2% to 5.7%) per annum and was repayable over one year.

36 DEFERRED GOVERNMENT GRANTS

	2025	2024
	HK$'000	HK$'000
Opening carrying amount	**190,700**	197,354
Additions	**2,306**	–
Acquisition of a subsidiary	**–**	17,264
Amortisation (note 6)	**(10,425)**	(13,205)
Exchange realignment	**(2,047)**	(10,713)
Closing carrying amount	**180,534**	190,700

The deferred government grants mainly related to the Group's acquisition of other intangible assets (note 21).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

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	Expected credit loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2023	827,310	163,105	220,303	48,103	11,256	1,270,077
Acquisition of subsidiaries	14,436	–	–	–	2,500	16,936
Charged/(credited) to profit or loss (note 10)	322,309	(2,273)	–	(1,223)	2,500	321,313
Exchange realignment	(25,830)	(6,155)	(6,015)	(2,405)	(563)	(40,968)
At 31 March 2024	1,138,225	154,677	214,288	44,475	15,693	1,567,358
Disposal of a subsidiary	–	–	–	(26,844)	–	(26,844)
Charged/(credited) to profit or loss (note 10)	6,304	–	13,977	(1,131)	–	19,150
Exchange realignment	(10,741)	(1,547)	(2,409)	(445)	(157)	(15,299)
At 31 March 2025	**1,133,788**	**153,130**	**225,856**	**16,055**	**15,536**	**1,544,365**

At 31 March 2025, the Group has unused tax losses of HK$735,360,000 (2024: HK$858,077,000) 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 2025, the deferred tax liabilities of HK$233,939,000 (2024: HK$229,659,000) 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 2025

38 SHARE CAPITAL

	Number of shares '000	Par value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2024 and 2025	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2023, 31 March 2024 and 31 March 2025	1,632,322	16,323

During the year ended 31 March 2025, the Company repurchased a total of 4,774,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$27,515,000. The highest price paid and the lowest price paid were HK$6.05 and HK$4.90 per share respectively. Those repurchased shares with a repurchased cost of approximately HK$27,600,000 (including expenses) were held as treasury shares as at 31 March 2025.

39 SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 9 September 2022. 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 associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company. 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

39 SHARE OPTION SCHEME (Continued)

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 2025 and 2024, no share option is granted and exercised under the Scheme.

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.

The share premium 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

41 DEREGISTRATION OR DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2025, the Group disposed of 51% equity interest in 杭州梁運儲運有限公司 ("Hangzhou Liangyun") at a consideration of RMB100,000,000 (approximately HK$108,696,000) to an independent third party. Hangzhou Liangyun is principally engaged in petrochemical terminal business. The disposal was completed in March 2025 and the Group recognised a gain on disposal of approximately HK$37,648,000. After completion of the disposal, Hangzhou Liangyun became an associate of the Group with 47.82% equity interests.

42 COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2025	2024
	HK$'000	HK$'000
Contracted, but not provided for		
– Other intangible assets	**261,107**	339,034
– Property, plant and equipment	**1,214**	6,241
	262,321	345,275

(b) Operating lease arrangement

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years (2024: from one to twenty years). Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

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

	2025	2024
	HK$'000	HK$'000
Within one year	**21,769**	22,239
In the second to fifth years, inclusive	**23,716**	12,999
After five years	**4,057**	4,992
	49,542	40,230

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

42 COMMITMENTS AND GUARANTEES (Continued)

(c) As at 31 March 2025, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK$1,740,000 (2024: HK$1,734,000).

(d) As at 31 March 2025, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK$16,918,000 (2024: HK$18,131,000).

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.

43 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:

	2025 **HK$'000**	2024 HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**25,556**	32,181
– Retirement scheme contribution	**706**	685
	26,262	32,866

(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:

	2025 **HK$'000**	2024 HK$'000
Sales to an associate	**6,980**	53,243

The Group provided construction services of approximately HK$6,980,000 (2024: HK$53,243,000) 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

For the year ended 31 March 2025

43 RELATED PARTY TRANSACTIONS (Continued)

(c) Purchases from a connected subsidiary:

	2025 HK$'000	2024 HK$'000
Purchases from a connected subsidiary	**27,786**	43,579

The Group purchased the pipeline direct drinking system related equipment and services of approximately HK$27,786,000 (2024: HK$43,579,000) from 江西銀麗直飲水設備有限公司 (Jiangxi Yinli Direct Drinking Equipment Co. Ltd.) ("Jiangxi Yinli"). The purchases were made in accordance with the terms of respective agreements. Jiangxi Yinli is a non-wholly owned subsidiary of the Company and ORIX China Investment Corporation ("ORIX CHINA") holds 20% of the equity interest in Jiangxi Yinli. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. Jiangxi Yinli therefore is a connected subsidiary of the Company. The transactions also constituted continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company has complied with the requirements in Chapter 14A of the Listing Rules in respect of the said continuing connected transactions. Further details of which were disclosed in the Company's announcement dated 28 February 2020 and 16 February 2023.

(d) On 2 May 2023, the Group entered into the agreement pursuant to which the Group shall acquire from Mr. Li Zhong, 80.32% equity interests in Total Happy Investment Limited ("Total Happy") at the consideration of approximately HK$19,372,000 which was determined after arm's length negotiation between both parties. Total Happy is a limited company incorporated in Hong Kong and is principally engaged in investment holding. Mr. Li Zhong, being the vendor, is an executive director of the Company and therefore is a connected person of the Company. The acquisition constituted a connected transaction as defined in Chapter 14A of the Listing Rules. The Company has complied with the requirements in Chapter 14A of the Listing Rules in respect of the said connected transaction. Further details of which were disclosed in the Company's announcement dated 2 May 2023.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

44 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:

	Amounts due to associates HK$'000	Amounts due to non-controlling equity holders of subsidiaries HK$'000	Lease liabilities HK$'000	Borrowings HK$'000
At 1 April 2023	34,843	1,198,736	381,099	23,627,832
Changes from financing cash flows	(11,165)	(188,314)	(37,403)	1,707,289
New leases	–	–	52,086	–
Early termination of lease arrangement	–	–	(3,409)	–
Acquisition of subsidiaries	–	–	–	171,167
Disposal of a subsidiary	–	–	(724)	–
Exchange differences	(1,914)	(65,129)	(20,722)	(656,027)
At 31 March 2024 and 1 April 2024	21,764	945,293	370,927	24,850,261
Changes from financing cash flows	8,468	55,051	(47,703)	867,733
New leases	–	–	136,519	–
Disposal of a subsidiary	–	–	–	(342,353)
Exchange differences	(237)	(10,104)	(4,413)	(190,423)
At 31 March 2025	**29,995**	**990,240**	**455,330**	**25,185,218**

Notes to the Consolidated Financial Statements

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45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2025 HK$'000	2024 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**1,119**	1,519
Investment in subsidiaries		**5,069,978**	9,289,460
Financial assets at fair value through other comprehensive income		**1,116**	1,428
Amount due from a subsidiary		**7,265,222**	3,113,365
		12,337,435	12,405,772
Current assets			
Financial assets at fair value through profit or loss		**–**	89,470
Amounts due from subsidiaries		**6,120,384**	5,104,668
Prepayments, deposits and other receivables		**2,754**	2,774
Pledged deposits		**167,400**	167,400
Cash and cash equivalents		**170,193**	309,887
		6,460,731	5,674,199
Current liabilities			
Amounts due to subsidiaries		**7,182,383**	6,833,161
Accrued liabilities, deposits received and other payables		**332,915**	321,324
Borrowings		**1,185,444**	1,472,277
		8,700,742	8,626,762
Net current liabilities		**(2,240,011)**	(2,952,563)
Total assets less current liabilities		**10,097,424**	9,453,209
Non-current liabilities			
Borrowings		**4,786,033**	3,595,100
Deferred government grants		**2,370**	2,370
		4,788,403	3,597,470
Net assets		**5,309,021**	5,855,739
Equity			
Share capital	38	**16,323**	16,323
Reserves	45(b)	**5,292,698**	5,839,416
Total equity		**5,309,021**	5,855,739

Approved and authorised for issue by the board of directors on 30 June 2025 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

Notes to the Consolidated Financial Statements
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45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company

	Proposed final dividend HK$'000	Share premium HK$'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$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2023	**293,818**	**281,716**	**32,373**	**3,304**	**(104,092)**	**96,808**	**3**	**1,552,450**	**2,156,380**
Final dividend 2023 (note 12)	(293,818)	–	–	–	–	–	–	–	(293,818)
Interim dividend 2024 (note 12)	–	–	–	–	–	–	–	(212,202)	(212,202)
Transactions with owners	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**–**	**(212,202)**	**(506,020)**
Proposed final dividend 2024 (note 12)	**244,848**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,848)**	**–**
Profit for the year	–	–	–	–	–	–	–	4,289,595	4,289,595
Other comprehensive (loss)/income									
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(100,901)	–	–	–	(100,901)
– Currency translation	–	–	–	–	–	–	362	–	362
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(100,901)**	**–**	**362**	**4,289,595**	**4,189,056**
Balance at 31 March 2024	**244,848**	**281,716**	**32,373**	**3,304**	**(204,993)**	**96,808**	**365**	**5,384,995**	**5,839,416**

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45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

	Proposed final dividend HK$'000	Treasury shares HK$'000 (note 38)	Share premium 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 HK$'000	Total HK$'000
Balance at 1 April 2024	**244,848**	**–**	**281,716**	**32,373**	**3,304**	**(204,993)**	**96,808**	**365**	**5,384,995**	**5,839,416**
Share repurchase	–	(27,515)	–	–	–	–	–	–	–	(27,515)
Sharre repurchase expenses	–	(85)	–	–	–	–	–	–	–	(85)
Final dividend 2024 (note 12)	(244,848)	–	–	–	–	–	–	–	–	(244,848)
Interim dividend 2025 (note 12)	–	–	–	–	–	–	–	–	(212,153)	(212,153)
Transactions with owners	**(244,848)**	**(27,600)**	**–**	**–**	**–**	**–**	**–**	**–**	**(212,153)**	**(484,601)**
Proposed final dividend 2025 (note 12)	**244,132**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,132)**	**–**
Loss for the year	–	–	–	–	–	–	–	–	(57,104)	(57,104)
Other comprehensive (loss)/income										
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	(5,081)	–	–	–	(5,081)
– Currency translation	–	–	–	–	–	–	–	68	–	68
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(5,081)**	**–**	**68**	**(57,104)**	**(62,117)**
Balance at 31 March 2025	**244,132**	**(27,600)**	**281,716**	**32,373**	**3,304**	**(210,074)**	**96,808**	**433**	**4,871,606**	**5,292,698**

The capital redemption reserve of the Company represents the nominal value of the share capital of the Company repurchased and cancelled.

The share premium mainly includes shares issued at a premium.

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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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2025 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
China Water (Hong Kong) Investment Limited	Hong Kong	Ordinary shares of HK$10,000	–	70%	Investment holding
Dragon Wealthy Corporation Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/Hong Kong	4 ordinary shares of US$1 each	–	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
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
Broad Intelligence Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Silver Dragon Water Supply Group Limited	Bermuda/Hong Kong	10,009 ordinary shares of HK$0.01 each	100%	–	Investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding

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For the year ended 31 March 2025

46 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 RMB2,000,000,000	–	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
銀龍水杯子直飲水(江西)集團有限公司^	PRC	Registered capital of RMB61,000,000	–	100%	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
深圳金達環境科技控股有限公司* (formerly known as 深圳金達環境控股有限公司)	PRC	Registered capital of RMB602,282,275	–	97.12%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	97.12%	Investment holding
北京銀龍康興實業發展有限公司#	PRC	Registered capital of RMB800,000,000	–	100%	Investment holding
北京銀龍元泰實業發展有限公司^	PRC	Registered capital of RMB500,000,000	–	100%	Investment holding
北京銀龍興盛實業發展有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

46 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	
荊州水務集團有限公司 (i)*	PRC	Registered capital of US$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
荊州市海潤鄉鎮供水有限公司^	PRC	Registered capital of RMB20,000,000	–	51%	City water supply and water supply infrastructure
江陵銀龍水務有限公司#	PRC	Registered capital of RMB80,000,000 (2024: RMB19,000,000)	–	51% (2024: 100%)	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
石首銀龍水務有限公司^	PRC	Registered capital of RMB58,823,529	–	51%	City water supply and water supply infrastructure
新余水務集團有限公司#	PRC	Registered capital of RMB268,000,000	–	60%	City water supply and water supply infrastructure
宜豐縣銀龍水務有限公司*	PRC	Registered capital of RMB117,800,000 (2024: RMB52,800,000)	–	55%	City water supply and water supply infrastructure
江河港武水務(常州)有限公司 (i)^	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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 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
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	–	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
寧鄉水務集團有限公司*	PRC	Registered capital of RMB500,000,000	–	90%	City water supply and water supply infrastructure
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
寧鄉中水銀龍供水服務有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure

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For the year ended 31 March 2025

