Appendix 1

Single Submission Form

Common Document for Submission to Regulatory, Listing, and Registration Authorities, and Market Institutions for the Issuance of Bonds and Notes under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF)

ASEAN+3 Bond Market Forum (ABMF) Initiative

Version 54, 5 April 2023 (adjusted)

Prepared by
ABMF Sub-Forum 1
The AMBIF Documentation Recommendation Board (ABRD)
and
Related authorities in the region

Important Explanations

For related parties:

- This Single Submission Form (SSF) is designed to facilitate an ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) bond and note issuance application to regulatory, listing, and registration authorities in each participating market. As such, this Form is prepared for the benefit of issuer(s) aiming to issue bonds and notes to professional investors in ASEAN+3.
- This Form contains a common set of information to be submitted when applying for AMBIF bond and note issuance for each participating market; however, this does not impact the ability of the regulatory, listing, and registration authorities to request additional information, if deemed necessary, for review and approval.
- This Form is a standard submission document (template) for AMBIF bond and note issuance(s) that is readily available for the markets defined in this SSF's Chapter I, Section 3: Targeted Professional Investor Markets in ASEAN+3 Economies. As of the end of December 2020, the professional bond markets of Cambodia; Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand comprised the Targeted Professional Investor Markets in ASEAN+3.
- This Form is basically recognized by most of the regulatory, listing, and registration authorities in each participating market; however, this does not exclude the possibility of using another form or document when applying for an AMBIF bond or note issuance where the relevant authorities so admit or require.

For issuers who would like to submit this Form:

- The SSF can be used either as disclosure for bonds and notes issued under a program or shelf-registration, or for a discrete stand-alone AMBIF bond or note issuance.
- When used in conjunction with a note issuance program, this Form may be used separately for issuance approval of the program in a first instance, and individual drawdowns under the program in every instance thereafter. Please choose the type of submission accordingly.
- All the necessary disclosure information as specified by regulatory, listing, and registration authorities should be submitted together with this Form, as may be required by the applicable regulations and guidelines of the relevant jurisdictions. This means that such information may not be provided only by way of referring to a particular filing place or website.
- In order to facilitate a shorter time to market for the issuer, this Form may be submitted to all relevant regulatory authorities and market institutions at the same time.
- Before the submission of this Form, the AMBIF Implementation Guidelines for each participating markets should be referred to accordingly.

About terminology in this Form:

- The term "notes" is used in the SSF to describe debt instruments to be issued in a general manner to professional investors in participating ASEAN+3 markets. The other terms below correspond to the expressions commonly used in the context of bond and note issuance in international debt capital markets and are typically familiar to regular issuers, professional investors, and their service providers.
- For the purpose of the SSF, notes is meant to include various forms of debt instruments—such as bills, notes, and bonds—without any prejudice toward any of the definitions of individual terms as may exist in current practices, laws, and regulations of participating ASEAN+3 markets.
- The term "note issuance program" is intended to describe a program under which multiple issuances of notes are intended with a maximum outstanding amount and common disclosure of the issuer information. The term "note issuance program" is also meant to cover any equivalent debt instrument issuance forms, including but not limited to medium-term note programs and debt issuance programs commonly used in mature debt capital markets.

Introduction to AMBIF and AMBIF Elements

- AMBIF is a policy initiative under the Asian Bond Markets Initiative (ABMI) to help facilitate intra-regional transactions through standardized bond and note issuance and investment processes. By doing so, it will facilitate the process of recycling savings within the region in a practical and efficient manner. This can be expected to contribute to the region's economic growth and stability.

- An AMBIF Market is defined as a professional bond market or market segment for AMBIF bond and note issuance; an AMBIF Market may be constituted as a result of professional investor concepts (e.g., Qualified Buyer), professional market concepts (e.g., Private Placement to Accredited Investors), or because of exemptions from public offering regulations (e.g., Excluded Offers, Targeted Offers to Qualified Investors and similar regimes).
- AMBIF Investors are investors eligible for buying and trading bonds or notes issued under AMBIF.

The AMBIF Elements (AMBIF Core Components) are described below.

AMBIF Elements (AMBIF Core Components)	**Brief Description**
Domestic Settlement	Bonds and notes are settled at a national CSD in ASEAN+3 markets.
Harmonized Documents for Submission (Single Submission Form)	A common approach is of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information based on an ADRB recommendation needs to be included. ⓐ
Registration or profile listing at ASEAN+3 (Place of continuous disclosure)	Information on bonds, notes, and issuers needs to be disclosed continuously in ASEAN+3 markets. Registration or a listing authority function is required to ensure continuous and quality disclosure.
Currency	The denomination of an issue is generally expected to be in the domestic currency of each ASEAN+3 market.
Scope of Issuer	Resident of ASEAN+3
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations, or market practice, in each ASEAN+3 market ⓑ

ADRB = AMBIF Documentation Recommendation Board; AMBIF = ASEAN+3 Multi-Currency Bond Issuance Framework; ASEAN+3 = Association of Southeast Asian Nations plus the People's Republic of China, Japan, and the Republic of Korea; CSD = central securities depository.

ⓐ For more on ADRB, please refer to AMBIF SSF Frequently Asked Questions No. 38 and 39.
ⓑ The following are characteristics of AMBIF Investors:
• Investors targeted under AMBIF are professional investors in ASEAN+3, as they may currently be defined in accordance with applicable laws and regulations in each jurisdiction or market practice.
• There is no intention to normalize professional investor concepts across markets at this stage, since it is the ASEAN+3 Bond Market Forum's (ABMF) policy to avoid changes to existing legislation as a result of defining and implementing AMBIF.
• Professional investors may also include foreign institutional investors if they are so defined in the laws and regulations as professional, or if market practice already shows evidence of foreign institutional investment activities.
Source: ABMF SF1.

Single Submission Form

Contents

I. General Information for Single Submission Form

Common Document for Submission to Regulatory, Listing, and Registration Authorities, and Market Institutions for Issuance of Notes under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) to be submitted by Issuer(s) to Regulatory, Listing, and Registration Authorities, and Market Institutions for Regulatory Process(es) as applicable:

Date of Submission: 22 January 2025

Issuer's Name: China Water Affairs Group Limited (中國水務集團有限公司)

Issuer's Address: Suite 6408, 64/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

Issuer's Representative's Signature:

Issuer's Representative's Name: Duan Chuan Liang

Issuer's Representative's Title and Status: Chairman

1. Authorities and market institutions applied to for an approval and profile listing or registration in each market

Targeted Market		Regulatory, Listing, or Registration Authority, and Market Institution	Purpose of Submission	Tick
Cambodia	1-1.	Securities and Exchange Regulator of Cambodia (SERC)	Approval	
	1-2.	National Bank of Cambodia (NBC)	Approval	
	1-3	Cambodia Securities Exchange (CSX)	Submission for Listing	
People's Republic of China (CIBM)	2-C1.	People's Bank of China (PBOC)	Approval	
	2-C2.	National Association of Financial Market Institutional Investors (NAFMII)	Submission for Registration	
People's Republic of China (Exchange)	2-E1.	Shanghai Stock Exchange (SSE)	Submission for Examination for Issuance and Review for Listing/Enrolment	
		Shenzhen Stock Exchange (SZSE)		
	2-E2.	Shanghai Stock Exchange (SSE)	Submission for Listing/Enrolment	
		Shenzhen Stock Exchange (SZSE)		
	2-E3.	Securities Association of China (SAC)	Submission for Post-Issuance Reporting	

Hong Kong, China	3-1.	Hong Kong Exchanges and Clearing Limited (HKEx)	Submission for Listing	
	3-2.	Hong Kong Monetary Authority (HKMA)—Central Moneymarkets Unit (CMU)	Approval	✓
Indonesia	4-1.	Indonesian Financial Services Agency (OJK)	Approval	
	4-2.	PT Kustodian Sentral Efek Indonesia (KSEI)	Approval	
Japan	5.	Tokyo Stock Exchange (TSE)—TOKYO PRO-BOND Market	Submission for Listing	
Republic of Korea	6-1.	Korea Exchange (KRX)	Submission for Listing	
	6-2.	Korea Financial Investment Association (KOFIA)	Submission for Registration	
Lao People's Democratic Republic	7-1.	Securities and Exchange Commission Office (SCC)	Approval	
	7-2.	Bank of Lao PDR	Approval	
Malaysia	8-1.	Securities Commission Malaysia	Lodgement of Documents and Information under the Lodge and Launch Framework	
	8-2.	Bank Negara Malaysia (BNM)	Request for Approval (for Purposes of Foreign Exchange Administration)	
Philippines	10-1.	Securities and Exchange Commission of the Philippines (PH SEC)	Submission of Notice of Exemption	
	10-2.	Bangko Sentral ng Pilipinas (BSP)	Request for Approval	
	10-3.	Philippine Dealing & Exchange Corp. (PDEx)	Enrolment for Listing cum Trading	
	10-4.	Philippine Depository & Trust Corp. (PDTC)	Approval	
Singapore	11-1.	Singapore Exchange Securities Trading Limited (SGX)	Submission of Application for Listing	✓

	11-2.	Central Depository Pte Ltd.(CDP)	Approval	

Thailand	12-1.	The Securities and Exchange Commission, Thailand (Thai SEC)	Filing for Approval	
	12-2.	Public Debt Management Office (PDMO) of the Ministry of Finance	Request for Approval	
	12-3.	Thai Bond Market Association (ThaiBMA)	Submission for Registration	
	12-4.	Bank of Thailand (BoT) *(only if issuer is a financial institution and the use of proceeds is for capital requirements)*	Request for Approval	
	12-5.	Thailand Securities Depository (TSD)	Approval	

Viet Nam	13-1.	Ministry of Finance (MOF)	Notification	
	13-2.	State Bank of Vietnam (SBV)	Approval	
	13-3.	Hanoi Stock Exchange (HNX)	Submission of Application for Profile Listing	

2. **Issuer's Domicile:**

Issuer's Domicile (Home Jurisdiction)	No.*	Resident in
	1	Bermuda

* Enumeration in case of multiple issuer domiciles

3. **Issuer's Parent Company's Jurisdiction:**

Issuer's Parent Company's Jurisdiction	N/A

4. **Type of Submission:**

		Tick
Type-P	Note Issuance Program:	
Type-S	Shelf-Registration: *(regulatory system of collective registration of the total amount of the note issuances that can be executed within a certain period of time)*	
Type-A	Stand-Alone Issuance:	✓
Type-D	Drawdown Issuance from the Note Issuance Program or Shelf-Registration:	

5. **Distinction of the Form:**

		Tick
N.	New:	✓

R.	Renewal (details are described below):	
A.	Amendment (details are described below):	

6. Targeted Professional Investor Markets in ASEAN+3:

No.	Targeted Professional Investor Market*		Tick
1.	**Cambodia: Targeted Offers to Qualified Investors**		
2-1.	People's Republic of China: Inter-Bank Bond Market (CIBM)		
	● Targeted Placements (PP) of Debt Financing Instruments to Specified Institutional Investors* (*: Institutional Investors who are designated by the issuer and the lead underwriter)		✓
	● Targeted Placements (PP) of Debt Financing Instruments to Specialized Institutional Investors** (**: Institutional Investors selected by NAFMII; a list of 120 institutions, to be reviewed periodically)		
2-2.	People's Republic of China: Exchange Bond Market		
	● Offering to Qualified Investors	Qualified Investors	
		Qualified Institutional Investors	
	● Non-public placement to Qualified Investors (Private Placement)		
3.	**Hong Kong, China: Professional Investors Only Market**		✓
4.	Indonesia: (Offering to Professional Investor)		
	Non-Public Offering (Private Placement)		
5.	**Japan: TOKYO PRO-BOND Market (Professional Investor Market)**		
6.	Republic of Korea: QIB Market		
7.	(Lao People's Democratic Republic: PP Market)		
8.	**Malaysia: Excluded Offers – Sophisticated Investors Market**		
9.			
10.	**Philippines: Qualified Buyers' Market**		
11.	**Singapore: Wholesale Market (Institutional Investors Market)**		✓
12.	**Thailand: PP-II Regime**		
13.	Viet Nam: PP (Institutional Investors) Market		

AI = Accredited Investors, PP = Private Placement, PP-II = Private Placement to Institutional Investors.
* Markets that were not yet active at end-April 2019 are in parentheses. Those markets that had defined professional bond markets suitable for AMBIF at end-April 2019 are in **boldface type**.