46 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
湘潭響塘供水有限公司^	PRC	Registered capital of RMB50,000,000	–	80%	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	–	70%	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	–	74.38%	City water supply and water supply infrastructure
惠州豫鹿實業有限公司^	PRC	Registered capital of RMB20,000,000	–	70%	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^	PRC	Registered capital of RMB70,000,000	–	57.14%	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 and water supply infrastructure

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For the year ended 31 March 2025

46 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
葉縣銀龍農村供水有限公司^	PRC	Registered capital of RMB1,000,000	–	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 RMB100,000,000	–	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 RMB100,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(扶溝)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
獲嘉縣新水水務有限公司#	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure

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46 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
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
周口上善水務有限公司*	PRC	Registered capital of RMB156,862,700	–	51%	City water supply and water supply infrastructure
新河縣銀龍水務有限公司^	PRC	Registered capital of RMB3,000,000	–	100%	City water supply and water supply infrastructure
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
漯河銀龍水務有限公司^	PRC	Registered capital of RMB109,530,000 (2024: RMB83,040,600)	–	75.3% (2024: 81.88%)	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	–	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 RMB106,308,750 (2024: RMB94,108,750)	–	60%	City water supply and water supply infrastructure

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For the year ended 31 March 2025

46 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
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	–	51%	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 RMB66,741,780	–	86.55%	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	–	60%	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
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

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For the year ended 31 March 2025

46 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
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 RMB112,000,000	–	100%	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB169,000,000 (2024: RMB146,500,000)	–	60%	City water supply and water supply infrastructure
鞏義市銀龍源盛水務有限公司*	PRC	Registered capital of RMB30,000,000	–	65%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司#	PRC	Registered capital of RMB139,600,000	–	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
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*	PRC	Registered capital of RMB95,308,000	–	90%	City water supply, water supply infrastructure and sewage treatment
銀龍水杯子直飲水集團有限公司^ (formerly known as 銀龍水杯子直飲水(湖南)集團有限公司)	PRC	Registered capital of RMB1,000,000,000	–	100%	Direct drinking water operation and construction
長沙水杯子直飲水工程設備有限公司*	PRC	Registered capital of RMB100,000,000	–	51%	Direct drinking water operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 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
Nanjing Aquacup Technology Corporation Limited^	PRC	Registered capital of RMB68,239,184	–	51%	Direct drinking water operation and construction
南京水杯子淨水科技有限公司^	PRC	Registered capital of RMB20,010,000	–	51%	Direct drinking water operation and constructure
江蘇海德能淨水科技有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	Direct drinking water operation and constructure
江西銀龍水環境建設有限責任公司^	PRC	Registered capital of RMB400,000,000	–	77.70%	Municipal public construction
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	97.12%	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400	–	97.12%	Sewage treatment operation and construction
萬年縣中水環保有限公司^	PRC	Registered capital of RMB53,000,000	–	97.12%	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB68,000,000 (2024: RMB38,000,000)	–	97.12%	Sewage treatment operation and construction
鉛山縣中水環保有限公司^	PRC	Registered capital of RMB13,470,000	–	97.12%	Sewage treatment operation and construction
天津正坤水處理有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12%	Sewage treatment operation and construction
天津重科水處理有限公司^	PRC	Registered capital of RMB14,000,000	–	97.12%	Sewage treatment operation and construction

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For the year ended 31 March 2025

46 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
邯鄲市峰峰錦晟污水處理有限公司^	PRC	Registered capital of RMB1,000,000	–	97.12%	Sewage treatment operation and construction
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12%	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	–	97.12%	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB20,000,000 (2024: RMB6,000,000)	–	97.12%	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	97.12%	Sewage treatment operation and construction
長沙(中國水務)環保有限責任公司*	PRC	Registered capital of RMB346,616,000	18.75%	78.91%	Sewage treatment operation and construction
中原水務集團有限公司^	PRC	Registered capital of RMB500,000,000	–	97.12% (2024: 59.11%)	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement
孟州市城市污水處理有限公司^	PRC	Registered capital of RMB60,000,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
中原水務範縣污水處理有限公司^	PRC	Registered capital of RMB12,023,700	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction

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46 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
中原水務範縣第二污水處理有限公司^	PRC	Registered capital of RMB15,000,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
中原水務(西華)污水處理有限公司^	PRC	Registered capital of RMB12,600,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12%	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB16,000,000	–	97.12%	Sewage treatment
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12%	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB20,000,000	–	67.98%	Sewage treatment
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	97.12%	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(i)^	PRC	Registered capital of RMB10,000,000	–	49.53%	Energy conservation and environmental protection
北京上河元有限公司^	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
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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

46 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
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	–	100%	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	–	93.10%	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%	70.33%	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:

* 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) 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 2025

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) General information of associates

Particulars of the Group's associates with their principal activities as at 31 March 2025 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
廣西梧州自來水工程有限公司	PRC	RMB5,000,000	49%	City water supply
惠州大亞灣泓溢供水有限公司	PRC	RMB10,000,000	36.45%	City water supply and water supply infrastructure
常州禹安水務有限公司	PRC	RMB72,963,100	29%	Sewage treatment operation and sewage treatment infrastructure
Hangzhou Liangyun	PRC	RMB800,000,000	47.82%	Warehousing, storage, trading and distribution of oil related products
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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2025

47 EVENT AFTER REPORTING PERIOD

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

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

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

Taikang Asset is expected to receive annual dividend payment of 5.8% of the investment amount paid by Taikang Asset ("Expected Dividend Distribution").

In addition, the Company has a buy-back option to acquire the equity interest in the Target Company held by Taikang Asset at investment amount upon the earliest of the expiry of the fifth anniversary after 15 May 2025, which may be extended for up to three times (each time for a period of two years), or the occurrence of certain events ("Specific Events"). The exercise period of the option is 15 November 2029 to 15 February 2030.

If the Company does not exercise this option within the exercisable period, it will trigger certain remedial actions. In such scenario, the Expected Divided Distribution shall be stepped up by an additionally 3% of the investment amount. In addition, the Company, Silver Dragon and the Target Company will be required to undertake actions to ensure the Taikang Asset receives an amount equal to its investment amount plus any outstanding dividends. Such remedial actions include, among others, (i) prioritising the distribution of the Target Company and its subsidiaries ("Target Group") annual distributable profits to Taikang Asset; (ii) ceasing repayment (or waiver) of shareholder loans and related party loans by the Target Group; (iii) increasing the cashflow of the Target Company through disposals, dividend distribution or liquidation of Target Group members; (iv) increasing the ratio of directors to be appointed by Taikang Asset in Target Company; and (v) granting a right to Taikang Asset to appoint a chief financial officer to key Target Group members.

48 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2025.

Consolidated Income Statement

For the year ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Revenue	6	**12,858,515**	14,194,953
Cost of sales		**(8,082,551)**	(8,848,656)
Gross profit		**4,775,964**	5,346,297
Other income, net	6	**372,709**	427,090
Selling and distribution costs		**(265,942)**	(282,940)
Administrative expenses		**(822,560)**	(955,695)
Expected credit loss on trade receivables	27	**(10,000)**	(45,024)
Operating profit	8	**4,050,171**	4,489,728
Finance costs	9	**(724,654)**	(633,225)
Share of results of associates	18	**44,141**	162,792
Profit before income tax		**3,369,658**	4,019,295
Income tax expense	10	**(778,301)**	(930,950)
Profit for the year		**2,591,357**	3,088,345
Profit for the year attributable to:			
Owners of the Company		**1,533,543**	1,856,786
Non-controlling interests		**1,057,814**	1,231,559
		2,591,357	3,088,345
Earnings per share for profit attributable to owners of the Company during the year	11	**HK$**	HK$
Basic		**0.94**	1.14
Diluted		**0.94**	1.14

The notes on pages 59 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	2024 HK$'000	2023 HK$'000
Profit for the year	**2,591,357**	3,088,345
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**(1,617,922)**	(1,683,743)
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries, net	**26**	193
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**(111,890)**	(57,024)
– Share of other comprehensive (loss)/income of an associate	**(5,128)**	32,348
Other comprehensive loss for the year, net of tax	**(1,734,914)**	(1,708,226)
Total comprehensive income for the year	**856,443**	1,380,119
Total comprehensive income attributable to:		
Owners of the Company	**227,264**	575,701
Non-controlling interests	**629,179**	804,418
	856,443	1,380,119

The notes on pages 59 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**3,422,496**	3,338,119
Right-of-use assets	16	**1,388,089**	1,302,999
Investment properties	17	**1,306,249**	1,362,198
Investment in associates	18	**2,151,263**	2,402,532
Financial assets at fair value through other comprehensive income	19	**345,320**	461,445
Goodwill	20	**1,371,118**	1,419,442
Other intangible assets	21	**31,847,158**	29,122,981
Prepayments, deposits and other receivables	22	**686,960**	721,660
Contract assets	23	**1,798,014**	1,358,496
Receivables under service concession arrangements	28	**2,049,741**	1,788,146
		46,366,408	43,278,018
Current assets			
Properties under development	24	**1,199,731**	1,235,634
Properties held for sale	25	**1,049,150**	1,133,738
Inventories	26	**667,498**	650,353
Contract assets	23	**2,220,961**	1,481,535
Receivables under service concession arrangements	28	**120,796**	122,833
Trade and bills receivables	27	**2,135,973**	1,954,038
Financial assets at fair value through profit or loss	29	**491,668**	653,320
Amounts due from non-controlling equity holders of subsidiaries	35	**214,792**	248,585
Amounts due from associates	18	**394,240**	271,744
Prepayments, deposits and other receivables	22	**2,830,658**	2,635,409
Pledged deposits	30	**745,396**	514,260
Cash and cash equivalents	30	**4,804,799**	6,984,821
		16,875,662	17,886,270
Current liabilities			
Lease liabilities		**38,613**	37,978
Contract liabilities	31	**1,069,563**	1,401,864
Trade and bills payables	32	**6,849,362**	5,403,857
Accrued liabilities, deposits received and other payables	33	**2,685,314**	3,131,649
Amounts due to associates	18	**21,764**	34,843
Borrowings	34	**6,971,524**	8,020,540
Amounts due to non-controlling equity holders of subsidiaries	35	**126,857**	120,523
Provision for tax		**2,984,412**	3,027,151
		20,747,409	21,178,405
Net current liabilities		**(3,871,747)**	(3,292,135)
Total assets less current liabilities		**42,494,661**	39,985,883

Consolidated Statement of Financial Position

As at 31 March 2024

	Notes	**2024 HK$'000**	2023 HK$'000
Non-current liabilities			
Borrowings	34	**17,878,737**	15,607,292
Lease liabilities		**332,314**	343,121
Contract liabilities	31	**254,574**	317,692
Amounts due to non-controlling equity holders of subsidiaries	35	**818,436**	1,078,213
Deferred government grants	36	**190,700**	197,354
Deferred tax liabilities	37	**1,567,358**	1,270,077
		21,042,119	18,813,749
Net assets		**21,452,542**	21,172,134
Equity			
Equity attributable to owners of the Company			
Share capital	38	**16,323**	16,323
Reserves	40	**12,770,470**	12,976,831
		12,786,793	12,993,154
Non-controlling interests		**8,665,749**	8,178,980
Total equity		**21,452,542**	21,172,134

The consolidated financial statements on pages 50 to 164 were approved and authorised for issue by the board of directors on 27 June 2024 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 59 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Equity attributable to owners of the Company													
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium 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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2022	**16,323**	**293,818**	**281,716**	**3,304**	**32,373**	**1,077,273**	**96,808**	**(77,649)**	**32,825**	**1,123,518**	**10,088,903**	**12,969,212**	**7,513,532**	**20,482,744**
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	3,231	–	–	–	3,231	(9,583)	(6,352)
Disposal or deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(2,422)	(2,422)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	147,927	147,927
Final dividend 2022 (note 12)	–	(293,818)	–	–	–	–	–	–	–	–	–	(293,818)	–	(293,818)
Interim dividend 2023 (note 12)	–	–	–	–	–	–	–	–	–	–	(261,172)	(261,172)	–	(261,172)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(274,892)	(274,892)
Transactions with owners	**–**	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**3,231**	**–**	**–**	**(261,172)**	**(551,759)**	**(138,970)**	**(690,729)**
Proposed final dividend 2023 (note 12)	**–**	**293,818**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(293,818)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**207,541**	**(207,541)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,856,786	1,856,786	1,231,559	3,088,345
Other comprehensive income/(loss)														
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	(57,024)	–	–	(57,024)	–	(57,024)
– Currency translation	–	–	–	–	–	(1,256,602)	–	–	–	–	–	(1,256,602)	(427,141)	(1,683,743)
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	–	32,348	–	–	32,348	–	32,348
– Recycling of currency translation differences upon disposal of subsidiaries	–	–	–	–	–	193	–	–	–	–	–	193	–	193
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(1,256,409)**	**–**	**–**	**(24,676)**	**–**	**1,856,786**	**575,701**	**804,418**	**1,380,119**
Balance at 31 March 2023	**16,323**	**293,818**	**281,716**	**3,304**	**32,373**	**(179,136)**	**96,808**	**(74,418)**	**8,149**	**1,331,059**	**11,183,158**	**12,993,154**	**8,178,980**	**21,172,134**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Equity attributable to owners of the Company													
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium 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	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2023	**16,323**	**293,818**	**281,716**	**3,304**	**32,373**	**(179,136)**	**96,808**	**(74,418)**	**8,149**	**1,331,059**	**11,183,158**	**12,993,154**	**8,178,980**	**21,172,134**
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	236,360	236,360
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	72,395	–	–	–	72,395	(233,585)	(161,190)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	41,497	41,497
Final dividend 2023 (note 12)	–	(293,818)	–	–	–	–	–	–	–	–	–	(293,818)	–	(293,818)
Interim dividend 2024 (note 12)	–	–	–	–	–	–	–	–	–	–	(212,202)	(212,202)	–	(212,202)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(186,682)	(186,682)
Transactions with owners	**–**	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**72,395**	**–**	**–**	**(212,202)**	**(433,625)**	**(142,410)**	**(576,035)**
Proposed final dividend 2024 (note 12)	**–**	**244,848**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,848)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138,364**	**(138,364)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,533,543	1,533,543	1,057,814	2,591,357
Other comprehensive (loss)/income														
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	(111,890)	–	–	(111,890)	–	(111,890)
– Currency translation	–	–	–	–	–	(1,189,287)	–	–	–	–	–	(1,189,287)	(428,635)	(1,617,922)
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	(875)	(4,253)	–	–	(5,128)	–	(5,128)
– Recycling of currency translation differences upon disposal of a subsidiary	–	–	–	–	–	26	–	–	–	–	–	26	–	26
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(1,189,261)**	**–**	**(875)**	**(116,143)**	**–**	**1,533,543**	**227,264**	**629,179**	**856,443**
Balance at 31 March 2024	**16,323**	**244,848**	**281,716**	**3,304**	**32,373**	**(1,368,397)**	**96,808**	**(2,898)**	**(107,994)**	**1,469,423**	**12,121,287**	**12,786,793**	**8,665,749**	**21,452,542**

The notes on pages 59 to 164 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from operating activities			
Profit before income tax		**3,369,658**	4,019,295
Adjustments for:			
Finance costs	9	**724,654**	633,225
Share of results of associates	18	**(44,141)**	(162,792)
Interest income	6	**(191,674)**	(164,031)
Dividend income from financial assets	6	**(5,542)**	(9,109)
Amortisation of deferred government grants	6	**(13,205)**	(12,108)
Loss on disposal of property, plant and equipment, net	6	**1,009**	276
Loss on disposal of right-of-use assets	6	**406**	–
Loss/(gain) on disposal of other intangible assets, net	6	**866**	(13,944)
Gain on disposal of investment properties		**(275)**	–
Loss/(gain) on deregistration or disposal of subsidiaries, net	6	**6,515**	(1,278)
(Gain)/loss on disposal of financial assets at fair value through other comprehensive income		**(4,080)**	4,116
Depreciation of property, plant and equipment	8	**150,308**	154,990
Depreciation of right-of-use assets	8	**74,034**	70,342
Amortisation of other intangible assets	8	**833,846**	797,251
Property, plant and equipment written off	8	**277**	1,193
Trade receivables written off	8	**817**	191
Expected credit loss on trade receivables	8	**10,000**	45,024
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		**(489,440)**	(485,060)
Operating profit before working capital changes		**4,424,033**	4,877,581
Increase in properties under development		**(166,311)**	(224,852)
Decrease in properties held for sale		**145,051**	439,353
(Increase)/decrease in inventories		**(52,023)**	132,648
Increase in contract assets		**(1,334,990)**	(1,166,072)
Decrease/(increase) in receivables under service concession arrangements		**126,473**	(325,638)
Increase in trade and bills receivables		**(1,378)**	(528,438)
Increase in prepayments, deposits and other receivables		**(214,376)**	(231,222)
(Decrease)/increase in contract liabilities		**(300,938)**	249,796
Increase in trade and bills payables		**1,701,745**	1,001,696
(Decrease)/increase in accrued liabilities, deposits received and other payables		**(351,765)**	343,775
Cash generated from operations		**3,975,521**	4,568,627
Interest paid for bank and other loans		**(706,234)**	(614,877)
Interest paid on lease liabilities		**(18,420)**	(18,348)
Income taxes paid		**(473,566)**	(468,936)
Net cash generated from operating activities		**2,777,301**	3,466,466

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	Notes	**2024 HK$'000**	2023 HK$'000
Cash flows from investing activities			
Interest received		**191,674**	164,031
Dividend received from financial assets		**5,542**	9,109
Purchase of property, plant and equipment	15	**(412,292)**	(321,410)
Proceeds from disposal of property, plant and equipment		**4,521**	1,326
Purchase of right-of-use assets – land lease payments	16	**(180,480)**	(16,981)
Proceeds from disposal of right-of-use assets		**282**	–
Additions of investment properties	17	**(28,786)**	(55,128)
Proceeds from disposal of investment properties		**10,165**	10,465
Purchase of financial assets at fair value through other comprehensive income		**(2,315)**	(104,342)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**82,828**	13,954
Proceeds from disposal of financial assets at fair value through profit or loss, net		**42,857**	384,768
Additions of other intangible assets		**(4,547,225)**	(4,291,946)
Proceeds from disposal of other intangible assets		**153**	25,426
Acquisition of subsidiaries (net of cash and cash equivalent acquired)		**(157,356)**	–
Disposal of subsidiaries (net of cash and cash equivalent disposed)		**7,685**	490
Decrease/(increase) in amounts due from non-controlling equity holders of subsidiaries		**20,134**	(63,033)
Investments in associates		**(440)**	(175)
Proceeds from disposal of associates		**432**	357,925
Dividends received from associates		**14,763**	42,039
Increase in amounts due from associates		**(137,297)**	(141,913)
Increase in other receivables		**(98,797)**	(96,149)
Increase in pledged deposits		**(249,886)**	(30,797)
Net cash used in investing activities		**(5,433,838)**	(4,112,341)

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 HK$'000	2023 HK$'000
Cash flows from financing activities			
Acquisition of additional interests in subsidiaries		**(164,884)**	(8,394)
Proceeds from partial disposal of subsidiaries		**–**	1,104
Capital injection by non-controlling equity holders of subsidiaries		**41,497**	146,040
Change in amounts due to non-controlling equity holders of subsidiaries		**(188,314)**	29,427
Dividend paid to non-controlling equity holders of subsidiaries		**(186,682)**	(274,892)
Change in amounts due to associates		**(11,165)**	(9,840)
Repayment of lease liabilities		**(37,403)**	(37,591)
Drawdown of bank loans		**11,164,242**	10,771,387
Repayment of bank loans		**(10,018,975)**	(9,243,259)
Drawdown of other loans		**1,000,247**	1,099,144
Repayment of other loans		**(438,225)**	(312,643)
Dividend paid		**(554,990)**	(293,818)
Net cash generated from financing activities		**605,348**	1,866,665
Net (decrease)/increase in cash and cash equivalents		**(2,051,189)**	1,220,790
Cash and cash equivalents at beginning of year		**6,984,821**	6,022,821
Effect of foreign exchange rates, net		**(128,833)**	(258,790)
Cash and cash equivalents at end of year	30	**4,804,799**	6,984,821

The notes on pages 59 to 164 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 27 June 2024.

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 2024, the Group's current liabilities exceeded its current assets by approximately HK$3,871.7 million while the Group's cash and cash equivalents and pledged deposits amounted to approximately HK$5,550.2 million. In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, taking into consideration a number of plans and measures as set out below:

- As at 31 March 2024, the Group had unutilised loan facilities and offers of approximately HK$9,864.1 million. Management maintains on-going communication with the relevant banks and these facilities and offers continues to be available for utilisation as and when needed in accordance with their terms and conditions up to the date of these consolidated financial statements. In the opinion of the directors, these unutilised loan facilities and offers will continue to be available to the Group for supporting its operation for the next twelve months from 31 March 2024;

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

- Management is actively negotiating with various banks and financial institutions for increasing the amounts of existing loan facilities as well as securing new loan facilities. Subsequent to 31 March 2024 and up to the date of these consolidated financial statements, the Group has obtained new loan facilities amounting to HK$1,504.3 million. The directors of the Company believe that the Group will be able to secure additional loan facilities as and when needed at teams acceptable to the Group;

- As at 31 March 2024, the Group had trade and bills receivables of HK$2,136.0 million amongst which HK$767.9 million are over 180 days due. The Group will closely monitor the credit risk of the counterparties and continue to expedite the collection; and

- As at 31 March 2024, the Group had trade and bills payables of HK$6,849.4 million amongst which HK$2,156.0 million are over 180 days due. In the opinion of the directors, the Group maintains long-term business relationship with its creditors and does not anticipate any significant change in the repayment trend to these creditors.

The directors of the Company have reviewed the Group's cash flow projections prepared by management which covers a period of not less than twelve months from 31 March 2024. The directors of the Company are of the opinion that, considering the anticipated cash flow generated from the Group's operations, the possible changes in its operating performance, the continued availability of the Group's bank and other borrowings, the Group's ability to draw down from its existing loan facilities, as well as the measures to achieve favourable working capital position in debtor collection and creditor payment, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 March 2024. Accordingly, the directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

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.

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 mandatory for the year ended 31 March 2024.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKFRS 17	Insurance Contracts

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 2024

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 2023 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 2024 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 2024

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 2024

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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.

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

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

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

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

(v) "Property development and investment" segment involves development of properties for sale and investments in properties for long-term rental yields or for capital appreciation.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

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 transactions 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 deregistration or disposal of subsidiaries, net are excluded from segment results.

Segment assets exclude corporate assets (mainly comprises cash and cash equivalents and pledged deposits), financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and investment in associates. Segment liabilities exclude items such as taxation and other corporate liabilities (mainly comprises corporate borrowings).

Unallocated corporate income mainly comprises interest income and dividend income from financial assets.

Unallocated corporate expenses mainly comprise salaries and wages, operating leases and other operating expenses of the Company and the investment holding companies.

No asymmetrical allocations have been applied to reportable segments.

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".

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal (Continued)

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.

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	Shorter of lease term or 50 years
Leasehold improvements	Shorter of lease term or 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).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income, net" 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.

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, HKAS 16 for owned property and HKFRS 16 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 HKAS 16 or HKFRS 16 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

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. Whether 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.

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 55 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2024

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, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other income, net, 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 income, net. Interest income from these financial investments and other financial assets is included in other income, net 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 2024

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, net 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 2024

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 2024

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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 the 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are 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 2024

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2024

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 water supply operations services 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;

(ii) Revenue from 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 operations services 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 installation and maintenance income 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;

(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;

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(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 over time 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, net" in the consolidated income statement.

2.26 Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in "Other income, net" 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 2024

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 2024

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 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 investments 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 2024

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, amounts due from non-controlling equity holders of subsidiaries, amounts 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;

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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 current portion of 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 current portion of contract assets.

To measure the expected credit losses, trade and bills receivables and current portion of contract assets have been grouped based on shared credit risk characteristics and aging. The current portion of 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 current portion of contract assets.

The expected loss rates are based on the payment profiles of customers over 12 months before 31 March 2024 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted 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.

Impairment losses on trade and bills receivables and current portion of contract assets are presented as separate line item in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against the same line item.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 current portion of contract assets (Continued)

As at 31 March 2024, expected loss rate of trade and bills receivables was determined as follows:

	Current HK$'000	**1 to 90 days** HK$'000	**91 to 180 days** HK$'000	**Over 180 days** HK$'000	**Total** HK$'000
Expected credit loss rate	**0.1%**	**4.4%**	**10.2%**	**26.3%**	
Trade and bills receivables (gross carrying amount)	**1,762,626**	**156,957**	**86,464**	**200,619**	**2,206,666**
Loss allowance	**2,207**	**6,862**	**8,849**	**52,775**	**70,693**

As at 31 March 2023, expected loss rate of trade and bills receivables was determined as follows:

	Current HK$'000	1 to 90 days HK$'000	91 to 180 days HK$'000	Over 180 days HK$'000	Total HK$'000
Expected credit loss rate	0.1%	4.1%	6.5%	11.8%	
Trade and bills receivables (gross carrying amount)	1,441,738	144,712	116,419	302,192	2,005,061
Loss allowance	1,895	5,891	7,597	35,640	51,023

Trade and bill receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

As at 31 March 2024 and 2023, expected loss rate of current portion of contract assets is assessed to be low. The amount of loss allowance provision for current portion of contract assets was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

Impairment allowance policies for other financial assets at amortised cost

The other financial assets, which mainly comprise non-current portion of contract assets, deposits and other receivables, amounts due from non-controlling equity holders of subsidiaries and amounts due from associates.