7. Denominated Currency of the Notes:

No.	Denominated Currency of the Notes (ISO 4217 Code)		Tick
1.	KHR (Cambodia)		
	USD (Cambodia)		
2.	CNY	CNH: (HKMA-CMU settled)	✓
		CNH: (other than HKMA-CMU settled:)	
3.	HKD		
4.	IDR		
5.	JPY		
6.	KRW		
7.	LAK		
8.	MYR		
10.	PHP		
11.	SGD		
12.	THB		
13.	VND		
14.	USD		

8. Clearing and Settlement:

No.	Denominated Currency of the Notes	Name of Central Depository	Name of Depository System	Distinction of DVP, Non-DVP, or N.A.
1	CNY	Central Moneymarkets Unit Service	Central Moneymarkets Unit Service	DVP

9. Place of Disclosure:

No.	Name of the Place of Disclosure
1	Singapore Exchange Securities Trading Limited (the "**SGX-ST**") The SGX-ST assumes no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained in the Offering Circular as attached hereto in Section VI (the "**Offering Circular**"). Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Bonds on the Official List of the SGX-ST. Approval in-principle granted by the SGX-ST for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor (as defined herein) or the Bonds.

Detailed explanation of the profile listing or registration, if necessary: N/A	

10. Other Important Matters:

No.	Jurisdiction (Market)	Important Matter
1.	Cambodia	
2-1.	People's Republic of China - CIBM	See Part IV, Section 2, point 11 (Selling Restrictions at Issuance) of this form.
2-2.	People's Republic of China – Exchange Market	See Part IV, Section 2, point 11 (Selling Restrictions at Issuance) of this form.
3.	Hong Kong, China	See Part IV, Section 2, point 11 (Selling Restrictions at Issuance) of this form.
4.	Indonesia	
5.	Japan	
6.	Republic of Korea	
7.	Lao People's Democratic Republic	
8.	Malaysia	
10.	Philippines	
11.	Singapore	See Part IV, Section 2, point 11 (Selling Restrictions at Issuance) of this form.
12.	Thailand	
13.	Viet Nam	
14.	Other (if any)	The United States, the United Kingdom, the Cayman Islands and Bermuda. See Part IV, Section 2, point 11 (Selling Restrictions at Issuance) of this form.

II. Issuer Information

(If two or more issuers intend to jointly establish a note issuance program, describe information for each of the issuers.)

Method of describing Issuer Information* *(An issuer can choose one method of describing as set forth below.)*		Tick
A.	Fully describe Issuer Information	✓
B.	Specify the documents and places where AMBIF Investors are able to access the documents and designate them as Documents Incorporated by Reference	
C.	A combination of A and B above	

* An issuer can also choose not to designate Financial Information of the issuer as Documents Incorporated by Reference provided the issuer discloses its financial information in English in the Home Jurisdiction. For example, in case the issuer has continuously disclosed English annual reports that contain consolidated financial statements with independent auditor reports, the issuer may state such facts below and describe how AMBIF Investors can access such annual reports (e.g., via a website).

1. Information on the Issuer:

1.	Name of Issuer:	China Water Affairs Group Limited (中國水務集團有限公司)
2.	Name and Title of Representative:	Duan Chuan Liang Chairman
3.	Address (Registered or Business Address):	Suite 6408, 64/F, Central Plaza 18 Harbour Road Wanchai, Hong Kong
4.	Liaison Contact Person:	Adam Zhao
5.	Telephone and e-Mail:	+852 3968 6666 zhaoning@chinawatergroup.com
6.	Business Registration No. (if any):	F9767
7.	Date and Place of Incorporation:	26 July 1999 Cayman Islands
8.	Authorized and Paid-up Capital:	HK$16,323,000
9.	Trends of Key Financial Data:	See "Summary Consolidated Financial Information," "Capitalisation and Indebtedness" and the Issuer's audited financial statements set forth in the Offering Circular.
10.	Description of Business: *(nature of business of the issuer in the domestic economy, if any)*	See "Business" set forth in the Offering Circular.
11.	Risk Factors: *(including risks related to the issuer's business, operations, and regulatory environment)*	See "Risk Factors" set forth in the Offering Circular.
12.	Board of Directors:	See "Directors and Management" set forth in the Offering Circular.
13.	Controlling Shareholders or, in the Case of a Public	See the Issuer's audited financial statements set forth in the Offering Circular.

	Company, Names of Major Shareholders:	See "Substantial Shareholders" set forth in the Offering Circular.
14.	Status of Affiliates:	N/A
15.	Website for Disclosure (if any):	Information about the Bonds will be disclosed on the website of SGX-ST.

2. Financial Information on the Issuer:

1.	Consolidated Financial Statements: (i) Consolidated Balance Sheet (ii) Consolidated Income Statement and Consolidated Comprehensive Income Statement, or Statement of Consolidated Income and Comprehensive Income (iii) Consolidated Statement of Changes in Shareholders' Equity (iv) Consolidated Cash Flow Statement (v) Independent Auditor's Report (vi) Accompanied Notes	(i) The audited consolidated financial statements of the Issuer as at and for the year ended 31 March 2023 which have been audited by PricewaterhouseCoopers, and (ii) the audited consolidated financial statements of the Issuer as at and for the year ended 31 March 2024 which have been audited by PricewaterhouseCoopers, are attached to the Offering Circular.
2.	Other Matters	
	● Subsequent Events:	See "Summary – Recent Developments" set forth in the Offering Circular.
	● Litigations:	See "Business – Legal Proceedings" set forth in the Offering Circular.

* For (i), (ii), and (iii) only

3. Information on the Guarantor or Provider of other Credit Enhancement (if any):

1.	Name:	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank ("**CGIF**" or the "**Guarantor**")
2.	Address:	Asian Development Bank Building 6 ADB Avenue, Mandaluyong City 1550 Metro Manila, Philippines
3.	Description of Business:	See "Information on the Guarantor" set forth in the Offering Circular.
4.	Guaranty or Support Agreement Details:	See "The CGIF Guarantee" set forth in the Offering Circular.

4. Financial Information on the Guarantor or Provider of Credit Enhancement:

CGIF's financial statements are prepared and presented in accordance with International Financial Reporting Standards and audited by Deloitte & Touche LLP. The audited financial statements (including the Independent Auditors' Report) of CGIF for the years ended 31 December 2023 and 31 December 2022 are available at the following website page: http://www.cgif-abmi.org/investors/financial-statements

III. Information on the Program or the Shelf-Registration

(Except for Item No.14 below, the component information for Program and Shelf-Registration is exactly the same.)

1.	Issuer:	N/A

2-1.	Guarantor (if any):	N/A
2-2.	Provider of Credit Enhancement (if any):	N/A

3.	Description of the Program or Shelf-Registration: *(Ref. I. 1. Type of Submission [Type-P] or [Type-S])*	N/A

4.	Credit Rating(s) for the Program or Shelf-Registration:	N/A

5.	Scheduled Issuance Period: *(DD/MM/YY) – (DD/MM/YY)*	N/A

6.	Arranger(s) of the Program or Shelf-Registration:	N/A
7.	Dealers and/or Underwriters or Equivalent: *(for example, Principal Adviser [MY] or Financial Adviser [TH])*	N/A
8.	Bond Trustee or Equivalent (if any): *(Bond Administrator, Commissioned Company or Person, or Bondholder Representative)*	N/A

9.	Fiscal Agent:	N/A
10.	Paying Agents:	N/A
11.	Registrar and Transfer Agent:	N/A
12-1.	Other Agent ( ):	N/A
12-2.	Other Agent ( ):	N/A

13-1.	Legal Adviser(s) to the Issuer(s):	N/A
13-2.	Legal Adviser(s) to the Dealer(s):	N/A

14-P.	Maximum Outstanding Amount under the Program:*	N/A
14-S.	Total Amount of the Notes Issuances under Shelf-Registration:*	N/A

15.	Method of Distribution: *(Subject to applicable selling restrictions. For instance, notes may be distributed [only to professional investors] on a syndicated or non-syndicated basis.)*	N/A
16.	Issuance in Series: *(Describe if notes will be issued in a series and, if so, the salient points of it and tranches within the series.)*	N/A
17.	Forms of Notes: *(book-entry)* *(bearer)* *(registered)*	N/A

18.	Currencies: *(Describe currencies in which notes under the program may be denominated.)*	N/A

19.	Status of the Notes:* *(subordinated)* *(preferred)* *(unsubordinated)*	N/A

20.	Type of Notes: *(fixed-rate notes)* *(floating-rate notes)* *(zero-coupon notes)*	1.	N/A
		2.	N/A
		3.	N/A

21.	Listing, Registration, or Filing Place(s): *(See I.-6.Place of Disclosure.)*	N/A

22.	Use of Proceeds:	N/A

23.	Governing Law(s) and Jurisdiction(s) of the Notes:**	N/A

24.	Taxation and Tax Status: *(Prospective purchasers of the notes are advised to consult their own tax advisors on taxation in ASEAN+3 or taxation as may be applicable in other relevant countries or economies.)*	N/A

25.	Selling Restrictions at Issuance: *(Notes shall not be sold, offered for sale, or distributed to nonprofessional investors in ASEAN+3.)*	
	1.	N/A
	2.	N/A

	Selling Restrictions Thereafter: *(Notes shall not be sold, offered for sale, or distributed to nonprofessional investors in ASEAN+3)*	
	1.	N/A
	2.	N/A

26.	Outstanding Debt from Previous Issues of Bonds and Notes : *(for example, in case of THB-denominated bonds and notes)*	N/A

** Under the current prescriptions for AMBIF, subordinated notes, index-linked notes, dual currency notes, and other structured notes are not considered by ABMF for inclusion as AMBIF issuances.*

*** Governing law and jurisdiction, with respect to the Terms and Conditions of the Notes, will be those agreed among the contract parties, subject to applicable laws and regulations.*

IV. Information on the Notes

1. Summary of the Terms and Conditions of the Notes or Final Terms of Individual Issuance of Bonds/Notes:

(This section may be used for describing the information of individual issuance of bonds/notes for Type-D submissions.)

1.	Issuer(s):	China Water Affairs Group Limited (中國水務集團有限公司)
2.	2-1.Guarantor (if any):	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank
	2-2.Provider of Support Agreement (if any):	N/A
3.	Name of the Notes:	CNY1,000,000,000 3.45 per cent. Guaranteed Blue Bonds Due 2030 (the "Bonds")
4.	Aggregate Amount of the Notes (Issue Amount):	CNY1,000,000,000
5.	Form of Notes:	The Bonds are issued in registered form.
6.	Status of the Notes:	See Condition 1(b) of “Terms and Conditions of the Bonds” set forth in the Offering Circular.
7.	Denomination of the Notes: (i) minimum tradable amount (ii) multiple tradable amount	The Bonds are denominated in Renminbi, with a pecified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof
8.	Issue Price:	100.0%
9.	Offer Price:	100.0%
10.	Date of Issue:	27 January 2025
11.	Date of Maturities: *(timing of amortization plan ([if any])*	Maturity Date: 27 January 2030
12.	Early Redemption: *(with call option, with put option, with call and put exercise dates [if any])*	The terms of the Bonds contain early redemption provisions. See Conditions 8(b), 8(c) and 8(d) of “Terms and Conditions of the Bonds” set forth in the Offering Circular.
13.	Type of Notes: *(fixed-rate notes) (floating-rate notes) (zero-coupon notes)*	The Bonds will bear interest at a fixed rate.
14.	Interest or Coupon Rate:	3.45 per cent. per annum See Condition 7(a) of “Terms and Conditions of the Bonds” set forth in Offering Circular.
15.	Interest or Coupon Payment Method: *(record date rule, interest payment frequency, interest calculation frequency, first interest payment date, and timing of interest payment)*	See Condition 7(c) of “Terms and Conditions of the Bonds” set forth in the Offering Circular.