Expected loss rate of other financial assets at amortised cost is assessed to be low. As at 31 March 2024, 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Interest rate risk (Continued)

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$193,001,000 (2023: HK$161,288,000) 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$49,167,000 (2023: HK$65,332,000) 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$34,532,000 (2023: HK$46,145,000) 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 2024

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 2024					
Lease liabilities	–	14,769	42,304	459,021	516,094
Trade and bills payables	4,873,824	878,612	1,096,926	–	6,849,362
Accrued liabilities and other payables	1,925,404	301,750	361,743	–	2,588,897
Amounts due to associates	3,083	–	18,681	–	21,764
Borrowings	94,488	1,284,350	5,867,985	24,116,539	31,363,362
Amounts due to non-controlling equity holders of subsidiaries	91,582	–	35,275	825,254	952,111
	6,988,381	2,479,481	7,422,914	25,400,814	42,291,590

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2023					
Lease liabilities	–	14,737	42,686	478,660	536,083
Trade and bills payables	3,810,613	597,847	995,397	–	5,403,857
Accrued liabilities and other payables	1,944,496	749,685	339,984	–	3,034,165
Amounts due to associates	11,823	–	23,020	–	34,843
Borrowings	260,667	1,037,889	7,807,586	19,855,016	28,961,158
Amounts due to non-controlling equity holders of subsidiaries	98,029	18,942	3,552	1,090,873	1,211,396
	6,125,628	2,419,100	9,212,225	21,424,549	39,181,502

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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).

At 31 March 2024, 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	**1,427**	**–**	**343,893**	**345,320**
Financial assets at fair value through profit or loss	**–**	**–**	**491,668**	**491,668**
	1,427	**–**	**835,561**	**836,988**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2023, 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	88,156	–	373,289	461,445
Financial assets at fair value through profit or loss	–	–	653,320	653,320
	88,156	–	1,026,609	1,114,765

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 investments in 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 2024

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	**2024 HK$'000**	2023 HK$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted exchangeable bonds	**89,470**	182,390	Option pricing model	Volatility	70.4% (2023: 40.1%)	The higher of volatility, the lower of fair value
Unlisted equity securities	**343,893**	373,289	Market approach	Enterprise value to sales multiple	2.0 to 6.8 times (2023: 1.2 to 11.7 times)	The higher of sales multiple, the higher of fair value
Wealth management products and structured deposits issued by various licensed banks	**402,198**	470,930	Income approach	Expected return rate	1.3% to 3.6% (2023: 1.6% to 5.0%)	The higher of expected return rate, the higher of fair value

The movements of Level 3 instruments during the year are as follows:

	2024 HK$'000	2023 HK$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	**373,289**	392,244
Changes in fair value recognised in other comprehensive income	**(10,989)**	(3,488)
Acquisition of subsidiaries	**733**	–
Additions	**2,315**	25,594
Disposals	**–**	(18,256)
Exchange realignment	**(21,455)**	(22,805)
At end of the financial year	**343,893**	373,289
Financial assets at fair value through profit or loss:		
At beginning of the financial year	**653,320**	1,149,409
Net disposal and changes in fair value of financial assets at fair value through profit or loss	**(161,652)**	(496,089)
At end of the financial year	**491,668**	653,320

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

	2024 **HK$'000**	2023 HK$'000
At amortised cost		
– Trade and bills receivables	**2,135,973**	1,954,038
– Contract assets	**4,018,975**	2,840,031
– Receivables under service concession agreements	**2,170,537**	1,910,979
– Other receivables	**2,625,371**	2,569,299
– Amounts due from associates	**394,240**	271,744
– Amounts due from non-controlling equity holders of subsidiaries	**214,792**	248,585
	11,559,888	9,794,676
– Cash and cash equivalents and pledged deposits	**5,550,195**	7,499,081
	17,110,083	17,293,757
At fair value		
– Financial assets at fair value through other comprehensive income	**345,320**	461,445
– Financial assets at fair value through profit or loss	**491,668**	653,320
	17,947,071	18,408,522

Financial liabilities

	2024 **HK$'000**	2023 HK$'000
At amortised cost		
– Lease liabilities	**370,927**	381,099
– Contract liabilities	**1,324,137**	1,719,556
– Trade and bills payables	**6,849,362**	5,403,857
– Accrued liabilities and other payables	**2,588,897**	3,034,165
– Amounts due to associates	**21,764**	34,843
– Borrowings	**24,850,261**	23,627,832
– Amounts due to non-controlling equity holders of subsidiaries	**945,293**	1,198,736
	36,950,641	35,400,088

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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:

	2024 **HK$'000**	2023 HK$'000
Capital		
Total equity	**21,452,542**	21,172,134
Overall financing		
Borrowings	**24,850,261**	23,627,832
Amounts due to associates (note 18)	**18,681**	19,767
Amounts due to non-controlling equity holders of subsidiaries (note 35)	**122,208**	132,675
	24,991,150	23,780,274
Capital-to-overall financing ratio	**0.86 times**	0.89 times

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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 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 2024

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. 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

For the year ended 31 March 2024

5 SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC 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 or paying a specific amount to obtain the water supply and sewage treatment infrastructures depending on the type of arrangements; and (ii) 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").

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 2024, the Group has 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	Practical processing capacity per day (m^3)	Service concession period
Water supply	PRC	3,000 – 700,000	10 to 55 years
Sewage treatment	PRC	10,000 – 100,000	20 to 30 years

During the year, the Group recognised water supply construction service income of HK$4,561,084,000 (2023: HK$4,517,619,000), sewage treatment construction service income of HK$585,072,000 (2023: HK$872,310,000) and finance income of HK$54,811,000 (2023: HK$45,534,000) as revenue under the line item "revenue and other income" from service concession arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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:

	2024 HK$'000	2023 HK$'000
Revenue:		
Point in time		
City water supply operations	**3,310,678**	3,353,844
Pipeline direct drinking water supply operations	**293,426**	170,061
Sales of goods	**490,854**	797,202
Sales of properties	**187,351**	515,992
Others	**250,229**	258,719
	4,532,538	5,095,818
Overtime		
City water supply installation and maintenance services	**1,658,418**	1,920,108
Pipeline direct drinking water supply installation and maintenance services	**132,560**	112,767
City water supply construction services	**3,927,636**	4,166,600
Pipeline direct drinking water supply construction services	**1,274,642**	1,025,994
Sewage treatment and drainage operations services	**377,438**	399,921
Sewage treatment and water environmental renovation construction services	**654,534**	1,187,560
Hotel and rental income	**108,726**	104,049
Finance income	**54,811**	45,534
Handling income	**41,681**	38,824
Others	**95,531**	97,778
	8,325,977	9,099,135
Total	**12,858,515**	14,194,953
Other income, net:		
Interest income	**191,674**	164,031
Government grants and subsidies (note)	**193,393**	222,947
Amortisation of deferred government grants	**13,205**	12,108
Dividend income from financial assets	**5,542**	9,109
(Loss)/gain on disposal of other intangible assets, net	**(866)**	13,944
(Loss)/gain on deregistration or disposal of subsidiaries, net	**(6,515)**	1,278
Loss on disposal of property, plant and equipment, net	**(1,009)**	(276)
Loss on disposal of right-of-use assets	**(406)**	–
Miscellaneous (loss)/income, net	**(22,309)**	3,949
Total	**372,709**	427,090

Note: 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 2024

7 SEGMENT INFORMATION

The executive directors have identified the Group's five 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 2024

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue								
From external customers	8,276,397	1,721,929	1,071,518	826,840	207,482	754,349	–	12,858,515
From inter-segment	60,886	8,264	–	1,669,394	28,270	–	(1,766,814)	–
Segment revenue	8,337,283	1,730,193	1,071,518	2,496,234	235,752	754,349	(1,766,814)	12,858,515
Segment profit	2,490,175	591,716	354,163	610,535	41,056	10,601	–	4,098,246
Unallocated corporate income								203,197
Unallocated corporate expense								(251,272)
Finance costs								(724,654)
Share of results of associates	29,941	(176)	13,402	–	–	974	–	44,141
Profit before income tax								3,369,658
Income tax expense								(778,301)
Profit for the year								2,591,357
Other segment information								
Additions of investment properties	–	–	–	–	28,786	–	–	28,786
Additions to other non-current segment assets	3,941,930	1,511,007	102,275	706	–	125,605	–	5,681,523
Amortisation of deferred government grants	8,079	28	5,098	–	–	–	–	13,205
Amortisation of other intangible assets	(793,520)	(17,253)	(15,843)	–	–	(7,230)	–	(833,846)
Depreciation of property, plant and equipment and right-of-use assets	(79,891)	(32,265)	(27,696)	(742)	(8,142)	(75,606)	–	(224,342)
Property, plant and equipment written off	(115)	(9)	(30)	–	–	(123)	–	(277)
Expected credit loss on trade receivables	(7,910)	(2,090)	–	–	–	–	–	(10,000)
Trade receivables written off	(817)	–	–	–	–	–	–	(817)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2024 (Continued)

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Total HK$'000
Segment assets	34,154,999	4,027,574	5,984,634	2,214,353	3,983,930	3,158,194	53,523,684
Other financial assets							836,988
Investment in associates	263,423	2,202	1,818,969	–	–	66,669	2,151,263
Other corporate assets							6,730,135
							63,242,070
Segment liabilities	5,891,785	963,102	150,090	4,078,455	428,799	140,161	11,652,392
Deferred tax liabilities							1,567,358
Provision for tax							2,984,412
Other corporate liabilities							25,585,366
							41,789,528

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

7 SEGMENT INFORMATION (Continued)
For the year ended 31 March 2023

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Inter-segment elimination HK$'000	Total HK$'000
Revenue								
From external customers	8,729,233	1,310,146	1,409,945	1,198,706	544,931	1,001,992	–	14,194,953
From inter-segment	201,931	6,619	–	1,837,455	–	–	(2,046,005)	–
Segment revenue	8,931,164	1,316,765	1,409,945	3,036,161	544,931	1,001,992	(2,046,005)	14,194,953
Segment profit/(loss)	2,836,446	504,262	468,406	797,311	89,083	(17,810)	–	4,677,698
Unallocated corporate income								178,871
Unallocated corporate expense								(366,841)
Finance costs								(633,225)
Share of results of associates	78,816	(51)	80,981	–	–	3,046	–	162,792
Profit before income tax								4,019,295
Income tax expense								(930,950)
Profit for the year								3,088,345
Other segment information								
Additions of investment properties	–	–	–	–	55,128	–	–	55,128
Additions to other non-current segment assets	3,859,859	1,153,970	71,504	504	–	94,740	–	5,180,577
Amortisation of deferred government grants	9,520	–	–	2,588	–	–	–	12,108
Amortisation of other intangible assets	(758,848)	(13,599)	(16,764)	–	–	(8,040)	–	(797,251)
Depreciation of property, plant and equipment and right-of-use assets	(76,842)	(27,745)	(29,067)	(924)	(9,033)	(81,721)	–	(225,332)
Property, plant and equipment written off	(123)	(5)	(126)	(3)	–	(936)	–	(1,193)
Expected credit loss on trade receivables	(43,462)	(1,562)	–	–	–	–	–	(45,024)
Trade receivables written off	(191)	–	–	–	–	–	–	(191)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2023 (Continued)

	City water supply HK$'000	Pipeline direct drinking water supply HK$'000	Environmental protection HK$'000	Main contractor construction HK$'000	Property development and investment HK$'000	All other segments HK$'000	Total HK$'000
Segment assets	32,172,422	2,484,571	4,879,738	2,139,549	4,110,504	3,267,498	49,054,282
Other financial assets							1,114,765
Investment in associates	257,315	4,479	2,069,026	–	–	71,712	2,402,532
Other corporate assets							8,592,709
							61,164,288
Segment liabilities	5,183,540	569,577	199,115	3,833,077	539,946	615,810	10,941,065
Deferred tax liabilities							1,270,077
Provision for tax							3,027,151
Other corporate liabilities							24,753,861
							39,992,154

For the years ended 31 March 2024 and 2023, the Group did not depend on any single customer under each of the segments.