16.	Negative Pledge:	The terms of the Bonds contain a negative pledge provision. See Condition 4 of "Terms and Conditions of the Bonds" set forth in the Offering Circular.
17.	Cross Default:	The terms of the Bonds contain a cross default provision. See Condition 12(a)(iii) of "Terms and Conditions of the Bonds" set forth in the Offering Circular.
18.	Governing Law and Jurisdiction*:	The Bonds (including the Terms and Conditions of the Bonds), the Trust Deed, the Agency Agreement and the CGIF Guarantee (and any non-contractual obligations arising out of or in connection with it) are governed by, and shall be construed in accordance with, English law. See Condition 21(a) of "Terms and Conditions of the Bonds" set forth in the Offering Circular.
19.	Special Withholding Tax Applied to Financial Institutions including FATCA (if any):	See "Taxation" set forth in the Offering Circular.

** Governing law and jurisdiction, with respect to the Terms and Conditions of the Notes, will be those agreed among the contract parties, subject to applicable laws and regulations.*

2. Other Information of the Notes:

1.	Dealers and/or Underwriters or Equivalent: *(for example, Principal Advisor [MY] or Financial Advisor [TH])*	Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited and China CITIC Bank International Limited		
2.	Trustee or Equivalent (if any): *(Bond Administrator, Commissioned Company or Person, Bondholders Representative)*	Citicorp International Limited		
3.	Fiscal Agent:	N/A		
4.	Paying Agents:	Citicorp International Limited		
5.	Registrar and Transfer Agent:	Citicorp International Limited		
6-1.	Other Agent: (CMU Lodging Agent):	Citicorp International Limited		
6-2.	Other Agent: ( ):	N/A		
6-3.	Other Agent: ( ):	N/A		
7.	Listing, Registration, or Filing Place(s) of the Notes: *(See I.-6.Place of Disclosure.)*	The Bonds are expected to be listed on the SGX-ST. Information about the Bonds will be disclosed at the website of the SGX-ST.		
8.	Settlement Place(s) of each Denominated Currency Notes: *(See I.-5.Clearing and Settlement.)*	1.	CNY	Central Moneymarkets Unit Service

9.	Use of Proceeds:			
	1.	Amount of Proceeds from Sale of Notes:	See "Use of Proceeds" set forth in the Offering Circular.	
	2.	Use of Proceeds [and Timing of Disbursement]: *(may include rationale or justification)*	See "Use of Proceeds" set forth in the Offering Circular.	
10.	Risk Factors relating to the Notes:		See "Risk Factors" set forth in the Offering Circular	
11.	Selling Restrictions at Issuance: *(Notes shall not be sold, offered for sale, or distributed to nonprofessional investors in ASEAN+3.)*			
	1.	See "Subscription and Sale – Selling Restrictions" set forth in the Offering Circular.		
	2.			
	Selling Restrictions Thereafter: *(Notes shall not be sold, offered for sale, or distributed to nonprofessional investors in ASEAN+3.)*			
	1.	See "Subscription and Sale – Selling Restrictions" set forth in the Offering Circular		
	2.			
12.	Credit Rating for the Notes:		The Bonds are expected to be rated AA by S&P Global Ratings, a division of S&P Global Inc. ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. No guarantee is made that such ratings will not be adversely revised or withdrawn either before or after delivery of the Bonds. See "Risk Factors – Risks Relating to the Bonds – Credit ratings may not reflect all risks and the credit ratings assigned to the Bonds may be lowered or withdrawn in the future" set forth in the Offering Circular.	

13-1.	Legal Adviser(s) to the Issuer(s):	As to English law: Sidley Austin As to Bermuda law: Conyers Dill & Pearman As to PRC law: Jingtian & Gongcheng
13-2.	Legal Adviser(s) to the Dealer(s):	As to English law: Davis Polk & Wardwell As to PRC law: King & Wood Mallesons

13-3.	Legal Adviser(s) to the Guarantor:	As to English, Hong Kong and BVI law: Watson Farley & Williams LVN As to Cayman law: Appleby (Cayman) Ltd. As to Bermuda law: Appleby (Bermuda) Limited

14.	Method of Distribution: *(Subject to applicable selling restrictions. For example, notes may be distributed [only to professional investors] on a syndicated or non-syndicated basis, and also in case of THB-denominated bonds and notes.)*	Subject to selling restrictions on a syndicated basis.

15.	Outstanding Debt from Previous Issues of Bonds and Notes : *(for example, in case of THB-denominated bonds and notes)*	N/A

16.	Cross Currency Swap Information: *(for example, in case of issuance by nonresident, including intermediaries, if possible, and currencies, as and where necessary)*	N/A

17.	Timing of Bond Issuance: *[for example, in case of Baht Bond issued by non-Thai resident [Public Debt Management Office authorized period])*	27 January 2025

18.	Other: *("final terms" for drawdown)*	N/A

V. Terms and Conditions of the Notes

(This section is used for describing in detail the Terms and Conditions of the Notes for Program, Shelf-Registration, and Stand-Alone Notes.)

VI. Attachments

(if any)

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "Offering Circular") received by e-mail or otherwise received as a result of electronic communication, and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (each as defined in the Offering Circular) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE CGIF GUARANTEE (AS DEFINED IN THE OFFERING CIRCULAR) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, OR ANY OTHER JURISDICTION, AND THE SECURITIES AND THE CGIF GUARANTEE MAY NOT BE OFFERED, SOLD, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, 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 APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation: By accepting the email and accessing the attached Offering Circular, you will be deemed to have represented to Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited and Barclays Bank PLC (together, the "Lead Joint Global Coordinators"), The Hongkong and Shanghai Banking Corporation Limited and China CITIC Bank International Limited (together with the Lead Joint Global Coordinators, the "Joint Global Coordinators", "Joint Bookrunners" and "Joint Lead Managers") that: (i) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States; and (ii) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

Renminbi ("RMB") is currently not freely convertible and conversion of RMB through banks in Hong Kong is subject to certain restrictions. You should be reminded of the conversion risk in RMB products. In addition, there is a liquidity risk associated with RMB products, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads. Offshore RMB products are denominated and settled in RMB deliverable in Hong Kong, which represents a market which is different from that of RMB deliverable in the PRC.

The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic form and the hard copy version available to you on request from the Joint Lead Managers.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

Nothing in this electronic transmission constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on the Issuer's behalf in such jurisdiction.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

CNY1,000,000,000 3.45 PER CENT. GUARANTEED BLUE BONDS DUE 2030

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

Credit Guarantee & Investment Facility
An Asian Bond Markets Initiative

CREDIT GUARANTEE AND INVESTMENT FACILITY, A TRUST FUND OF THE ASIAN DEVELOPMENT BANK

Issue Price: 100.0%

The CNY1,000,000,000 in aggregate principal amount of 3.45 per cent. Guaranteed Blue Bonds due 2030 (the "Bonds") to be issued by China Water Affairs Group Limited (中國水務集團有限公司) (the "Issuer" or the "Company") will mature on 27 January 2030 (the "Maturity Date"). The payment obligations of the Issuer in respect of the Bonds and the trust deed to be dated 27 January 2025 among the Issuer, the Guarantor (as defined below) and Citicorp International Limited as trustee (the "Trustee") governing the Bonds (the "Trust Deed") will be unconditionally and irrevocably guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank ("CGIF" or the "Guarantor") with respect to the Bonds (the "CGIF Guarantee") to the extent of, and in accordance with and subject to the terms of, the CGIF Guarantee.

The Bonds will bear interest on their outstanding principal amount from time to time (as determined in accordance with Condition 8 (Redemption and Purchase) from (and including) 27 January 2025 (the "Issue Date") at the rate of 3.45 per cent. per annum payable semi-annually in arrear on 27 January and 27 July, in each year, commencing 27 July 2025, subject as provided in Condition 9 (Payments). Unless previously redeemed or purchased and cancelled as provided in the Terms and Conditions of the Bonds, the Issuer will redeem the Bonds on the Maturity Date.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4 (Negative Pledge) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

The payment obligations of the Issuer under the Bonds and the Trust Deed will be unconditionally and irrevocably guaranteed by the Guarantor to the extent of, and in accordance with and subject to the terms of, the CGIF Guarantee. Such obligations of the Guarantor under the CGIF Guarantee will be direct, unconditional and general obligations of the Guarantor and rank pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

The ability of the Trustee or any Bondholder (as defined in "Terms and Conditions of the Bonds" in this Offering Circular) to accelerate under the Bonds is limited pursuant to the terms of the Trust Deed. For a description of this and certain other restrictions of the CGIF Guarantee, see "The CGIF Guarantee" and "Risks relating to the Guarantor and the CGIF Guarantee" in this Offering Circular.

With respect to the Bonds, unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds at 100% of their principal amount on 27 January 2030, subject as provided in Condition 9 (Payments) of the Terms and Conditions of the Bonds. The Bonds may be redeemed in whole, but not in part only, at any time, at the option of the Issuer, subject to certain provisions, at their principal amount, together with all interest accrued but unpaid to (but excluding) the date fixed for redemption upon the occurrence of a change in, or amendment to, the laws or regulations of Bermuda, the Cayman Islands, Hong Kong, the PRC, the Republic of the Philippines or, in each such case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 January 2025 such that the Issuer or the Guarantor (as the case may be) would be required to pay additional amounts in respect of the Bonds or the CGIF Guarantee and such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it. On or after 27 December 2029, the Issuer may, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 (Notices) and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable), redeem the Bonds, in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption. In addition, at any time following the occurrence of a CGIF Acceleration (as defined in the Terms and Conditions of the Bonds), the Guarantor may at its discretion require the Issuer to redeem the Bonds in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption following which the Issuer shall immediately, or if the Issuer fails to do so the Guarantor may, give notice to the Bondholders in accordance with Condition 19 (Notices) of the Terms and Conditions of the Bonds and to the Trustee and the Agents in writing (which notice shall be irrevocable).

For a more detailed description of the Bonds, see the section entitled "Terms and Conditions of the Bonds" beginning on page 118.

The Bonds are being issued as "Blue Bonds" under the Issuer's Green & Blue Finance Framework. See the section entitled "Bonds Being Issued as Blue Bonds" beginning on page 113.

For a description of these and certain further restrictions on offers, sales and resales of the Bonds and the CGIF Guarantee and the distribution of this Offering Circular, see "Subscription and Sale".

The Bonds are expected to be rated AA by S&P Global Ratings, a division of S&P Global Inc. ("S&P"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Bonds involves risks. For a description of certain risks to be considered in connection with an investment in the Bonds, see "Risk Factors" beginning on page 15.

The Bonds will be evidenced by a global certificate (the "Global Certificate") in registered form, and will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the Central Moneymarkets Unit Service (the "CMU"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"), such persons will hold their interest through an account opened and held by Euroclear or Clearstream with the CMU. The Bonds will constitute freely transferable securities. Except in the limited circumstances set out in the Global Certificate, individual certificates will not be issued in exchange for interests in the Global Certificate.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonds 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 Circular. Approval in-principle granted by the SGX-ST for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, 2001 of Singapore. There is currently no market for the Bonds.

Approval in-principle has been obtained for the Bonds to be recognised under the SGX Sustainable Fixed Income initiative on 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 Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, SGX-ST may remove the recognition from the Bonds 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.

Pursuant to the Administrative Measures for the Examination and Registration of Medium and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法) ("Order 56") issued by the National Development and Reform Commission of the PRC (the "NDRC", which for the purposes of this Offering Circular shall include its successor) and effective as at 10 February 2023, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 25 October 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).

The Bonds and the CGIF Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any other jurisdiction. The Bonds and the CGIF Guarantee may not be offered, sold, pledged or otherwise transferred 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 Bonds and the CGIF Guarantee are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers, sales and transfers of the Bonds and the CGIF Guarantee and distribution of this Offering Circular, see "Subscription and Sale".

Lead Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley **China International Capital Corporation** **Barclays**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

HSBC **China CITIC Bank International**

The date of this Offering Circular is 21 January 2025

IMPORTANT NOTICE

The Issuer, having made all reasonable enquiries, confirms that to its best knowledge and belief: this Offering Circular (other than the section entitled "Information on the Guarantor") contains as at its date of issue all information with respect to the Issuer and the Group (as defined herein) (taken as a whole) and to the Bonds which is (in the context of the issue, offering and sale of the Bonds) material and does not, as at its date of publication, contain any untrue statement of a material fact nor does it, as at such date, omit to state any material fact necessary to make the statements about the Issuer or the Group (taken as a whole) therein, in the light of the circumstances under which they were made, not misleading. Any opinions, predictions or intentions expressed in this Offering Circular (other than the section entitled "Information on the Guarantor") are as at such date honestly held or made and have been reached after considering all relevant circumstances and have been based on reasonable assumptions; and all reasonable enquiries have been made to ascertain or verify all material facts for the purpose of the foregoing. The Issuer accepts responsibility for the information contained in this Offering Circular accordingly.

The Guarantor confirms that as at the date of this Offering Circular, the information in relation to the Guarantor contained in the section entitled "Information on the Guarantor" is true and accurate in all material respects and is not misleading in any material respect; the section entitled "Information on the Guarantor" does not omit to state any material fact necessary to make such information relating to the Guarantor (in the context of the giving of the CGIF Guarantee) not misleading in any material respect; and all proper enquiries were made by the Guarantor to ascertain or verify the foregoing.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the issuance and offering of the Bonds described herein. The Joint Lead Managers reserve the right, for any reason, to reject any offer to subscribe for the Bonds, in whole or in part.

The distribution of this Offering Circular and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons who acquire this Offering Circular are required by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (as defined in the Terms and Conditions of the Bonds) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale". This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer, invitation to subscribe or purchase, or solicitation is not authorised or would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

No person has been authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds or the CGIF Guarantee other than that included in this Offering Circular in connection with the issuance, offering or sale of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication or constitute any representation that there has been no change in the Issuer's, the Guarantor's or the Group's affairs or that there has been no adverse change in the Issuer's, the Guarantor's or the Group's financial position since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create an implication that any other information supplied in connection with the Bonds is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Information in respect of the Guarantor contained in this Offering Circular has been provided by the Guarantor and has not been verified by the Issuer and the Issuer does not take any responsibility, express or implied, for any information contained in the section entitled "Information on the Guarantor". The Issuer has not taken any steps to verify the accuracy of any of the information contained in the section entitled "Information on the Guarantor", and no representation or warranty, express or implied, is made by the Issuer as to the accuracy or completeness of the information contained in that section.

Information in respect of the Issuer contained in this Offering Circular has been provided by the Issuer and has not been verified by the Guarantor. None of the Guarantor, its management or its employees take any responsibility, express or implied, for any information contained in this Offering Circular, other than the information contained in the section entitled "Information on the Guarantor". In addition, none of the foregoing parties has taken any steps to verify the accuracy of any of the information included in this Offering Circular, other than the information contained in the section entitled "Information on the Guarantor", and no representation or warranty, express or implied, is made by any such party as to the accuracy or completeness of the information contained in this Offering Circular.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them has independently verified any of such information and assumes no responsibility for its accuracy or completeness. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. Neither this document nor any other information supplied in connection with the offering of the Bonds (a) is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them that any recipient of this document, or any other information supplied in connection with the offering of the Bonds, should purchase the Bonds. Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the Issuer's and the Guarantor's creditworthiness and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. No person should construe the contents of this Offering Circular as legal, business or tax advice and each person should be aware that it may be required to bear the financial risks of any investment in the Bonds. Each person should consult its own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of an investment in the Bonds. To the fullest extent permitted by law, none of the Joint Lead Managers, the Guarantor, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them accepts any responsibility for any acts or omissions of the Issuer or the Guarantor or any other person (other than the relevant Joint Lead Manager) in connection with the issue and offering of the Bonds, the contents of or any omission from this Offering Circular or for any statement made or purported to be made by it or on its behalf with respect to the Issuer or the Guarantor or the offering and issuance of the Bonds for so long as the Bonds remain outstanding, or undertakes to advise any investor or potential investor of the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Guarantor, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them. Each of the Joint Lead Managers, the Guarantor, the Trustee and the Agents and each of their respective affiliates, officers, representatives, directors, employees, agents and advisers and each person who controls any of them accordingly disclaims any and all liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them to subscribe for or purchase, any Bonds in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorised or to any person to whom it is unlawful to make such offer, invitation or solicitation.

None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them makes any representation to any investor regarding the legality of an investment by such investor under applicable laws. Investors should not consider any information in this document to be legal, business and tax advice regarding an investment in the Bonds. See the section entitled "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Issuer, the Guarantor and the Joint Lead Managers are relying on the exemption from registration under the Securities Act provided by Regulation S for offers and sales of securities made outside the United States. The Bonds and the CGIF Guarantee have not been registered under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may be offered or sold only in transactions that are exempt from or not subject to, the registration requirements of the Securities Act and any other applicable laws.

Each purchaser of the Bonds must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Bonds under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and none of the Issuer, the Guarantor or the Joint Lead Managers shall have any responsibility therefor.

The Joint Lead Managers and any of their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Issuer or the Guarantor.

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult their adviser.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER), PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE APPOINTED AND ACTING AS THE STABILISATION MANAGER, MAY OVER ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. ANY STABILISATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them 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. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of this Offering Circular, investors should obtain independent professional advice.

Prohibition of Sales to UK Retail Investors — The Bonds and the CGIF Guarantee 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 Bonds and the CGIF Guarantee or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds and the CGIF Guarantee 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 Bonds and the CGIF Guarantee has led to the conclusion that: (i) the target market for the Bonds and the CGIF Guarantee 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 Bonds and the CGIF Guarantee to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds and the CGIF Guarantee (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 Bonds and the CGIF Guarantee (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "capital market intermediaries" ("CMIs" and each a "CMI") 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 CMIs may also be acting as "overall coordinators" (the "OCs") 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 Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "Association") with the Issuer, the Guarantor, such CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds 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 Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than a 50% 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 Joint Lead Manager, 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 Joint Lead Manager 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.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY

Unless otherwise indicated, all references in this Offering Circular to "Bonds" are to any of the Bonds; all references in this Offering Circular to "Terms and Conditions of the Bonds" are to the terms and conditions governing the Bonds as set out in "Terms and Conditions of the Bonds" in this Offering Circular; all references to the "Issuer", the "Company" and the "Group" are to the Company and its consolidated subsidiaries as a whole, as the context requires.

In this Offering Circular, 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 Circular 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 Circular have been obtained from both public and private sources, publicly available information and industry publications. Although the Issuer believes this information to be reliable, it has not been independently verified by the Issuer or the Initial Purchasers or their respective directors and advisers, and neither the Issuer, 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 Circular 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$7.8259 to US$1.00 (being the noon buying rate in New York City on 29 March 2024 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 Circular 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 Circular.

The English names of PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like in this Offering Circular 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 Circular contains the audited consolidated financial statements for the years ended 31 March 2022, 2023 and 2024 (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 PricewaterhouseCoopers, Certified Public Accountants. Unless the context otherwise requires, references to "2022", "2023" and "2024" in this Offering Circular are to the fiscal years ended 31 March 2022, 2023 and 2024, respectively.

This Offering Circular also contains certain financial information relating to the Guarantor as of and for the years ended 31 December 2022 and 2023, which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the year ended 31 December 2022 and 2023 (the "Guarantor Audited Financial Statements"). The Guarantor Audited Financial Statements, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and audited by Deloitte & Touche LLP are available at the following website page: https://www.cgif-abmi.org/investors/financial-statements/ and are incorporated by reference in this Offering Circular.

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

ROUNDING

In this Offering Circular, 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 Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

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

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

Except as required by law, the Company undertakes no obligation to update or otherwise revise any forward-looking statements contained in this Offering Circular, whether as a result of new information, future events or otherwise after the date of this Offering Circular. All forward-looking statements contained in this Offering Circular 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 Circular 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

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SUMMARY

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

OVERVIEW

The Issuer is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended 31 March 2024. Unlike its peers, the Issuer uniquely focuses on the water supply business. The Issuer 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 Issuer 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 Issuer 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 Issuer also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Issuer 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 Issuer has enjoyed sustainable and rapid growth in water supply capacity and revenue. The Issuer 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 31 March 2012 to 15.4 million tons per day as at 31 March 2024. The total volume of city water sold by the Group increased from 1,294.1 million tonnes for the year ended 31 March 2022 to 1,368.5 million tonnes for the year ended 31 March 2023 and further to 1,401.9 million tonnes for the year ended 31 March 2024, representing a CAGR of 4.1%. In addition to increases in tariffs and increases in volume of water sold, the Issuer has also expanded its capacity, sales volume and revenue through acquisition of new projects. the Issuer 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 at 31 March 2024, the Issuer's water pipeline network reached approximately 149,000 km in length and covered an estimated population of more than 30 million for city water supply. The Issuer had an extensive portfolio of city water supply projects covering 70 districts, counties and county-level cities across 13 provinces and municipalities in China as at 31 March 2024, comprising (i) 60 tap water supply projects with 163 tap water treatment plants in operation; and (ii) eight raw water supply projects in operation. As at 31 March 2024, the Issuer's city water supply business had a total designed installed and planned capacity of 14.1 million tonnes per day, comprising 8.4 million tonnes per day in operation, 1.7 million tonnes per day under construction and 4.0 million tonnes per day under planning. As at 31 March 2024, the Issuer also operated more than 6,900 pipeline direct drinking water supply projects in 306 districts, counties and county-level cities across 24 provinces, municipalities and autonomous regions in China, serving an estimated user population of approximately 8.3 million, of which approximately 2.4 million was within the regions where existing city water supply projects were located. In addition, the Issuer had more than 700 pipeline direct drinking water supply projects under construction as at 31 March 2024.

The water supply industry in China is exclusive in nature. As a result, the Issuer 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 31 March 2024, the coverage of the Issuer's water supply plants included exclusive rights to operate in 70 cities, with more than 7.0 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 at 31 March 2018 to 7.8 million as at 31 March 2024.

The Issuer was incorporated in the Cayman Islands on 26 July 1999 and continued in Bermuda on 9 July 2003 as an exempted company with limited liability. The Issuer is listed on the Hong Kong Stock Exchange (Stock Code: HK0855). For the years ended 31 March 2022, 2023 and 2024, the Group's revenue was HK$12.9 billion, HK$14.2 billion and HK$12.9 billion (US$1.6 billion) respectively, and its profit for the same years was HK$3.0 billion, HK$3.1 billion and HK$2.6 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 and Robust Growth 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

Interim Results for the Six Months ended 30 September 2024

On 29 November 2024, the board of directors of the Issuer announced the unaudited condensed consolidated interim results of the Issuer and its subsidiaries (collectively the "Group") for the six months ended 30 September 2024. The Group experienced a decrease in revenue, gross profit and net profit, respectively, for the six months ended 30 September 2024 compared to the same period in 2023. As a public utility company dedicated to water development, the Group's core business has been performing steadily and generating stable cash flow, demonstrating strong resilience amid the unstable market conditions. The unaudited condensed consolidated interim results of the Group do not form a part of this Offering Circular. Investors are advised not to place undue reliance on such results.

Placing of Exchangeable Bonds

On 8 November 2024, Sharp Profit Investments Limited ("Sharp Profit"), being a wholly-owned subsidiary of the Company and the holder of the exchangeable bonds (the "Exchangeable Bonds") issued by Baring Private Equity Asia V Holding (5) Limited, entered into a placing agreement (the "Placing Agreement") with a placing agent (the "Placing Agent") in relation to the placing (the "Placing") of the Exchangeable Bonds to independent placees (the "Placees") on a best effort basis, at the placing price of approximately HK$86,032,000 for all the Exchangeable Bonds. Pursuant to the Placing Agreement, the Placing Agent shall use its best endeavours (after exercising due care) to ensure that the Placees shall be a third party independent of and not acting in concert (as defined in the Hong Kong Codes on Takeovers and Mergers) with (i) Sharp Profit, the Company or any or its subsidiaries; (ii) Kangda International Environmental Company Limited ("Kangda International"); or (iii) any director, chief executive or substantial shareholder of the Company, Kangda International or any of its subsidiaries or any of their respective associates.

THE OFFERING

The following is a general summary of the terms of the Bonds and the CGIF Guarantee and it is qualified in its entirety by reference to, and should be read in conjunction, with the general summary section entitled "Terms and Conditions of the Bonds" and the Trust Deed. The Trust Deed prevails to the extent of any inconsistency with the general summary set forth in this section. Terms used in this summary and not otherwise defined have the meanings given to such terms in "Terms and Conditions of the Bonds".