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

8 OPERATING PROFIT

Profit from operation is arrived at after charging the following:

	2024 HK$'000	2023 HK$'000
Cost of consumables and raw materials	**3,151,114**	3,815,174
Subcontracting costs	**1,569,195**	1,571,289
Cost of utilities used	**428,497**	439,876
Cost of raw water and water resources	**460,146**	401,494
Depreciation of property, plant and equipment	**150,308**	154,990
Depreciation of right-of-use assets	**74,034**	70,342
Amortisation of other intangible assets	**833,846**	797,251
Trade receivables written off	**817**	191
Expected credit loss on trade receivables	**10,000**	45,024
Short-term lease and low-value assets lease expenses in respect of:		
– leasehold land and buildings	**6,822**	5,553
– other property, plant and equipment	**2,142**	1,099
Auditors' remuneration		
– Audit services	**9,280**	9,280
– Non-audit services	**200**	1,400
Staff costs (including directors' emoluments – note 13(a)):		
– Direct labour costs	**345,510**	331,899
– Salaries and wages	**436,505**	492,719
– Pension scheme contribution	**186,881**	188,108
– Other staff costs	**69,212**	74,946
	1,038,108	1,087,672
Property, plant and equipment written off	**277**	1,193
Net foreign exchange loss	**41,943**	46,776

9 FINANCE COSTS

	2024 HK$'000	2023 HK$'000
Interest on bank loans	**1,108,450**	891,433
Interest on other loans	**277,480**	245,227
Interest on amounts due to non-controlling equity holders of subsidiaries	**5,009**	5,832
Interest on lease liabilities	**18,420**	18,348
Total borrowing costs	**1,409,359**	1,160,840
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development (note)	**(684,705)**	(527,615)
	724,654	633,225

Note: The borrowing costs have been capitalised at rates of 7.2% for the year ended 31 March 2024 (2023: 5.8%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

10 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2024 HK$'000	2023 HK$'000
Current income tax:			
– the PRC	(b)	**456,988**	887,866
Deferred tax (note 37)		**321,313**	43,084
Total income tax expense		**778,301**	930,950

(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% (2023: 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% (2023: 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:

	2024 HK$'000	2023 HK$'000
Profit before income tax	**3,369,658**	4,019,295
Less: Share of results of associates	**(44,141)**	(162,792)
	3,325,517	3,856,503
Tax calculated at PRC corporate income tax rate of 25% (2023: 25%)	**831,379**	964,126
Tax effect of non-taxable items	**(91,171)**	(78,773)
Tax effect of non-deductible items and unrecognised tax losses	**193,172**	240,447
Tax concession	**(164,815)**	(199,218)
Others	**9,736**	4,368
Income tax expense	**778,301**	930,950

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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$1,533,543,000 (2023: HK$1,856,786,000) and the weighted average of 1,632,322,000 (2023: 1,632,322,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 March 2024 and 2023.

12 DIVIDENDS

(a) Dividends attributable to the year

	2024	2023
	HK$'000	HK$'000
Interim dividend of HK$0.13 (2023: HK$0.16) per ordinary share	**212,202**	261,172
Proposed final dividend of HK$0.15 (2023: HK$0.18) per ordinary share	**244,848**	293,818
	457,050	554,990

The final dividends proposed after the reporting date for the year ended 31 March 2024 and 2023 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

	2024	2023
	HK$'000	HK$'000
Final dividend in respect of the previous financial year of HK$0.18 (2023: HK$0.18) per ordinary share	**293,818**	293,818

(c) Dividends recognised as distributions during the year ended 31 March 2024 amounted to HK$506,020,000 (2023: HK$554,990,000) or HK$0.31 (2023: HK$0.34) per ordinary share.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2024:

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	–	–	18	5	10,023
Ms. Ding Bin	–	480	–	–	18	363	861
Mr. Li Zhong	–	1,289	–	–	18	1,121	2,428
Mr. Duan Jerry Linnan	–	240	–	–	18	960	1,218
Non-executive directors							
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	–	–	18	1,190	2,408
Ms. Liu Yu Jie (subsequently re-designated to non-executive director with effect from 12 April 2023)	–	2,400	–	–	18	–	2,418
Mr. Zhao Hai Hu (resigned on 8 March 2024)	–	112	–	–	–	303	415
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
Total	1,248	15,781	–	–	108	3,942	21,079

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2023:

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	30	22,048
Ms. Ding Bin	–	480	1,500	–	18	502	2,500
Ms. Liu Yu Jie (subsequently re-designated to non-executive director with effect from 12 April 2023)	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,900	–	18	1,464	4,671
Mr. Duan Jerry Linnan	–	240	1,500	–	18	960	2,718
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	606	726
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	1,100	–	18	1,189	3,507
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 (resigned on 1 December 2022)	200	–	–	–	–	–	200
Total	1,448	15,789	20,000	–	108	4,751	42,096

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 (2023: 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 (2023: 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 (2023: 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 (2023: Nil).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included three directors (2023: three directors), details of whose emoluments have been disclosed in note 13(a) to the consolidated financial statements above. The emoluments paid to the remaining two individuals (2023: two individuals) during the year are as follows:

	2024	2023
	HK$'000	HK$'000
Salaries, allowances and other benefits	**6,297**	7,461
Retirement scheme contribution	**90**	106
	6,387	7,567

The emoluments fell within the following bands

	2024	2023
HK$3,000,001 to HK$3,500,000	**2**	–
HK$3,500,001 to HK$4,000,000	**–**	2

During the years ended 31 March 2024 and 2023, 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 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 2022						
Cost	2,158,716	47,908	966,391	352,223	489,432	4,014,670
Accumulated depreciation	(172,993)	(29,515)	(200,267)	(239,140)	–	(641,915)
Net carrying amount	1,985,723	18,393	766,124	113,083	489,432	3,372,755
Year ended 31 March 2023						
Opening net carrying amount	1,985,723	18,393	766,124	113,083	489,432	3,372,755
Additions	61,146	–	34,317	13,364	212,583	321,410
Disposals	(1,090)	–	(251)	(261)	–	(1,602)
Disposal of a subsidiary	–	–	(69)	(14)	–	(83)
Written off	(714)	–	(303)	(176)	–	(1,193)
Transfers	68,777	–	73,858	182	(142,817)	–
Depreciation	(66,162)	(251)	(59,511)	(29,066)	–	(154,990)
Exchange realignment	(118,273)	(68)	(44,875)	(7,100)	(27,862)	(198,178)
Closing net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
At 31 March 2023						
Cost	2,171,392	41,738	1,010,485	340,209	531,336	4,095,160
Accumulated depreciation	(241,985)	(23,664)	(241,195)	(250,197)	–	(757,041)
Net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
Year ended 31 March 2024						
Opening net carrying amount	**1,929,407**	**18,074**	**769,290**	**90,012**	**531,336**	**3,338,119**
Additions	**6,015**	**–**	**24,094**	**25,409**	**356,774**	**412,292**
Acquisition of subsidiaries	**–**	**–**	**132**	**1,777**	**165**	**2,074**
Disposals	**–**	**–**	**(4,473)**	**(1,057)**	**–**	**(5,530)**
Disposal of a subsidiary	**–**	**–**	**–**	**(3)**	**–**	**(3)**
Written off	**(109)**	**–**	**(48)**	**(120)**	**–**	**(277)**
Transfers	**71,456**	**–**	**64,275**	**35**	**(135,766)**	**–**
Transfer from properties held for sale (note 25)	**11,540**	**–**	**–**	**–**	**–**	**11,540**
Depreciation	**(65,122)**	**(247)**	**(58,439)**	**(26,500)**	**–**	**(150,308)**
Exchange realignment	**(108,651)**	**(90)**	**(42,585)**	**(5,452)**	**(28,633)**	**(185,411)**
Closing net carrying amount	**1,844,536**	**17,737**	**752,246**	**84,101**	**723,876**	**3,422,496**
At 31 March 2024						
Cost	**2,136,852**	**41,738**	**1,039,274**	**341,024**	**723,876**	**4,282,764**
Accumulated depreciation	**(292,316)**	**(24,001)**	**(287,028)**	**(256,923)**	**–**	**(860,268)**
Net carrying amount	**1,844,536**	**17,737**	**752,246**	**84,101**	**723,876**	**3,422,496**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2024, the property, plant and equipment with a net carrying amount of HK$1,347,149,000 (2023: HK$1,236,005,000) were pledged to secure loan facilities granted to the Group (note 34(i)(d)).

Depreciation charge for the year ended 31 March 2024 amounted to HK$117,234,000 (2023: HK$119,696,000) has been included in cost of sales in the consolidated income statement.

16 RIGHT-OF-USE ASSETS

	2024	2023
	HK$'000	HK$'000
Leasehold land and land use right	**1,180,208**	1,094,071
Buildings	**207,881**	208,928
	1,388,089	1,302,999

As at 31 March 2024, it was included in the leasehold land and land use right with a net carrying amount of HK$75,067,000 (2023: HK$96,659,000) for which the Group is still in the process of obtaining the land use right 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 2024, there is no legal impediment for the Group to obtain these land use right certificates.

As at 31 March 2024, the leasehold land and land use right with a net carrying amount of HK$339,674,000 (2023: HK$356,458,000) were pledged to secure loan 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.

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 2024 were HK$180,480,000 (2023: HK$16,981,000).

Disposal of the leasehold land and land use right during the year ended 31 March 2024 were HK$688,000 (2023: HK$Nil).

During the year ended 31 March 2024, total cash outflow for leases of HK$37,403,000 (2023: HK$37,591,000) was included in net cash generated from financing activities.

Depreciation charge for the year ended 31 March 2024 amounted to HK$41,983,000 (2023: HK$35,564,000) 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$8,964,000 (2023: HK$6,652,000) have been included in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

17 INVESTMENT PROPERTIES

	2024 HK$'000	2023 HK$'000
At fair value		
Opening net carrying amount	**1,362,198**	1,398,863
Additions	**28,786**	55,128
Disposal	**(9,890)**	(10,465)
Exchange realignment	**(74,845)**	(81,328)
Closing net carrying amount	**1,306,249**	1,362,198

As at 31 March 2024, the investment properties with a carrying amount of HK$1,170,230,000 (2023: HK$1,207,807,000) were pledged to secure loan facilities granted to the Group (note 34(i)(f)).

Investment properties were revalued on 31 March 2024 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

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
For the year ended 31 March 2024

17 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 property under development located in the PRC	Level 3	Direct comparison approach	Market price of car park per space	HK$450,549 (2023: HK$476,744)	The higher of market price, the higher of fair value
		Income capitalisation method	Market unit rents per square meter per month	HK$227 to HK$273 (2023: HK$244 to HK$293)	The higher of market price, the higher of fair value
			Market yield	4.8% (2023: 4.8%)	The higher of market yield, the lower 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$93,983 to HK$102,540 (2023: HK$96,310 to HK$111,491)	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$473 to HK$480 (2023: HK$500 to HK$508)	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.

For minimum lease payments receivables on leases of investment properties, refer to note 43(b) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

18 INVESTMENT IN ASSOCIATES

	2024 HK$'000	2023 HK$'000
Share of net assets	**2,072,492**	2,319,181
Goodwill	**78,771**	83,351
	2,151,263	2,402,532

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2024 and 2023 except for the amount due to an associate with carrying amount of HK$18,681,000 (2023: HK$19,767,000) which bore interest rate at 5.0% per annum (2023: bore interest rate at 5.0% per annum) and repayable within one year (2023: repayable within one year).

As at 31 March 2024, the Group owned 28.46% (2023: 28.46%) 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 2024, the market price per share of Kangda International was HK$0.26 (2023: HK$0.53). In the opinion of the directors, Kangda International is considered the principal associate of the Group.

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 2023 and 2022 have been used, taking into account any known changes in the subsequent period from 1 January 2024 to 31 March 2024 that would have materially affected the results.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

	As at 31 December 2023 HK$'000	As at 31 December 2022 HK$'000
Summary of consolidated statement of financial position:		
Current assets	**7,265,305**	7,017,843
Non-current assets	**13,863,664**	15,035,355
Current liabilities	**(6,342,252)**	(6,347,022)
Non-current liabilities	**(8,358,111)**	(9,031,050)
	6,428,606	6,675,126
Less: Non-controlling interests of Kangda International's subsidiaries	**(151,915)**	(159,504)
Closing net assets	**6,276,691**	6,515,622
Group's share in %	**28.46%**	28.46%
Reconciliation to carrying amount:		
Opening carrying values as 1 April	**1,854,346**	1,851,659
Share of profit for the year	**39,016**	77,993
Share of other comprehensive (loss)/income for the year	**(5,128)**	32,348
Exchange realignment	**(101,887)**	(107,654)
Closing carrying values as 31 March	**1,786,347**	1,854,346

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries (Continued)

	For the year ended 31 December 2023 HK$'000	For the year ended 31 December 2022 HK$'000
Year ended 31 December		
Summary of consolidated statement of profit or loss and other comprehensive income:		
Revenue	**2,435,584**	3,368,127
Net profit for the year	**137,091**	274,045
Other comprehensive (loss)/income for the year	**(14,945)**	113,663
Total comprehensive income for the year	**122,146**	387,708

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:

	2024 HK$'000	2023 HK$'000
Carrying values	**364,916**	548,186
Profit before income tax	**31,483**	40,318
Other comprehensive income	**–**	–
Total comprehensive income	**31,483**	40,318

The Group has not incurred any contingent liabilities relating to its investments in the associates.

As at 31 March 2024 and 2023, the Group has other commitments relating to its investment in the associates as set out in note 43(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	**2024 HK$'000**	2023 HK$'000
Listed equity securities in Hong Kong	HK$	**1,427**	2,104
Unlisted equity securities outside Hong Kong	RMB	**343,893**	373,289
Listed debentures outside Hong Kong	USD	**–**	86,052
		345,320	461,445

(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.