Issuer	China Water Affairs Group Limited (中國水務集團有限公司).
Corporation Legal Entity Identifier	529900XTSVH0DH4CEX74.
Guarantor	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank.
Bonds Offered	CNY1,000,000,000 in aggregate principal amount of 3.45 per cent. Guaranteed Blue Bonds due 2030.
Guarantee of the Bonds	Payment of all sums from time to time payable by the Issuer in respect of the Bonds will be irrevocably and unconditionally guaranteed by the Guarantor to the extent of, and in accordance with and subject to, the terms of the CGIF Guarantee.
Issue Framework	The Bonds are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework ("**AMBIF**"). AMBIF is a policy initiative under the Asian Bond Markets Initiative ("**ABMI**") that seeks to facilitate intra-regional bond and note issuances by streamlining market practices, documentation and disclosure information requirements common among ASEAN+3 domestic bond markets. Through the AMBIF, issuers are able to expand into ASEAN+3 markets outside their country of domicile, and investors are able to actively participate in the region's various investment opportunities.
Issue Date	27 January 2025.
Issue Price	100.0%.
Maturity Date	27 January 2030.

Interest	The Bonds will bear interest on their outstanding principal amount from time to time (as determined in accordance with Condition 8 *(Redemption and Purchase)*) from (and including) the Issue Date at the rate of 3.45 per cent. per annum, payable semi-annually in arrear.
Interest Payment Dates	27 January and 27 July of each year, commencing 27 July 2025.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4 *(Negative Pledge)* of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.
Status of the CGIF Guarantee	The payment obligations of the Issuer under the Bonds and the Trust Deed will be unconditionally and irrevocably guaranteed by the Guarantor to the extent of, and in accordance with and subject to, the terms of the CGIF Guarantee. Such obligations of the Guarantor under the CGIF Guarantee will be direct, unconditional and general obligations of the Guarantor and will rank *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law. The CGIF Guarantee will not cover (i) any relevant amounts of principal or accrued but unpaid interest on the Bonds that may become payable by the Issuer on the exercise by it of an early redemption option, including as a result of the Issuer's early redemption for tax reasons (Condition 8(b) *(Redemption for tax reasons)*) and the Issuer's early redemption at its option (Condition 8(d) *(Redemption at the Option of the Issuer)*) or (ii) any amounts that become payable by the Issuer or any of its subsidiaries as a result of the Issuer's or any of its subsidiaries' purchasing of the bonds pursuant to Condition 8(e) *(Purchase)*. The Issuer, in exercising its rights for redemption for tax reasons or at its option, is required to, not less than one Business Day (as defined in the Terms and Conditions of the Bonds) prior to the publication of any notice of redemption in relation to redemption for tax reasons under Condition 8(b) *(Redemption for tax reasons)* or redemption at the Issuer's option under 8(d) *(Redemption at the Option of the Issuer)*, transfer to a Renminbi account maintained by the CMU Lodging and Paying Agent for the benefit of the Bondholders an amount in Renminbi in immediately available cleared funds sufficient to redeem the Bonds at their principal amount together with any interest accrued but unpaid to the relevant date fixed for redemption.

Limitation on the Guarantor's Liabilities	Notwithstanding any other provisions of the CGIF Guarantee, the Trust Deed and the Agency Agreement, the Terms and Conditions of the Bonds or any other document related to the issuance of the Bonds, the recourse of the Bondholders and Trustee on its behalf against CGIF under the CGIF Guarantee and any other documents related to the Bonds is limited solely to the CGIF Assets (as defined in the Terms and Conditions of the Bonds) and the Trustee and the Bondholders have no recourse to any assets of Asian Development Bank or any other contributors to CGIF. Any obligation under the CGIF Guarantee of CGIF does not constitute an obligation of Asian Development Bank or any other contributors to CGIF. For further information on the terms of the CGIF Guarantee, see "*The CGIF Guarantee*" and *Appendix A: Form of CGIF Guarantee*.
Use of Proceeds	The gross proceeds, before 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 Circular.
Blue Bonds	The Bonds are being issued as "Blue Bonds" under the Issuer's Green & Blue Finance Framework. See the section entitled "*Bonds Being Issued as Blue Bonds.*"
Negative Pledge	The Terms and Conditions of the Bonds will contain a negative pledge provision as further described in Condition 4 *(Negative Pledge)* of the Terms and Conditions of the Bonds.

NDRC Post-issue Filing	The Issuer undertakes that it will, within the prescribed time period after the Issue Date prescribed by the NDRC (as defined below) or under the relevant laws and regulations, file or cause to be filed with the National Development and Reform Commission of the PRC or its successor (the "**NDRC**") the requisite information and documents in accordance with the Order 56 in respect of the Bonds and 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).
Redemption at Maturity	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date (as defined in the Terms and Conditions of the Bonds), subject as provided in Condition 9 (Payments) of the Terms and Conditions of the Bonds.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 *(Notices)* of the Terms and Conditions of the Bonds and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable) at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption, in the event of certain tax changes if, immediately before giving such notice, the Issuer satisfies certain conditions as described in Condition 8(b) *(Redemption and Purchase – Redemption for tax reasons)* of the Terms and Conditions of the Bonds.

Redemption in the event of a CGIF Acceleration	At any time following the occurrence of a CGIF Acceleration (as defined in the Terms and Conditions of the Bonds), the Guarantor may at its discretion, on giving not less than seven (7) nor more than fifteen (15) days' notice to the Issuer, the Trustee and the CMU Lodging and Paying Agent, require the Issuer to redeem the Bonds in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption, and immediately upon receipt of such notice, the Issuer shall, or if the Issuer fails to do so the Guarantor may, give notice of the redemption of the Bonds to the Bondholders in accordance with Condition 19 *(Notices)* of the Terms and Conditions of the Bonds and to the Trustee and the Agents in writing (which notice shall be irrevocable). See Condition 8(c) *(Redemption and Purchase – Redemption in the event of a CGIF Acceleration)* of the Terms and Conditions of the Bonds.
Redemption at the option of the Issuer	On or after 27 December 2029 (being the date that falls one month prior to the Maturity Date), the Issuer may, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 *(Notices)* and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable), redeem the Bonds, in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption. See Condition 8(d) *(Redemption and Purchase – Redemption at the Option of the Issuer)* of the Terms and Conditions of the Bonds.
Events of Default	The Terms and Conditions of the Bonds will contain certain events of default provisions as further described in Condition 12 *(Events of Default)* of the Terms and Conditions of the Bonds.
Selling Restrictions	The Bonds and the CGIF Guarantee will not be registered under the Securities Act or under any state securities laws of the United States or of any other jurisdiction. See *"Subscription and Sale"*.
Form and Denomination of the Bonds	The Bonds will be issued in registered form and in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof.

Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for any one or more of the first payment of interest, the issue date, the timing for the NDRC Post-issue Filing and, to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds, as further described in Condition 18 *(Further Issues)* of "Terms and Conditions of the Bonds".
Clearing System	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the CMU. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by the CMU. For persons seeking to hold a beneficial interest in the Bonds through Euroclear and Clearstream, such persons will hold their interest through an account opened and held by Euroclear or Clearstream with the CMU. Except in the limited circumstances described in the Global Certificate, individual certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Clearing and Settlement	The CMU. For a description of certain factors relating to clearance and settlement, see *"Clearing and Settlement"*.
Trustee	Citicorp International Limited.
CMU Lodging and Paying Agent, Registrar and Transfer Agent	Citicorp International Limited.
CMU Instrument Number	CILHFB25015
ISIN Code	HK0001102349
Common Code	298611384

Listing..	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. Approval in-principle granted by the SGX-ST for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive certificates. In addition, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive certificates or, as the case may be, certificates, including details of the paying agent in Singapore.
Governing Law	The Bonds, the CGIF Guarantee, the Trust Deed, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith will be governed by, and will be construed in accordance with English law and any disputes arising thereunder, other than a Bondholder Dispute (as defined in the Terms and Conditions of the Bonds), are subject to arbitration administered by the Hong Kong International Arbitration Centre in accordance with the HKIAC Administrated Arbitration Rules in force when the Notice of Arbitration is submitted.
Ratings...	The Bonds are expected to be rated AA by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. No guarantee is made that such ratings will not be adversely revised or withdrawn either before or after delivery of the Bonds. See *"Risk Factors – Risk Relating to the Bonds"*.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see *"Risk Factors"*.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents the Issuer's summary financial information. The summary consolidated income statement data for the fiscal years ended 31 March 2022, 2023 and 2024 and the summary consolidated statement of financial position data as at 31 March 2022, 2023 and 2024 set forth below have been derived from the Issuer's consolidated financial statements for such fiscal years and as at such dates, as audited by PricewaterhouseCoopers, Certified Public Accountants, and included elsewhere in this Offering Circular. The summary financial data below should be read in conjunction with the Issuer's consolidated financial statements and the notes to those statements included elsewhere in this Offering Circular.

SUMMARY CONSOLIDATED INCOME STATEMENT

	For the year ended 31 March			
	2022	**2023**	**2024**	
	HK$'000	**HK$'000**	**HK$'000**	**US$'000**
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Revenue	**12,949,828**	**14,194,953**	**12,858,515**	**1,643,072**
Cost of sales	(7,987,628)	(8,848,656)	(8,082,551)	(1,032,795)
Gross profit	**4,962,200**	**5,346,297**	**4,775,964**	**610,277**
Other income, net	358,564	427,090	372,709	47,625
Selling and distribution costs	(290,403)	(282,940)	(265,942)	(33,982)
Administrative expenses	(881,058)	(955,695)	(822,560)	(105,107)
Expected credit loss on trade receivables	–	(45,024)	(10,000)	(1,278)
Operating profit	**4,149,303**	**4,489,728**	**4,050,171**	**517,534**
Finance costs	(468,076)	(633,225)	(724,654)	(92,597)
Share of results of associates	234,995	162,792	44,141	5,640
Profit before income tax	**3,916,222**	**4,019,295**	**3,369,658**	**430,578**
Income tax expense	(939,093)	(930,950)	(778,301)	(99,452)
Profit for the year	**2,977,129**	**3,088,345**	**2,591,357**	**331,126**
Profit for the year attributable to:				
Owners of the Issuer	1,893,573	1,856,786	1,533,543	195,957
Non-controlling interests	1,083,556	1,231,559	1,057,814	135,168
Other comprehensive income/(loss) for the year, net of tax	1,238,571	(1,708,226)	(1,734,914)	(221,689)
Total comprehensive income for the year	**4,215,700**	**1,380,119**	**856,443**	**109,437**

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March			
	2022	2023	2024	
	HK$'000	HK$'000	HK$'000	US$'000
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Non-Current Assets				
Property, plant and equipment	3,372,755	3,338,119	3,422,496	437,329
Right-of-use assets	1,366,709	1,302,999	1,388,089	177,371
Investment properties	1,398,863	1,362,198	1,306,249	166,914
Investment in associates	2,743,534	2,402,532	2,151,263	274,890
Financial assets at fair value through other comprehensive income	396,688	461,445	345,320	44,125
Goodwill	1,476,185	1,419,442	1,371,118	175,203
Other intangible assets	26,503,555	29,122,981	31,847,158	4,069,456
Prepayments, deposits and other receivables	806,617	721,660	686,960	87,780
Contract assets	1,305,719	1,358,496	1,798,014	229,752
Receivables under service concession arrangements	1,194,902	1,788,146	2,049,741	261,918
	40,565,527	**43,278,018**	**46,366,408**	**5,924,738**
Current Assets				
Properties under development	2,066,096	1,235,634	1,199,731	153,303
Properties held for sale	675,926	1,133,738	1,049,150	134,061
Inventories	831,658	650,353	667,498	85,293
Contract assets	879,691	1,481,535	2,220,961	283,796
Receivables under service concession arrangements	80,180	122,833	120,796	15,435
Trade and bills receivables	1,561,650	1,954,038	2,135,973	272,936
Financial assets at fair value through profit or loss(1)	1,149,409	653,320	491,668	62,826
Amounts due from non-controlling equity holders of subsidiaries	203,054	248,585	214,792	27,446
Amount due from associates	137,699	271,744	394,240	50,376
Prepayments, deposits and other receivables	2,384,381	2,635,409	2,830,658	361,704
Pledged deposits	506,350	514,260	745,396	95,247
Cash and cash equivalents	6,022,821	6,984,821	4,804,799	613,961
	16,498,915	**17,886,270**	**16,875,662**	**2,156,386**

(1) Includes wealth management products and structured deposits issued by licensed banks of HK$908.5 million, HK$470.9 million and HK$402.2 million (US$51.4 million) as at 31 March 2022, 2023 and 2024.

	As at 31 March			
	2022	2023	2024	
	HK$'000	HK$'000	HK$'000	US$'000
	(audited)	*(audited)*	*(audited)*	*(unaudited)*
Current Liabilities				
Lease liabilities	36,805	37,978	38,613	4,934
Contract liabilities	1,231,997	1,401,864	1,069,563	136,670
Trade and bills payables	4,673,899	5,403,857	6,849,362	875,217
Accrued liabilities, deposits received and other payables	2,675,905	3,131,649	2,685,314	343,132
Amounts due to associates	50,190	34,843	21,764	2,781
Borrowings	7,692,095	8,020,540	6,971,524	890,827
Amounts due to non-controlling equity holders of subsidiaries	290,230	120,523	126,857	16,210
Provision for tax	2,597,264	3,027,151	2,984,412	381,351
	19,248,385	**21,178,405**	**20,747,409**	**2,651,121**
Net current liabilities	**(2,749,470)**	**(3,292,135)**	**(3,871,747)**	**(494,735)**
Total assets less current liabilities	**37,816,057**	**39,985,883**	**42,494,661**	**5,430,003**
Non-Current Liabilities				
Borrowings	14,171,416	15,607,292	17,878,737	2,284,560
Lease liabilities	338,095	343,121	332,314	42,463
Contract liabilities	328,489	317,692	254,574	32,530
Amounts due to non-controlling equity holders of subsidiaries	958,665	1,078,213	818,436	104,580
Deferred government grants	222,246	197,354	190,700	24,368
Deferred tax liabilities	1,314,402	1,270,077	1,567,358	200,278
	17,333,313	**18,813,749**	**21,042,119**	**2,688,779**
Net assets	**20,482,744**	**21,172,134**	**21,452,542**	**2,741,224**
EQUITY				
Equity attributable to owners of the Issuer				
Share capital	16,323	16,323	16,323	2,086
Reserves	12,952,889	12,976,831	12,770,470	1,631,821
	12,969,212	12,993,154	12,786,793	1,633,907
Non-controlling interests	7,513,532	8,178,980	8,665,749	1,107,317
Total Equity	**20,482,744**	**21,172,134**	**21,452,542**	**2,741,224**

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 Bonds, will be CNY1,000 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 Circular, 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 Bonds. 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 Bonds. 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 Bonds are described below. Factors described below represent the principal risks inherent in investing in the Bonds, 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 Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS AND INDUSTRY

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

The Issuer 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 Issuer'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 Issuer cannot assure you that such spending plan will indeed be executed, nor could the Issuer 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 Issuer'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 Issuer'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 Issuer to adopt new technologies or to improve its existing technologies. The Issuer may need to incur additional cost or direct more human or other resources to meet the applicable national standards.

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

The Issuer'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 Issuer 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 Issuer'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 Issuer'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 Issuer 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 Issuer incurs significantly higher operating costs and the relevant local government authorities do not approve its price adjustment application, the Issuer will not be able to pass on the increase in cost to the end-users and the Issuer 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 Issuer'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 Issuer expected.

The Issuer 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 Issuer further expanded its pipeline direct drinking water business in 2021 through various acquisitions. The pipeline direct drinking water business experienced rapid growth and development in the past. Revenue from pipeline direct drinking water business increased from HK$693.7 million for the year ended 31 March 2022 to HK$1,310.1 million for the year ended 31 March 2022 and further to HK$1,721.9 million for the year ended 31 March 2024, at a CAGR of 57.6%. The revenue contribution from pipeline direct drinking water business amounted to approximately 5.4%, 9.2% and 13.4% for the years ended 31 March 2022, 2023 and 2024, 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 Issuer'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 Issuer expected. The Issuer 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 Issuer's historical results of operations and financial performance may not be indicative of its future performance, and the Issuer cannot assure you that its pipeline direct drinking water supply business will be able to maintain the growth rate it achieved in the past. The Issuer 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 Issuer 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 Issuer'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 Issuer'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 Issuer'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 Issuer's actual revenue and costs to deviate significantly from initial projections. The construction and operation of projects, including any new project that the Issuer 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 Issuer'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 Issuer's constructed facilities due to disputes with the Issuer with respect to the quality of the constructed facilities;

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

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

- governmental or other statutory approvals or other approvals that are required for construction, expansion or operation of the Issuer'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 Issuer'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 Issuer's control; and

- other unanticipated circumstances or cost increases.

If the Issuer 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 Issuer'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 Issuer is subject to risks of unknown or undiscovered defects or compatibility problems with its equipment. The Issuer 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 Issuer'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 Issuer to governmental sanctions and/or customer complaints, and could lead to fines, suspension of operations pending rectification as well as damage to the Issuer's reputation.

Pollution may have adverse effects on the Issuer'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 Issuer 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 Issuer's control. Any excessive pollution levels of the raw water coming into the Issuer'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 Issuer's agreements.

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

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

The operation of the Issuer's water supply and environment protection businesses requires it to incur significant capital expenditures with long payback periods. For the years ended 31 March 2022, 2023 and 2024, the Issuer made payments of HK$4,142.8 million, HK$4,630.5 million and HK$5,297.8 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 Issuer 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 Issuer may not be able to secure adequate funding or refinancing for these projects on terms that are acceptable to the Issuer 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 at 31 March 2022, 2023 and 2024, were HK$21.9 billion, HK$23.6 billion and HK$24.9 billion (US$3.2 billion), respectively and the gearing ratio the Group was 64.1%, 65.4% and 66.1%, respectively.

The Issuer'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 Issuer 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 Issuer's projects may delay the implementation of projects, expose the Issuer 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 Issuer may not be able to acquire, secure, develop and execute new projects to grow its business.

The Issuer derives a substantial portion of its revenue from city water supply projects and pipeline direct drinking water supply projects. For the years ended 31 March 2022, 2023 and 2024, the revenue from city water supply projects, including city water supply operations and construction services, accounted for approximately 71.9%, 61.5% and 64.4% 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 5.4%, 9.2% and 13.4% of total revenue for the same periods. The Issuer'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 Issuer'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 Issuer's target markets, including the development of local economies and local population growth and the resulting demand for water supply services;
- the Issuer's ability to identify feasible and attractive projects and successfully win bids or competitive negotiations or complete commercial negotiations for such projects;
- the Issuer'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 Issuer may have limited knowledge of the local conditions of the new markets it enters. The Issuer cannot assure you that it will be able to successfully leverage its experience to expand into other parts of China or overseas. If the Issuer 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 Issuer 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 Issuer's water supply construction services and sewage treatment construction services, the Issuer's customers include agencies or entities owned or otherwise controlled by the PRC government. To the extent that the Issuer'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 Issuer 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 Issuer from these entities and organizations may be delayed. In some circumstances, PRC governmental entities and public organizations may require the Issuer to change construction methods, equipment or other performance terms, direct the Issuer 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 Issuer to incur additional costs.

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

The Issuer's future success will largely depend on its ability to expand geographic footprint. Expansion may place substantial strain on the Issuer's managerial, operational, human and financial resources. The Issuer's personnel, systems, procedures and controls may not be adequate to support future growth. When the Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer'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 Issuer's judgments and assumptions in applying these accounting standards may have material impacts on the Group's results of operation and financial position.

The Issuer 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 Issuer's revenue, expenses as well as assets that could have material impacts on the Issuer's results of operations and financial position. In addition, in the application of these accounting standards, the Issuer 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 Issuer 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 Issuer may change these estimates and assumptions that would materially affect the Group's results of operation and financial position.

The Issuer 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 Issuer 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 Issuer typically does not receive payments during the construction of infrastructure for these projects. The Issuer 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 Issuer 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 Issuer's intangible assets. The recoverability of the Issuer'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 Issuer's intangible assets and adversely affect the Group's results of operations and financial position.

The Issuer'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 Issuer 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 Issuer'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 Issuer's estimates and if the Issuer 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 Issuer 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 Issuer's projects are located and the utilization rates of water treatment facilities. However, the Issuer 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 Issuer's estimates due to factors beyond its control such as population growth rate and water consumption habit of the citizens.

Moreover, the Issuer's city water supply projects are subject to operational risks given their long contract terms. The Issuer is generally responsible for all repairs and maintenance of the water treatment and supply facilities. However, if the Issuer'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 Issuer's customers may make claims against the Issuer and/or terminate services in whole or in part prematurely should the Issuer breach the terms of agreements with such customers or fail to implement projects which fully satisfy their requirements and expectations.

The Issuer 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 Issuer's customers, or the delivery by the Issuer 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 Issuer'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 Issuer could experience delays in the recognition of revenue from such projects and it may not receive payments from relevant customers. In addition, the Issuer'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 Issuer is subject to risks associated with technological changes.

There are rapid changes and improvements in the technology and equipment for water supply. The Issuer'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 Issuer 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 Issuer 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 Issuer may be adversely affected by fluctuations in the global economy and financial markets.

The Issuer'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 Issuer'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 6 August 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 between the U.S. and the PRC remains unclear, and the lasting impact the trade tension may have on China's economy and the industries in which the Issuer or its portfolio companies operate remains uncertain. Meanwhile, the United States has imposed various sanctions and restrictions on certain Chinese entities, including adding certain Chinese technology companies to the U.S. Department of Commerce's trade restriction list and limiting other countries from exporting high technology products and materials to China. The United Kingdom ceased to be a member of the European Union on 31 January 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 Issuer'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 Issuer operates has led to a decrease in sales volume of water. At the same time, awareness of water conservation may gradually affect the Issuer's sales volume. The Issuer 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 Issuer 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 Issuer could be reduced or discontinued.

The Issuer 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 31 March 2022, 2023 and 2024, the Issuer recorded government grants of approximately HK$191.4 million, HK$222.9 million and HK$193.4 million, respectively. However, the Issuer 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 Issuer 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 Issuer's subsidiaries were entitled to a preferential EIT rate ranging from 5% to 15%. For the years ended 31 March 2022, 2023 and 2024, the Issuer's effective tax rates, calculated as income tax expenses divided by profit before income tax, were approximately 24.0%, 23.2% and 23.1%, respectively. The Issuer's effective tax rates may change from year to year due to the existence or expiration of any preferential tax treatment.

The Issuer 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 Issuer in a timely manner, or at all. The termination or expiration of the Issuer's preferential tax treatments or the imposition of additional taxes on the Issuer 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 Issuer's operations and growth plan.

The Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 at the date of this Offering Circular, certain of the Issuer'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 Issuer cannot assure you that the PRC laws and regulations in relation to concession agreements will not change and the Issuer's right to operate a tap water supply project without a concession agreement will not be deemed invalid or the Issuer'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 Issuer had obtained such right without entering into a concession agreement or that no penalties will be imposed on the Issuer. Furthermore, the Issuer 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 Issuer'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 Issuer do not possess valid land use rights and building ownership certificates to certain properties.

As at the date of this Offering Circular, the Issuer 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 Issuer 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 Issuer's concession arrangements, the Issuer 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 Issuer relevant title certificates with respect to some of the Issuer's leased properties in the PRC and the Issuer's certain lease agreements were not registered with the relevant government authorities.

As at the date of this Offering Circular, some of the Issuer's landlords failed to provide valid title certificates with respect to some of the Issuer's leased properties in the PRC mainly for office and research and development purposes. If the Issuer's landlords are not the owner or not authorized by the real owner to lease the properties to the Issuer, the Issuer might need to seek alternative properties and incur additional costs. Furthermore, the Issuer may become involved in disputes or claims with the property owners or third parties who otherwise have rights to or interests in the Issuer's leased properties, including allegations of illegal or unauthorized use of these properties. If any of the Issuer'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 Issuer may need to seek alternatives premises and incur additional costs for relocation.