	2024 HK$'000	2023 HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**(111,890)**	(57,024)
Dividend income from financial assets (note 6)	**5,542**	9,109

(iii) Non-current assets pledged as security

As at 31 March 2024, the financial assets at fair value through other comprehensive income with carrying amount of HK$218,681,000 (2023: HK$243,023,000) were pledged to secure loan facilities granted to the Group (note 34(i)(j)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

20 GOODWILL

The amount of goodwill arising from business combinations is as follows:

	2024	2023
	HK$'000	HK$'000
At 1 April		
Gross carrying amount	**1,419,442**	1,476,185
Accumulated impairment	**–**	–
Net carrying amount	**1,419,442**	1,476,185
Opening net carrying amount	**1,419,442**	1,476,185
Acquisition of subsidiaries	**2,184**	–
Exchange realignment	**(50,508)**	(56,743)
Closing net carrying amount	**1,371,118**	1,419,442
At 31 March		
Gross carrying amount	**1,371,118**	1,419,442
Accumulated impairment	**–**	–
Net carrying amount	**1,371,118**	1,419,442

Goodwill acquired through business combinations have been allocated to the following CGUs/group of CGUs for impairment testing:

– city water supply CGUs within city water supply segment;

– pipeline direct drinking water supply CGUs within pipeline direct drinking water supply segment;

– environmental protection CGUs within environmental protection segment; and

– other CGUs, which include gas sales and other operations.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

20 GOODWILL (Continued)

The carrying amounts of goodwill allocated to each of the CGUs/group of CGUs are as follows:

	City water supply CGUs HK$'000	Pipeline direct drinking water supply CGUs HK$'000	Environmental protection CGUs HK$'000	Other CGUs HK$'000	Total HK$'000
Carrying amount at 31 March 2024	**818,498**	**72,064**	**290,668**	**189,888**	**1,371,118**
Carrying amount at 31 March 2023	854,911	74,698	289,192	200,641	1,419,442

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 concession periods.

The key assumptions used for the value-in-use calculations include volume growth, water tariff and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession periods as well as the pre-tax discount rate adopted on city water supply, pipeline direct drinking water supply, gas supply and sewage treatment respectively to reflect specific risks relating to the relevant CGUs/group of CGUs as at 31 March 2024 are shown as below:

	As of 31 March	
	2024	2023
Pre-tax discount rate	**11%–16%**	10%–13%
Volume growth rate*	**1%–11%**	1%–11%
Operating costs growth rate*	**1%–7%**	1%–7%
Water tariff growth rate*	**1%–5%**	1%–4%
Sewage charges growth rate*	**1%–3%**	1%–3%

* The management used average annual growth rate over the forecast period to determine values.

Notes to the Consolidated Financial Statements

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20 **GOODWILL** (Continued)

Management determined the cash flow projections based on the period of the service concession arrangement governing the relevant operations. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2024.

The sensitivity analysis below has been determined based on the exposure to the pre-tax discount rate, water tariff growth rate, volume growth rate, operating costs growth rate and sewage charges growth rate, representing the key inputs to the determination of the recoverable amount.

The range of headroom of each of the city water supply CGUs, pipeline direct drinking water supply CGUs, environmental protection CGUs and other CGUs are shown as below:

	As of 31 March	
	2024	2023
	HK$'000	HK$'000
Headroom	**16,044–365,374**	34,532–612,196

Had the estimated key assumptions been changed as below, the headroom would be decreased by:

	As of 31 March	
	2024	2023
Pre-tax discount rate increased by 2%	**14.3%**	12.4%
Water tariff growth rate decreased by 2%	**10.6%**	9.2%
Volume growth rate decreased by 2%	**13.7%**	11.9%
Sewage charges growth rate decreased by 2%	**10.9%**	9.3%
Operating costs growth rate increased by 2%	**3.5%**	3.0%

Management assessed that any reasonable possible changes to the key assumptions applied would not lead to the carrying amount of the CGUs will exceed its recoverable amount as at 31 March 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

21 OTHER INTANGIBLE ASSETS

	Concession rights to operate water supply		Concession rights to operate sewage treatment		Other operating rights		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year								
Cost	**33,312,450**	30,184,250	**225,641**	235,682	**186,512**	173,210	**33,724,603**	30,593,142
Accumulated amortisation	**(4,563,207)**	(4,062,297)	**(11,859)**	(7,629)	**(26,556)**	(19,661)	**(4,601,622)**	(4,089,587)
Net carrying amount	**28,749,243**	26,121,953	**213,782**	228,053	**159,956**	153,549	**29,122,981**	26,503,555
For the year ended								
Opening net carrying amount	**28,749,243**	26,121,953	**213,782**	228,053	**159,956**	153,549	**29,122,981**	26,503,555
Additions	**5,021,384**	4,746,225	**15,281**	8,578	**–**	22,203	**5,036,665**	4,777,006
Acquisition of subsidiaries	**90,013**	–	**–**	–	**–**	–	**90,013**	–
Disposals	**(1,019)**	(17,162)	**–**	–	**–**	–	**(1,019)**	(17,162)
Disposal of a subsidiary	**(12,709)**	–	**–**	–	**–**	–	**(12,709)**	–
Amortisation	**(810,773)**	(772,447)	**(15,843)**	(14,099)	**(7,230)**	(10,705)	**(833,846)**	(797,251)
Exchange realignment	**(1,534,392)**	(1,329,326)	**(11,746)**	(8,750)	**(8,789)**	(5,091)	**(1,554,927)**	(1,343,167)
Closing net carrying amount	**31,501,747**	28,749,243	**201,474**	213,782	**143,937**	159,956	**31,847,158**	29,122,981
At 31 March								
Cost	**36,619,792**	33,312,450	**222,809**	225,641	**176,264**	186,512	**37,018,865**	33,724,603
Accumulated amortisation	**(5,118,045)**	(4,563,207)	**(21,335)**	(11,859)	**(32,327)**	(26,556)	**(5,171,707)**	(4,601,622)
Net carrying amount	**31,501,747**	28,749,243	**201,474**	213,782	**143,937**	159,956	**31,847,158**	29,122,981

As at 31 March 2024, the other intangible assets with a net carrying amount of HK$1,886,094,000 (2023: HK$2,240,307,000) were pledged to secure loan facilities granted to the Group (note 34(i)(g)).

Amortisation of HK$833,846,000 (2023: HK$797,251,000) has been included in cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2024 HK$'000**	2023 HK$'000
Non-current			
Prepayments	(i)	**403,610**	363,672
Other receivables		**283,350**	357,988
		686,960	721,660
Current			
Prepayments		**488,637**	424,098
Other receivables	(ii)	**2,342,021**	2,211,311
		2,830,658	2,635,409

Notes:

(i) As at 31 March 2024 and 2023, the balances mainly represented the prepayments for constructions services.

(ii) The balances mainly represented receivables from customers for 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 receivable on demand as at 31 March 2024 and 2023, except for the receivables of aggregate carrying amount of approximately HK$485,448,000 (2023: HK$435,220,000) which bore interest rates ranged from 5.0% to 8.0% (2023: 5.0% to 8.0%) per annum and were receivable within one year (2023: receivable within one year).

The directors of the Company consider that the fair values of current portion of other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

23 CONTRACT ASSETS

The Group has recognised the following assets related to contracts with customers:

	Notes	2024 HK$'000	2023 HK$'000
Non-current			
Relating to service concession arrangements	(i)	**1,798,014**	1,358,496
Current			
Relating to water supply and water environmental renovation construction businesses	(ii)	**2,220,961**	1,481,535
		4,018,975	2,840,031

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$1,798,014,000 (2023: HK$1,358,496,000) will be reclassified as receivables under service concession arrangements and/or other intangible assets after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to 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$2,220,961,000 (2023: HK$1,481,535,000) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

24 PROPERTIES UNDER DEVELOPMENT

	2024 HK$'000	2023 HK$'000
At cost		
Opening net carrying amount	**1,235,634**	2,066,096
Additions	**166,311**	224,852
Transfer to properties held for sale (note 25)	**(134,297)**	(935,166)
Exchange realignment	**(67,917)**	(120,148)
Closing net carrying amount	**1,199,731**	1,235,634

The amount of properties under development that are expected to be recovered after more than one year is HK$870,663,000 (2023: HK$982,707,000). The remaining balance is expected to be recovered within one year.

25 PROPERTIES HELD FOR SALE

	2024 HK$'000	2023 HK$'000
At cost		
Opening net carrying amount	**1,133,738**	675,926
Additions	**3,502**	–
Transfer from properties under development (note 24)	**134,297**	935,166
Transfer to property, plant and equipment (note 15)	**(11,540)**	–
Sales for the year	**(148,553)**	(439,353)
Exchange realignment	**(62,294)**	(38,001)
Closing net carrying amount	**1,049,150**	1,133,738

As at 31 March 2024, the properties held for sale with carrying amount of approximately HK$295,480,000 (2023: HK$78,568,000) were pledged to secure loan facilities granted to the Group (note 34(i)(h)).

The amount of properties held for sale that are expected to be recovered after more than one year is HK$304,053,000 (2023: HK$319,245,000). The remaining balance is expected to be recovered within one year.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

26 INVENTORIES

	2024 HK$'000	2023 HK$'000
Raw materials and supplies	**317,450**	367,304
Work-in-progress	**296,169**	242,616
Finished goods	**53,879**	40,433
	667,498	650,353

27 TRADE AND BILLS RECEIVABLES

	2024 HK$'000	2023 HK$'000
Trade receivables – gross	**2,201,940**	2,002,647
Less: loss allowance	**(70,693)**	(51,023)
Trade receivables – net	**2,131,247**	1,951,624
Bills receivables	**4,726**	2,414
	2,135,973	1,954,038

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

	2024 HK$'000	2023 HK$'000
0 to 90 days	**1,092,879**	1,072,772
91 to 180 days	**275,241**	171,504
Over 180 days	**767,853**	709,762
	2,135,973	1,954,038

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

27 TRADE AND BILLS RECEIVABLES (Continued)

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 ended 31 March 2024, expected credit loss of HK$10,000,000 (2023: HK$45,024,000) on trade receivables was recognised in the consolidated income statement in relation to impaired financial assets. Information about the loss allowance provision to 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.

The movement in the provision for loss allowance during the year is as follows:

	2024	2023
	HK$'000	HK$'000
Opening carrying amount	**51,023**	6,370
Loss allowance during the year (note 8)	**10,000**	45,024
Acquisition of subsidiaries	**10,000**	–
Exchange realignment	**(330)**	(371)
Closing carrying amount	**70,693**	51,023

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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 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 service concession arrangements and the finance income is calculated using the effective interest rate ranged from 3.96% to 6.62% (2023: 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 service concession arrangements.

As at 31 March 2024, the receivables under service concession arrangements with a carrying amount of HK$139,093,000 (2023: HK$152,024,000) were pledged to secure loan facilities granted to the Group (note 34(i)(k)).

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	**2024 HK$'000**	2023 HK$'000
Unlisted exchangeable bonds in Hong Kong	(i)	**89,470**	182,390
Wealth management products and structured deposits issued by licensed banks	(ii)	**402,198**	470,930
		491,668	653,320

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 3.6% (2023: 1.6% to 5.0%).

Notes to the Consolidated Financial Statements

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30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 HK$'000	2023 HK$'000
Cash at banks/other financial institutions and in hand	**4,804,799**	6,984,821
Deposits	**745,396**	514,260
	5,550,195	7,499,081
Deposits pledged for loan facilities (note 34(i)(i))	**(167,400)**	(104,628)
Deposits pledged for bills payables (note 32)	**(489,921)**	(344,431)
Other pledged deposits	**(88,075)**	(65,201)
	(745,396)	(514,260)
Cash and cash equivalents	**4,804,799**	6,984,821

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 2024, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$5,102,545,000 (2023: HK$5,968,347,000), 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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31 CONTRACT LIABILITIES

The Group has recognised the following liabilities related to contracts with customers:

	2024 HK$'000	2023 HK$'000
Non-current		
Receipt in advance from customers for water supply installation and maintenance business	**254,574**	317,692
Current		
Receipt in advance from customers for water supply operations business	**342,868**	335,788
Receipt in advance from customers for water supply construction, installation and maintenance and water environmental renovation construction businesses	**531,602**	409,537
Receipt in advance from customers for property development and investment businesses	**195,093**	656,539
	1,069,563	1,401,864

(i) Revenue recognised in relation to contract liabilities

For the year ended 31 March 2024, the carried-forward contract liabilities amounted to HK$744,263,000 (2023: HK$978,310,000) was recognised as revenue of water supply operations, water supply construction, installation and maintenance and water environmental renovation construction and property development and investment businesses in the consolidated income statement.

(ii) Unsatisfied contracts related to water supply construction, installation and maintenance

As at 31 March 2024, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was HK$337,328,000 (2023: HK$455,702,000).