As at the date of this Offering Circular, some of the lease agreements entered into by the Issuer were not registered with the relevant government authorities. The Issuer 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 Issuer 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 Issuer'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 Issuer may incur additional costs to provide emergency reinforcement of water supply in areas of shortages. Moreover, if any of the Issuer'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 Issuer may need to seek alternative suppliers or sub-contractors. The Issuer 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 Issuer's water supply facilities also depends on the adequate, timely and continuous supply of electricity. The Issuer 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 Issuer operates, its ability to adequately treat incoming raw water could be materially and adversely affected.

In addition, the Issuer'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 Issuer's water supply construction services and installation and maintenance services. If for any reason the Issuer's primary suppliers of equipment or raw materials reduce or discontinue their delivery of such equipment or materials to the Issuer in the quantities it needs or provides the Issuer with equipment or raw materials that do not meet the Issuer's specifications or are on unacceptable terms, the Issuer 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 Issuer depends in part on the availability of qualified design institutes and independent sub-contractors for the design, construction, installation and testing of the Issuer's water supply facilities and other city water-related services for customers. The Issuer does not have any direct control over the timing or quality of services or supplies provided by these institutes and sub-contractors. The Issuer cannot assure you that such skilled institutes and sub-contractors will continue to be available at reasonable rates, or at all, and the Issuer 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 Issuer is unable to find qualified design institutes and independent contractors to undertake the design and construction work for the Issuer'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 Issuer's city water supply facilities are subject to normal wear and tear in the course of construction and operation. As a result, the Issuer's facilities may require extended downtime for repairs and maintenance. If the time and cost required for such repairs and maintenance exceeds the Issuer'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 Issuer'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 Issuer'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 Issuer's concession arrangements. Any significant downtime of the Issuer's facilities may also have far-reaching consequences to the communities and industries around them, which in turn, could cause the Issuer's customers to terminate their agreements with the Issuer or subject the Issuer to claims for damages.

In addition, each of the Issuer'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 31 March 2022, 2023 and 2024, the average utilization rate of the raw water supply facilities for the Issuer's raw water supply projects was 67.5%, 68.1% and 68.8%, respectively, and the average utilization rate of the Issuer's operating tap water treatment plants was 64.4%, 66.1% and 66.8%, respectively. The utilization rates of the Issuer'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 Issuer'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 Issuer 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 Issuer's services could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

The Issuer'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 Issuer'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 Issuer 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 Issuer's existing business; (iv) higher costs of integration than the Issuer 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 Issuer's management's time and attention from other business concerns.

The Issuer 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 Issuer is able to successfully acquire suitable businesses, the Issuer cannot assure you that it will achieve expected returns on such acquisitions. If the Issuer fails to acquire suitable businesses or if the Issuer 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 Issuer'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 Issuer 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 Issuer cannot assure you that it will be able to compete successfully with its competitors in existing markets.

In addition, when the Issuer 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 Issuer 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 Issuer 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 Issuer is subject to the credit risks of its customers and the Issuer's profitability and cash flow are dependent on timely payments by customers for the products and services the Issuer provides to them. In general, the Issuer specifies a credit period of 30 days to customers of its city water supply operations. As at 31 March 2022, 2023 and 2024, HK$684.2 million, HK$881.3 million and HK$1,043.1 million of the Issuer's trade and bill receivables were aged over 90 days but not impaired, respectively.

The Issuer 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 Issuer's customers face unexpected situations, including but not limited to, financial difficulties caused by any economic downturn or fiscal constraints, the Issuer may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers and the Issuer 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 Issuer's customers for other construction services and installation and maintenance services may not have sufficient funds to settle the Issuer's fees.

For the years ended 31 March 2022, 2023 and 2024, the Issuer's trade and bill receivables aged over 180 days were HK$533.9 million, HK$709.8 million and HK$767.9 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 Issuer 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 Issuer 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 Issuer 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 Issuer relied on bank borrowings to finance the acquisition and construction of water supply projects. The Issuer 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 Issuer's loan agreements, it is subject to the fulfillment of covenants relating to certain of the Issuer's financial performance indicator. In addition, the Issuer 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 Issuer's ability to repay loans or affect banks' interests. The Issuer'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 Issuer fail to comply with these provisions, the Issuer'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 Issuer 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 Issuer engages in such activities and fail to obtain such consent, its business may be impeded. In addition, if the Issuer breaches the restrictive covenants, make any misrepresentations or commit any other violation under its financing agreements or relevant notes instruments, the Issuer 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 Issuer recorded net current liabilities as at 31 March 2022, 2023 and 2024 and the Issuer cannot assure you that it will not be in a net current liabilities position in the future.

The Issuer recorded net current liabilities of approximately HK$2,749.5 million, HK$3,292.1 million and HK$3,871.7 million as at 31 March 2022, 2023 and 2024, respectively, mainly due to certain long-term bank loans incurred by the Issuer that were due in one year and the capital expenditure of the Issuer which was classified as non-current assets. In the past, the Issuer 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 Issuer will not record net current liabilities or net liabilities in the future. The Issuer 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 Issuer's finance costs and compromise the Issuer's profitability.

The Issuer is required to make substantial capital investments during the initial phases of its water supply projects and the Issuer 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 31 March 2022, 2023 and 2024, the Issuer's net finance costs were HK$468.1 million, HK$633.2 million and HK$724.7 million, respectively. The Issuer expects to continue to utilize bank loans to finance a portion of its investments in water supply projects. As the Issuer'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 Issuer may not be able to secure bank loans at the existing interest level if there is any raise in the benchmark interest rates. The Issuer 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 Issuer's finance costs and thereby materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Issuer 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 Issuer 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 Issuer'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 Issuer may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated sites. The Issuer 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 Issuer's activities. In the course of the Issuer'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 Issuer 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 Issuer may fail to adequately protect its intellectual property rights or could face claims for infringement of the intellectual property rights of others.

The Issuer relies on patents and trademarks to protect its proprietary rights. As at the date of this Offering Circular, the Issuer had more than 130 registered patents, 45 registered trademarks, 30 software copyrights and 30 registered domain names in China. Monitoring unauthorized use of the Issuer's intellectual property is difficult, and the Issuer cannot be certain that the steps it has taken will prevent unauthorized use of its technologies. The Issuer has only entered into confidentiality agreements with its senior management and key staff to protect intellectual property rights. If the Issuer 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 Issuer's intellectual property rights. Any claims or litigation that the Issuer 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 Issuer's technologies and techniques could weaken its competitive position, increase its operating costs and have an adverse effect on its operations.

Moreover, as the Issuer expands business and increase geographical coverage, any third parties may assert that the Issuer's technologies or techniques infringe upon their intellectual property rights. The Issuer 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 Issuer'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 Issuer is exposed to default risk by its subcontractors under the relevant subcontracts.

Depends on the availability of the Issuer's construction subsidiaries, the Issuer sometimes subcontracts third party contractors primarily to conduct construction work of city water supply projects and pipeline direct drinking water supply projects. While the Issuer 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 Issuer's subcontractors defaults under the relevant subcontract, the Issuer 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 Issuer's business.

It is important to have a good working relationship with the Issuer's employees. Any material work stoppages, strikes or other labor issues may harm the Issuer'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 Issuer may be subject to legal proceedings in the ordinary course of business.

The Issuer 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 Issuer will be successful in defending itself in legal and administrative actions or in asserting its rights under various laws. Even if the Issuer 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 Issuer 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 Issuer's variety of accepted payment methods subjects it to third-party payment processing-related risk.

The Issuer 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 Issuer generally engages payment gateway companies to process transactions between it and customers. The Issuer'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 Issuer pays interchange and other fees, which may increase over time and raise its operating costs and affect its profitability. The Issuer may also be subject to fraud and other illegal activities in connection with the various payment methods it offers, including online payment options. The Issuer 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 Issuer to comply with. If the Issuer fails to comply with these rules or requirements, it may be subject to fines and higher transaction fees and impair the Issuer'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 Issuer, 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 Issuer'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 Issuer's industries in general or the Issuer in particular, including on the quality, reliability of the Issuer's products or services, even if groundless, could adversely affect the Issuer's reputation and the trust and confidence customers, local governments and other business partners have in it. Damage to the Issuer'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 Issuer 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 Issuer's suppliers or third-party service providers could also affect the Issuer's business and operations. The Issuer'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 Issuer'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 Issuer'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 Issuer is monitoring this development and will assess its potential impact, however there is no assurance that the Issuer 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 Issuer's reputation as well as its business and prospects.

Moreover, the Issuer 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 Issuer's personnel, changes in senior personnel, complaints, and outcome of regulatory investigations or penalties on the Issuer may harm its reputation. Any damage to the Issuer's reputation may have a material adverse impact on the Group's business, results of operations, financial condition and prospects. The Issuer 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 Issuer 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 Issuer's insurance coverage may not adequately cover the risks related to its business and operations.

The Issuer 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 Issuer believes that the type and amount of insurance are in line with the industry norm. As at the date of this Offering Circular, no material workers' compensation claims, third party liability claims, accident compensation claims or other kinds of claims had been filed against the Issuer. However, the Issuer cannot assure you that such claims will not be brought against it in the future. The Issuer cannot assure you that its insurance policies will be sufficient to cover all risks associated with its business and operations. The Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer is required to comply with applicable anti-money laundering, antiterrorism laws and regulations or sanction laws. These laws and regulations require the Issuer to establish sound internal control policies and procedures with respect to anti-money laundering monitoring, reporting and other obligations. In the event that the Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer takes to prevent and detect such activities may not be effective.

The Issuer's risk management and internal controls also depend on the effective implementation by its employees. However, the Issuer 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 Issuer is likely to offer products and services covering a broader area in the future, it will require the Issuer to continue to enhance its risk management and internal control capabilities. If the Issuer 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 Issuer's personnel could harm its reputation and business.

Misconduct of the Issuer's personnel could result in violation of laws by the Issuer, regulatory sanctions against the Issuer, 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 Issuer's internal control procedures. The Issuer 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 Issuer 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 Issuer is dependent on the experience and efforts of its key management team and qualified personnel.

The extensive industry knowledge and operational expertise of the Issuer's management team have contributed to its results-driven culture which emphasizes quality, efficiency and market responsiveness. The Issuer'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 Issuer's operations and as a result, the Group's revenue and profit.

Due to the specialized nature of the Issuer's work, there is a limited supply of adequately qualified technical specialists, including engineers and researchers. The Issuer'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 Issuer 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 in China or elsewhere, 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 in China or 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 in China or globally.

For example, as a result of the outbreak of the COVID-19 pandemic in China in early 2020 and the resurgence of the COVID-19 in 2022, most of the cities in China, including but not limited to Hubei Province, Hunan Province and Guangdong Province, where some of the Issuer's city water supply projects are located, imposed various control measures which resulted in the temporary restrictions on business activities. In addition, if the Issuer's employees are affected by infectious or contagious diseases such as the COVID-19, it may be required to institute measures to prevent the spread of the disease. The spread of any infectious or contagious diseases may also affect the operations of the Issuer's suppliers and subcontractors, which in turn may affect the Issuer's business and operations. The Issuer cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC government or other countries in response to such disasters and epidemics, will not seriously disrupt the Issuer'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, China experienced various natural disasters, including earthquakes, floods, landslides and droughts in the past, resulting in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters may severely restrict the level of economic activity in affected areas and materially and adversely affect or disrupt the Group's operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

Given that the Issuer'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 adversely 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 limit 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 Issuer receives substantially all its revenue in Renminbi. Under the Issuer'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 Issuer'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 Issuer'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 10 February 2023. The restrictions on foreign exchange transactions under capital accounts could also affect the Issuer'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 Issuer's business.

The Issuer conducts substantially all its business in Renminbi. However, the presentation currency of the Issuer'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 Issuer recognized foreign exchange differences arising from translation from functional currency to presentation currency. Under the Issuer's consolidated statements of comprehensive income, it recognized currency translation gains of HK$1,255.4 million for the year ended 31 March 2022, respectively, and currency translation losses of HK$1,683.7 million and HK$1,617.9 million for the years ended 31 March 2023 and 2024. These gains and losses were primarily due to the resulting exchange differences arising from translating the results of the Issuer's operating entities in the PRC from their functional currency, into the Issuer's presentation currency, which significantly affected the Issuer'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 Issuer's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to the Issuer 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 Issuer, 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 Issuer 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 Issuer's PRC subsidiaries, the Issuer may make loans to its PRC subsidiaries, or the Issuer may make additional capital contributions to its PRC subsidiaries. Any loans provided by the Issuer to its PRC subsidiaries are subject to the PRC regulations. For example, loans by the Issuer to its PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. The Issuer 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 Issuer 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 Issuer 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 Issuer conducts all of its business through its subsidiaries incorporated in the PRC. As a holding company, the Issuer 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 Bonds, and to pay its operating expenses. The ability of the Issuer'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 Issuer 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 Bonds. These restrictions could reduce the amounts that the Issuer receives from its subsidiaries, which would restrict its ability to meet its payment obligations under the Bonds.