All other contracts related to water supply operations and 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

	2024	2023
	HK$'000	HK$'000
Trade payables	**6,052,952**	4,978,616
Bills payables	**796,410**	425,241
	6,849,362	5,403,857

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

	2024	2023
	HK$'000	HK$'000
0 to 90 days	**3,510,096**	3,085,013
91 to 180 days	**1,183,315**	874,970
Over 180 days	**2,155,951**	1,443,874
	6,849,362	5,403,857

As at 31 March 2024, the bills payables of HK$796,410,000 (2023: HK$425,241,000) were secured by the pledged bank deposits of HK$489,921,000 (2023: HK$344,431,000) (note 30).

33 ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2024	2023
	HK$'000	HK$'000
Accrued liabilities	**363,278**	472,607
Deposits received	**96,417**	97,484
Other payables (note)	**2,225,619**	2,561,558
	2,685,314	3,131,649

Note: Other payables mainly included various municipal service charges received on behalf of certain government authorities in the PRC of HK$701,608,000 (2023: HK$591,709,000) and payables for other PRC tax surcharges and construction costs, and payables for the Company's interim dividend of HK$212,202,000 (2023: HK$261,172,000).

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34 BORROWINGS

	Notes	Original currency	2024 HK$'000	2023 HK$'000
Current				
Bank loans – unsecured	(ii)	RMB	**2,471,346**	1,634,471
Bank loans – secured	(i), (ii)	RMB	**1,885,819**	1,768,887
Bank loans – unsecured	(ii)	USD	**789,679**	3,755,498
Bank loans – unsecured	(ii)	HK$	**1,406,750**	375,000
Other loans – unsecured	(iii)	RMB	**6,594**	5,814
Other loans – secured	(i), (iii)	RMB	**279,505**	339,369
Other loans – secured	(i), (iii)	USD	**91,764**	91,764
Government loans – unsecured	(iv)	RMB	**40,067**	49,737
			6,971,524	8,020,540
Non-current				
Bank loans – unsecured	(ii)	RMB	**1,826,794**	1,195,935
Bank loans – secured	(i), (ii)	RMB	**6,655,908**	5,974,722
Bank loans – unsecured	(ii)	USD	**4,680,313**	3,987,942
Bank loans – unsecured	(ii)	HK$	**100,000**	388,709
Other loans – unsecured	(iii)	RMB	**71,971**	83,132
Other loans – unsecured	(iii)	USD	**3,241,023**	2,645,393
Other loans – secured	(i), (iii)	RMB	**928,613**	847,385
Other loans – secured	(i), (iii)	USD	**355,014**	443,832
Government loans – unsecured	(iv)	RMB	**19,101**	40,242
			17,878,737	15,607,292
			24,850,261	23,627,832

Notes to the Consolidated Financial Statements

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34 BORROWINGS (Continued)

	2024 HK$'000	2023 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**6,553,594**	7,533,856
In the second year	**2,329,865**	1,740,045
In the third to fifth years, inclusive	**5,897,553**	4,789,935
Beyond five years	**5,035,597**	5,017,328
	19,816,609	19,081,164
Other loans repayable:		
Within one year	**377,863**	436,947
In the second year	**405,011**	325,005
In the third to fifth years, inclusive	**3,686,619**	3,463,313
Beyond five years	**504,991**	231,424
	4,974,484	4,456,689
Government loans repayable:		
Within one year	**40,067**	49,737
In the second year	**19,101**	20,030
In the third to fifth years, inclusive	**–**	20,212
	59,168	89,979

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34 BORROWINGS (Continued)

Notes:

(i) The borrowings at 31 March 2024 and 2023 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;

(d) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2024 was HK$1,347,149,000 (2023: HK$1,236,005,000) (note 15);

(e) charges over right-of-use assets in which their aggregate carrying amount as at 31 March 2024 was HK$339,674,000 (2023: HK$356,458,000) (note 16);

(f) charges over investment properties in which their aggregate carrying amount as at 31 March 2024 was HK$1,170,230,000 (2023: HK$1,207,807,000) (note 17);

(g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2024 was HK$1,886,094,000 (2023: HK$2,240,307,000) (note 21);

(h) charges over properties held for sale in which their aggregate carrying amount as at 31 March 2024 was HK$295,480,000 (2023: HK$78,568,000) (note 25);

(i) charges over the bank deposits in amount of HK$167,400,000 as at 31 March 2024 (2023: HK$104,628,000) (note 30);

(j) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 31 March 2024 was HK$218,681,000 (2023: HK$243,023,000) (note 19(iii)); and

(k) charges over receivables under services concession arrangements in which their aggregate carrying amount as at 31 March 2024 was HK$139,093,000 (2023: HK$152,024,000) (note 28).

(ii) The effective interest rates of the bank loans ranged from 1.2% to 8.1% (2023: 1.2% to 7.8%) per annum at 31 March 2024.

(iii) The effective interest rates of the other loans ranged from 4.1% to 9.7% (2023: 3.0% to 9.7%) per annum at 31 March 2024.

(iv) The effective interest rates of the government loans ranged from 1.2% to 5.9% (2023: 1.2% to 5.9%) per annum at 31 March 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

35 AMOUNTS DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

All the balances were unsecured, interest-free and repayable on demand except for:

(a) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK$44,186,000 (2023: HK$11,924,000) as at 31 March 2024 which bore interest rates ranged from 4.2% to 7.0% (2023: bore interest rate at 7.0%) 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$78,022,000 (2023: HK$120,751,000) as at 31 March 2024 which bore interest rate ranged from 1.2% to 5.7% (2023: 1.2% to 5.7%) per annum and was repayable over one year.

36 DEFERRED GOVERNMENT GRANTS

	2024	2023
	HK$'000	HK$'000
Opening carrying amount	**197,354**	222,246
Acquisition of a subsidiary	**17,264**	–
Amortisation (note 6)	**(13,205)**	(12,108)
Exchange realignment	**(10,713)**	(12,784)
Closing carrying amount	**190,700**	197,354

The deferred government grants mainly related to the Group's acquisition of other intangible assets (note 21).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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	Expected credit loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2022	852,237	175,773	233,902	52,490	–	1,314,402
Charged/(credited) to profit or loss (note 10)	35,612	(2,449)	–	(1,335)	11,256	43,084
Exchange realignment	(60,539)	(10,219)	(13,599)	(3,052)	–	(87,409)
At 31 March 2023	827,310	163,105	220,303	48,103	11,256	1,270,077
Acquisition of subsidiaries	14,436	–	–	–	2,500	16,936
Charged/(credited) to profit or loss (note 10)	322,309	(2,273)	–	(1,223)	2,500	321,313
Exchange realignment	(25,830)	(6,155)	(6,015)	(2,405)	(563)	(40,968)
At 31 March 2024	**1,138,225**	**154,677**	**214,288**	**44,475**	**15,693**	**1,567,358**

At 31 March 2024, the Group has unused tax losses of HK$858,077,000 (2023: HK$677,482,000) 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 2024, the deferred tax liabilities of HK$229,659,000 (2023: HK$182,336,000) 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 2024

38 SHARE CAPITAL

	Number of shares	Par value
	'000	HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2023 and 2024	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2022, 31 March 2023 and 31 March 2024	1,632,322	16,323

39 SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 9 September 2022. 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 associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non–executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company. 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

39 SHARE OPTION SCHEME (Continued)

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 2024 and 2023, no share option is granted and exercised under the Scheme.

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 54 to 55.

The share premium 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

41 BUSINESS COMBINATIONS

(a) On 9 August 2023, the Group entered into an agreement with an independent third party, 漯河市人民政府 ("Luohe Government") that the Group and Luohe Government shall establish a new company, 漯河銀龍水務有限公司 ("Luohe Silver Dragon Water"), to run a water supply business. The Group shall contribute 81.88% registered capital of Luohe Silver Dragon Water by way of cash (RMB67,990,000, approximately HK$74,714,000) and Luohe Government shall contribute the remaining 18.12% interest of Luohe Silver Dragon Water by way of assets and the water supply businesses in Luohe Silver Dragon Water. The transaction is an asset acquisition which met the optional concentration test as substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset. The transaction was completed on 25 August 2023.

The transaction was made as part of the Group's strategy to facilitate the water supply business in the PRC.

The assets arising from the transaction are as follows:

	Fair value HK$'000
Property, plant and equipment	899
Other intangible assets	90,013
Inventories	341
Non-controlling interests	(16,539)
Net identifiable assets attributed to the Group acquired	**74,714**

(b) On 16 November 2023, the Group entered into an agreement with a subsidiary of Kangda International, an associate of the Group, to acquire 31% equity interest in 中原水務集團有限公司 ("Zhongyuan Water") and its subsidiaries ("Zhongyuan Water Group") at a cash consideration of RMB144,885,000 (approximately HK$159,214,000). The Group previously held 29% equity interest of Zhongyuan Water Group, which was accounted for as an associate as at 31 March 2023. The Group will hold 60% equity interest of Zhongyuan Water Group upon completion of the acquisition. The acquisition was completed on 27 December 2023. Zhongyuan Water and its subsidiaries are principally engaged in sewage treatment operation and construction businesses in the PRC.

The acquisition was made as part of the Group's strategy to facilitate the sewage treatment business in the PRC.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

41 BUSINESS COMBINATIONS (Continued)

(b) (Continued)

Details of fair value of the net identified assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration – settled by cash	159,214
Fair value of the Group's interest previously held in Zhongyuan Water Group	146,080
Fair value of net identified assets acquired	(304,581)
Goodwill (note 20)	713

The goodwill of HK$713,000, 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	613	613
Receivables under service concession arrangements	491,030	491,030
Inventories	277	277
Trade and bills receivables	297,962	307,962
Prepayments, deposits and other receivables	4,051	4,051
Pledged deposits	4,396	4,396
Cash and cash equivalents	3,934	3,934
Trade and bills payables	(39,454)	(39,454)
Accrued liabilities, deposits received and other payables	(33,589)	(33,589)
Borrowings	(169,299)	(169,299)
Provision for tax	(5,914)	(5,914)
Deferred government grants	(17,264)	(17,264)
Deferred tax liabilities	(14,436)	(14,436)
Non-controlling interests	(217,726)	(217,726)
Net identifiable assets attributed to the Group acquired	304,581	314,581
Cash and cash equivalents in business acquired		3,934
Cash outflow on acquisition of business		(159,214)
Net cash outflow arising on acquisition		(155,280)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

41 BUSINESS COMBINATIONS (Continued)

(b) (Continued)

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

Since its acquisition, Zhongyuan Water Group contributed revenue of HK$12,435,000 and net profit of HK$6,255,000 to the Group for the period from 27 December 2023 to 31 March 2024.

Had the combination been taken place on 1 April 2023, the revenue and the net profit of the Group for the year ended 31 March 2024 would have been HK$12,937,882,000 and HK$2,592,724,000 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 2023, nor are they intended to be a projection of future results.

(c) During the year, there were other business combinations undertaken by the Group which are not considered to be material.

42 DEREGISTRATION OR DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2024, the Group entered into an agreement with an independent third party to dispose a subsidiary and recognised a loss on disposal of approximately HK$6,515,000 (2023: net gain on deregistration or disposal of approximately HK$1,278,000).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

43 COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2024 HK$'000	2023 HK$'000
Contracted, but not provided for		
– Other intangible assets	**339,034**	353,918
– Property, plant and equipment	**6,241**	7,209
	345,275	361,127

(b) Operating lease arrangement

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years (2023: from one to twenty years). Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

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

	2024 HK$'000	2023 HK$'000
Within one year	**22,239**	22,844
In the second to fifth years, inclusive	**12,999**	24,646
After five years	**4,992**	5,116
	40,230	52,606

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

43 COMMITMENTS AND GUARANTEES (Continued)

(c) As at 31 March 2024, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK$1,734,000 (2023: HK$5,498,000).

(d) As at 31 March 2024, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK$18,131,000 (2023: HK$18,951,000).

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.

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:

	2024	2023
	HK$'000	HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**32,181**	53,229
– Retirement scheme contribution	**685**	638
	32,866	53,867

(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:

	2024	2023
	HK$'000	HK$'000
Sales to an associate	**53,243**	247,352

The Group provided construction services of approximately HK$53,243,000 (2023: HK$247,352,000) 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
For the year ended 31 March 2024

44 RELATED PARTY TRANSACTIONS (Continued)

(c) Purchases from a connected subsidiary:

	2024 HK$'000	2023 HK$'000
Purchases from a connected subsidiary	**43,579**	37,180

The Group purchased the pipeline direct drinking system related equipment and services of approximately HK$43,579,000 (2022: HK$37,180,000) from 江西銀麗直飲水設備有限公司 (Jiangxi Yinli Direct Drinking Equipment Co. Ltd.) ("Jiangxi Yinli"). The purchases were made in accordance with the terms of respective agreements. Jiangxi Yinli is a non-wholly owned subsidiary of the Company and ORIX China Investment Corporation ("ORIX CHINA") holds 20% of the equity interest in Jiangxi Yinli. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. Jiangxi Yinli therefore is a connected subsidiary of the Company. The transactions also constituted continuing connected transactions as defined in Chapter 14A of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Further details of which were disclosed in the Company's announcement dated 28 February 2020 and 16 February 2023.

(d) On 2 May 2023, the Group entered into the agreement pursuant to which the Group shall acquire from Mr. Li Zhong, 80.32% equity interests in Total Happy Investment Limited ("Total Happy") at the consideration of approximately HK$19,372,000 which was determined after arm's length negotiation between both parties. Total Happy is a limited company incorporated in Hong Kong and is principally engaged in investment holding. Mr. Li Zhong, being the vendor, is an executive director of the Company and therefore is a connected person of the Company. The acquisition constituted a connected transaction as defined in Chapter 14A of the Listing Rules. Further details of which were disclosed in the Company's announcement dated 2 May 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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:

	Amounts due to associates HK$'000	Amounts due to non-controlling equity holders of subsidiaries HK$'000	Lease liabilities HK$'000	Borrowings HK$'000
At 1 April 2022	50,190	1,248,895	374,900	21,863,511
Changes from financing cash flows	(9,840)	29,427	(37,591)	2,314,629
New leases	–	–	65,180	–
Exchange differences	(5,507)	(79,586)	(21,390)	(550,308)
As 31 March 2023 and 1 April 2023	34,843	1,198,736	381,099	23,627,832
Changes from financing cash flow	(11,165)	(188,314)	(37,403)	1,707,289
New leases	–	–	52,086	–
Early termination of lease arrangement	–	–	(3,409)	–
Acquisition of subsidiaries	–	–	–	171,167
Disposal of a subsidiary	–	–	(724)	–
Exchange differences	(1,914)	(65,129)	(20,722)	(656,027)
At 31 March 2024	**21,764**	**945,293**	**370,927**	**24,850,261**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2024 HK$'000	2023 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**1,519**	409
Investment in subsidiaries		**9,289,460**	4,706,049
Financial assets at fair value through other comprehensive income		**1,428**	88,157
Amount due from a subsidiary		**3,113,365**	3,089,244
		12,405,772	7,883,859
Current assets			
Financial assets at fair value through profit or loss		**89,470**	182,390
Amounts due from subsidiaries		**5,104,668**	7,354,248
Prepayments, deposits and other receivables		**2,774**	5,440
Pledged deposits		**167,400**	93,000
Cash and cash equivalents		**309,887**	1,509,253
		5,674,199	9,144,331
Current liabilities			
Amounts due to subsidiaries		**6,833,161**	6,834,049
Accrued liabilities, deposits received and other payables		**321,324**	405,538
Borrowings		**1,472,277**	4,135,596
		8,626,762	11,375,183
Net current liabilities		**(2,952,563)**	(2,230,852)
Total assets less current liabilities		**9,453,209**	5,653,007
Non-current liabilities			
Borrowings		**3,595,100**	3,477,934
Deferred government grants		**2,370**	2,370
		3,597,470	3,480,304
Net assets		**5,855,739**	2,172,703
Equity			
Share capital	38	**16,323**	16,323
Reserves	46(b)	**5,839,416**	2,156,380
Total equity		**5,855,739**	2,172,703

Approved and authorised for issue by the board of directors on 27 June 2024 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$'000	Share premium HK$'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$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2022	**293,818**	**281,716**	**32,373**	**3,304**	**(50,556)**	**96,808**	**(1,693)**	**1,727,964**	**2,383,734**
Final dividend 2022 (note 12)	(293,818)	–	–	–	–	–	–	–	(293,818)
Interim dividend 2023 (note 12)	–	–	–	–	–	–	–	(261,172)	(261,172)
Transactions with owners	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**–**	**(261,172)**	**(554,990)**
Proposed final dividend 2023 (note 12)	**293,818**	**–**	**–**	**–**	**–**	**–**	**–**	**(293,818)**	**–**
Profit for the year	–	–	–	–	–	–	–	379,476	379,476
Other comprehensive (loss)/income									
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(53,536)	–	–	–	(53,536)
– Currency translation	–	–	–	–	–	–	1,696	–	1,696
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(53,536)**	**–**	**1,696**	**379,476**	**327,636**
Balance at 31 March 2023	**293,818**	**281,716**	**32,373**	**3,304**	**(104,092)**	**96,808**	**3**	**1,552,450**	**2,156,380**

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For the year ended 31 March 2024

46 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company (Continued)

	Proposed final dividend HK$'000	Share premium HK$'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$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2023	**293,818**	**281,716**	**32,373**	**3,304**	**(104,092)**	**96,808**	**3**	**1,552,450**	**2,156,380**
Final dividend 2023 (note 12)	(293,818)	–	–	–	–	–	–	–	(293,818)
Interim dividend 2024 (note 12)	–	–	–	–	–	–	–	(212,202)	(212,202)
Transactions with owners	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**–**	**(212,202)**	**(506,020)**
Proposed final dividend 2024 (note 12)	**244,848**	–	–	–	–	–	–	**(244,848)**	–
Profit for the year	–	–	–	–	–	–	–	4,289,595	4,289,595
Other comprehensive (loss)/income									
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	(100,901)	–	–	–	(100,901)
– Currency translation	–	–	–	–	–	–	362	–	362
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(100,901)**	**–**	**362**	**4,289,595**	**4,189,056**
Balance at 31 March 2024	**244,848**	**281,716**	**32,373**	**3,304**	**(204,993)**	**96,808**	**365**	**5,384,995**	**5,839,416**

The capital redemption reserve of the Company represents the nominal value of the share capital of the Company repurchased and cancelled.

The share premium mainly includes shares issued at a premium.

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.

Notes to the Consolidated Financial Statements

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47 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2024 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
China Water (Hong Kong) Investment Limited	Hong Kong	Ordinary shares of HK$10,000	–	70%	Investment holding
Dragon Wealthy Corporation Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/ Hong Kong	4 ordinary shares of US$1 each	– (2023: 100%)	100% (2023: –)	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US$1	– (2023: 100%)	100% (2023: –)	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
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
Broad Intelligence Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Silver Dragon Water Supply Group Limited	Bermuda/Hong Kong	10,009 ordinary shares of HK$0.01 each (2023: 10,007 ordinary shares of HK$0.01 each)	100%	–	investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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 RMB2,000,000,000	–	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
銀龍水杯子直飲水(江西)集團有限公司^ (formerly known as 江西銀龍直飲水有限公司)	PRC	Registered capital of RMB61,000,000	–	100%	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
深圳金達環境控股有限公司*	PRC	Registered capital of RMB602,282,275	–	97.12% (2023: 93.45%)	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	97.12% (2023: 93.45%)	Investment holding
北京銀龍康興實業發展有限公司#	PRC	Registered capital of RMB800,000,000 (2023: RMB500,000,000)	–	100%	Investment holding
北京銀龍元泰實業發展有限公司^	PRC	Registered capital of RMB500,000,000	–	100%	Investment holding
北京銀龍興盛實業發展有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
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 (i)*	PRC	Registered capital of US$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
荊州市海潤鄉鎮供水有限公司^	PRC	Registered capital of RMB20,000,000	–	51%	City water supply and water supply infrastructure
江陵銀龍水務有限公司#	PRC	Registered capital of RMB19,000,000	–	100%	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
石首銀龍水務有限公司^	PRC	Registered capital of RMB58,823,529	–	51%	City water supply and water supply infrastructure
新余水務集團有限公司#	PRC	Registered capital of RMB268,000,000 (2023: RMB290,000,000)	–	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 (i)^	PRC	Registered capital of RMB237,000,000	–	40%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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	
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	– (2023: 56%)	56% (2023: –)	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB133,000,000	–	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
寧鄉水務集團有限公司* (formerly known as 長沙(中國水務)集團有限公司)	PRC	Registered capital of RMB500,000,000	–	90%	City water supply and water supply infrastructure
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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
寧鄉中水銀龍供水服務有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure
湘潭響塘供水有限公司^	PRC	Registered capital of RMB50,000,000	–	80%	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	–	70%	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	–	74.38% (2023: 63.78%)	City water supply and water supply infrastructure
惠州豫鹿實業有限公司^	PRC	Registered capital of RMB20,000,000	–	70%	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 (i)*	PRC	Registered capital of RMB70,000,000	–	57.14%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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	
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 and water supply infrastructure
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
葉縣銀龍農村供水有限公司^	PRC	Registered capital of RMB1,000,000	–	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 RMB100,000,000	–	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 RMB100,000,000 (2023: RMB50,000,000)	–	100%	City water supply and water supply infrastructure
河南銀龍(扶溝)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
獲嘉縣新水水務有限公司#	PRC	Registered capital of RMB100,000,000	–	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
周口上善水務有限公司*	PRC	Registered capital of RMB156,862,700	–	51%	City water supply and water supply infrastructure
新河縣銀龍水務有限公司^	PRC	Registered capital of RMB3,000,000	–	100%	City water supply and water supply infrastructure
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
Luohe Silver Dragon Water (ii)^	PRC	Registered capital of RMB83,040,600	–	81.88%	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	–	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 RMB94,108,750	–	60%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	–	51%	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 RMB66,741,780 (2023: RMB50,104,000)	–	86.55%	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	–	60%	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
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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
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 RMB112,000,000	–	100%	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB146,500,000 (2023: RMB99,500,000)	–	60%	City water supply and water supply infrastructure
鞏義市銀龍源盛水務有限公司*	PRC	Registered capital of RMB30,000,000 (2023: RMB300,000,000)	–	65%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司#	PRC	Registered capital of RMB139,600,000	–	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
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*	PRC	Registered capital of RMB95,308,000	–	90%	City water supply, water supply infrastructure and sewage treatment
銀龍水杯子直飲水(湖南)集團有限公司^ (formerly known as 長沙(中國水務)直飲水集團有限公司)	PRC	Registered capital of RMB1,000,000,000	–	100%	Direct drinking water operation and construction
長沙水杯子直飲水工程設備有限公司*	PRC	Registered capital of RMB100,000,000	–	51%	Direct drinking water operation and construction

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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
Nanjing Aquacup Technology Corporation Limited^	PRC	Registered capital of RMB68,239,184	–	51%	Direct drinking water operation and construction
南京水杯子淨水科技有限公司^	PRC	Registered capital of RMB20,010,000	–	51%	Direct drinking water operation and constructure
江蘇海德能淨水科技有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	Direct drinking water operation and constructure
江西銀龍水環境建設有限責任公司^	PRC	Registered capital of RMB400,000,000	–	77.70 (2023: 74.76%)	Municipal public construction
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	97.12% (2023: 93.45%)	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
萬年縣中水環保有限公司^	PRC	Registered capital of RMB53,000,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB38,000,000 (2023: RMB18,000,000)	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
鉛山縣中水環保有限公司^	PRC	Registered capital of RMB13,470,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
天津正坤水處理有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction

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For the year ended 31 March 2024

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
天津重科水處理有限公司^	PRC	Registered capital of RMB14,000,000	–	97.12% (2023: 93.45%)	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	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12% (2023: 93.45%)	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	–	97.12% (2023: 93.45%)	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB6,000,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
長沙(中國水務)環保有限責任公司*	PRC	Registered capital of RMB346,616,000 (2023: RMB433,270,000)	18.75% (2023: 15%)	78.91% (2023: 60.74%)	Sewage treatment operation and construction
中原水務集團有限公司 (ii)^	PRC	Registered capital of RMB500,000,000	–	59.11%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement
孟州市城市污水處理有限公司 (ii)^	PRC	Registered capital of RMB60,000,000	–	59.11%	Sewage treatment operation and construction
中原水務範縣污水處理有限公司 (ii)^	PRC	Registered capital of RMB12,023,700	–	59.11%	Sewage treatment operation and construction

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
中原水務範縣第二污水處理有限公司 (ii)^	PRC	Registered capital of RMB15,000,000	–	59.11%	Sewage treatment operation and construction
中原水務(西華)污水處理有限公司 (ii)^	PRC	Registered capital of RMB12,600,000	–	59.11%	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12% (2023: 93.45%)	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB16,000,000	–	97.12% (2023: 93.45%)	Sewage treatment
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12% (2023: 93.45%)	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB20,000,000	–	67.98% (2023: 65.42%)	Sewage treatment
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	97.12% (2023: 93.45%)	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(i)^	PRC	Registered capital of RMB10,000,000	–	49.53% (2023: 47.66%)	Energy conservation and environmental protection
北京上河元有限公司^	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
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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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	
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	–	100%	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	–	93.10%	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%	70.33%	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:

* 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) 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.

(ii) acquired/incorporated/established/injected during the year ended 31 March 2024

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 2024

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 2024 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
廣西梧州自來水工程有限公司	PRC	RMB5,000,000	49%	City water supply
惠州大亞灣泓溢供水有限公司	PRC	RMB10,000,000	36.45% (2023: 31.25%)	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

48 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2024.

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INDEPENDENT AUDITOR OF THE COMPANY

Ernst & Young (Effective from September 19, 2025)
Certified Public Accountants and Registered Public Interest Entity Auditor
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