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 Issuer'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 Issuer 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 Issuer'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稅和防止偷漏稅的安排) (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 Issuer's PRC subsidiaries to meet payments required by the Bonds, and there could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

Furthermore, the Issuer 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 Issuer's subsidiaries, therefore, are likely to be lower than the interest rate for the Bonds. The Issuer'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 Issuer'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 Issuer's PRC subsidiaries to transfer funds to it could be limited, which could materially and adversely limit the Issuer's ability to grow, make investments, conduct business and satisfy its obligations under the Bonds.

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

The Issuer was incorporated in Cayman Islands. The Issuer 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稅法》), 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 22 April 2009 (which was amended on 29 December 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 Issuer 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 Issuer's PRC operating subsidiaries to it would meet such qualification requirements if the Issuer were considered a PRC resident enterprise for this purpose. If the Issuer'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 Issuer 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 3 February 2018, which came into effect on 1 April 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 Issuer's PRC operating subsidiaries paid to it through its Hong Kong subsidiary. It is possible, however, that under Circular 9, the Issuer'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 Issuer's directors or executive officers who reside in the PRC or to enforce against the Issuer or them in the PRC any judgements obtained from non-PRC courts.

Certain of the Issuer's directors and senior management members reside in the PRC and substantially all of the assets of those people and the Issuer 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 Issuer 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 Circular relating to the PRC economy may be inaccurate.

Some of the facts and statistics in this Offering Circular 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 Issuer believes to be reliable. However, the Issuer cannot guarantee the quality or reliability of such source materials. Such facts and statistics have not been independently verified by the Issuer, 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 Circular 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 BONDS

The Bonds will be unsecured obligations.

The Bonds will constitute direct, unsubordinated, unconditional, and (subject to *"Terms and Conditions of the Bonds – Negative Pledge"*) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times will rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future. The repayment of the Bonds may be compromised if:

- the Group enters into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- there is a default in payment under the Group's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Group's indebtedness.

If any of the above events occurs, the Issuer's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds may not be a suitable investment for all investors.

The Bonds 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 Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular 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 Bonds 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 Issuer and the Guarantor;

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

- understand thoroughly the terms of the Bonds 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 Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds 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 Bonds are legal investments for it; (ii) the Bonds can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase of any Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

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

The Bonds are being issued in accordance with the Group's Green & Blue Finance Framework as described in the section headed "*Bonds 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 Bonds, 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 Circular 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 Bonds.

The Second Party Opinion is not incorporated into, and will not form part of, this Offering Circular. The Second Party Opinion (including the section headed the "Bonds Being Issued as Blue Bonds" in this Offering Circular) 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 Issuer, the Guarantor, 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 Issuer has agreed to certain obligations relating to reporting and use of proceeds as described under the sections headed "Bonds Being Issued as Blue Bonds" and "Use of Proceeds", it would not be an event of default under the Terms and Conditions of the Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds of the issue of the Bonds, in the manner specified in this Offering Circular and/or (ii) the Second Party Opinion issued in connection with such Bonds were to be withdrawn. Any failure to use the net proceeds of the issue of the Bonds 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 Bonds, may affect the value and/or trading price of the Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green projects. In the event that the Bonds are included in any dedicated "green", "environmental" or other equivalently-labelled index, no representation or assurance is given by the Issuer, the Guarantor, 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 Issuer, the Guarantor, 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 Bonds will fulfil the relevant environmental criteria.

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

No assurance or representation is given by the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee or the Agents as to the suitability or reliability for any purpose whatsoever of any opinion, report, certification or validation of any third party in connection with the offering of the Bonds to fulfil any green, social, sustainability and/or other criteria. Any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Circular.

Any opinion or certification in connection with the offering of the Bonds is not, nor should be deemed to be, a recommendation by the Issuer, the Guarantor, the Group or the Joint Lead Managers the Trustee or the Agents or any other person to buy, sell or hold the Bonds. The Bondholders have no recourse against the Issuer, the Guarantor, the Group or the Joint Lead Managers, the Trustee or the Agents or the provider of any such opinion or certification for the contents of any such opinion or certification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or validation and/or the information contained therein and/or the provider of such opinion, certification or validation for the purpose of any investment in the Bonds. Any withdrawal of any such opinion or certification or any such opinion, certification attesting that the Group is not complying in whole or in part with any matters for which such opinion, certification or validation is opining on or certifying on may have a material adverse effect on the value of the Bonds and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

The Bonds are subject to selling restrictions.

The Bonds and the CGIF Guarantee will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States. They may only be sold outside the United States in reliance on Regulation S, or, if available, pursuant to another exemption from, or in another transaction not subject to, the registration requirements of the Securities Act and, in each case, in accordance with applicable state securities laws. In addition, subject to the conditions set forth in the Trust Deed for the Bonds, a Bond may be transferred only if the principal amount of the Bonds is transferred and, where not all of the Bonds held by a Bondholder are being transferred, the principal amount of the balance of Bonds not transferred is at least CNY1,000,000. For a further discussion of the transfer restrictions applicable to the Bonds, see "*Terms and Conditions of the Bonds*" and "*Subscription and Sale*" in this Offering Circular.

There is no existing trading market for the Bonds and, therefore, the Bonds offer limited liquidity.

The Bonds will constitute a new issue of securities which may not be widely distributed and for which there is currently no existing market.

No assurance can be given that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of the holders to sell their Bonds or the price at which the holders will be able to sell their Bonds. If an active trading market for the Bonds does not develop or is not maintained, the market price and liquidity of the Bonds may be adversely affected. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, including:

- prevailing interest rates;

- the Group's results of operations and financial condition;
- the market conditions for similar securities; and
- the financial condition and stability of financial and other sectors.

If the Bonds are traded at a discount, investors may not be able to receive a favourable price for their Bonds, and in some circumstances investors may not be able to sell their Bonds at all or at their fair market value. In addition, there may be a limited number of buyers when investors decide to sell their Bonds. This may affect the prices, if any, offered for Bonds or investors' ability to sell their Bonds when desired or at all.

Interest paid by the Issuer to its foreign investors and gain on the sale of the Bonds may be subject to withholding taxes under PRC tax laws.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes. If the Issuer is deemed a PRC resident enterprise, the interest payable on the Bonds 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 the Issuer 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 Bonds 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 the Issuer is considered a PRC resident enterprise and the relevant PRC tax authorities consider interest it pays with respect to the Bonds, or any gains realized from the transfer of Bonds, 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 the Company) at a rate of 20%.

It is uncertain whether the Company will be considered a PRC resident enterprise. If the Company is required under the EIT Law to withhold PRC income tax on interest paid to its non-PRC investors, it will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond 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 Bonds, and could have a material adverse effect on the Company's ability to pay interest on, and repay the principal amount of, the Bonds, as well as its profitability and cash flow.

In addition, if you are required to pay PRC income tax on the transfer of the Bonds, the value of your investment in the Bonds may be materially and adversely affected. It is unclear whether, if the Company is considered a PRC resident enterprise, holders of the Bonds might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

The Issuer may be able to redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event that the Company is required to pay additional amounts because the Company is treated as a PRC "resident enterprise."

In the event the Company is treated as a PRC "resident enterprise" under the EIT Law, the Company may be required to withhold PRC tax on interest payable to certain of its non-resident investors. In such case, the Company will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. As described under "*Terms and Conditions of the Bonds– Redemption for tax reasons,*" in the event the Company is 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 its being required to withhold tax on interest payments as a result of its being treated as a PRC "resident enterprise," the Company may redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

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

The Bonds have not been registered under, and the Company is not obligated to register the Bonds under, the 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 Securities Act and any other applicable laws. The Company has not agreed to or otherwise undertaken to register the Bonds (including by way of an exchange offer), and the Company has no intention to do so. As a result, the transfer of the Bonds may be restricted which may adversely affect their liquidity and the price at which they may be sold.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There can be no assurance that these developments will not occur in the future.

The Group has substantial indebtedness and may incur substantial additional indebtedness in the future, which may adversely affect the market price of the Bonds, and the financial health of the Group and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.

The Group now has, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. The substantial indebtedness of the Group could have important consequences to you. For example, it could:

- limit the ability of the Group to satisfy its obligations under the Bonds and other debt;

- increase the vulnerability of the Group to adverse general economic and industry conditions;

- require the Group to dedicate a substantial portion of its cash flow from operations to servicing and repaying its indebtedness, thereby reducing the availability of the Group's cash flow to fund working capital, capital expenditures and for other general corporate purposes;

- limit the Group's flexibility in planning for or reacting to changes in its businesses and the industry in which it operates;

- place the Group at a competitive disadvantage compared to its competitors that have less debt;

- limit, along with the financial and other restrictive covenants of the Group's indebtedness, among other things, its ability to borrow additional funds; and

- increase the cost of additional financing.

In the future, the Group may from time to time incur substantial additional indebtedness and contingent liabilities. If the Company or its subsidiaries incur additional debt, the risks that the Group face as a result of its already substantial indebtedness and leverage could intensify. If the onshore subsidiaries of the Company incur additional debt, the ratings assigned to the Bonds by any rating agency may be adversely affected which could adversely affect the market price of the Bonds. See "*Risk Factors – Risks Relating to the Bonds – Credit ratings may not reflect all risks and the ratings assigned to the Bonds may be lowered or withdrawn in the future.*"

The Group anticipates that its operating cash flow will be sufficient to meet its anticipated operating expenses and to service its debt obligations as they become due. However, the Group may not be able to generate sufficient cash flow for these purposes. If the Group are unable to service its indebtedness, or if its guarantors are unable to perform their guarantee obligations and the Group is unable to secure alternative guarantees, it will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing its indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Certain of the Group's financing arrangements impose operating and financial restrictions on its business. Such restrictions in the Group's financing arrangements may negatively affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in its business or the general economy. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

Bondholders will be bound by decisions of defined majorities in respect of any modification and waivers, which may include the vote of CGIF as a Bondholder in certain circumstances.

The Trust Deed will contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions will permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

Moreover, CGIF may purchase the Bonds in the open market or otherwise at its discretion and will be entitled to vote as a Bondholder on matters submitted to the vote of Bondholders, or direct the Trustee in relation to the exercise of any right, discretion or power as a Bondholder, in certain circumstances.

The Trust Deed, by virtue of the definition of "outstanding", will preclude Bonds held by CGIF from being treated as "outstanding" for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 12 *(Events of Default)*, 16(a) *(Meetings of Bondholders)* and 17 *(Enforcement)* of the Terms and Conditions of the Bonds and preclude CGIF from voting or directing the Trustee in relation to the exercise of any right, discretion or power in the situations set out in the three bullet points below:

- both before and after any Missed Payment Event, Event of Default, Default, Non-Payment Event or Guarantor Non-Payment Event or any other event as contemplated in the Trust Deed, the CGIF Guarantee, the Agency Agreement, the Conditions and/or any other documentation relating to the transactions therein contemplated, where the Extraordinary Resolution (as defined in the Terms and Conditions of the Bonds and the Trust Deed) being proposed is a resolution in connection with, or which would have the effect of, (i) reducing the amount of principal or interest payable on any date in respect of the Bonds, (ii) modifying the circumstances in which the Issuer is entitled to, or required to, redeem the Bonds in the event of any CGIF Acceleration, (iii) changing the quorum requirements relating to meetings of Bondholders, (iv) changing the majority required to pass an Extraordinary Resolution, (v) amending the definition of "Reserved Matter" (as defined in the Terms and Conditions of the Bonds), (vi) changing any date fixed for payment of principal or interest in respect of the Bonds to a date later than the original date; (vii) altering the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment where the effect of such alteration is to decrease the amount payable or results in the date for payment being later than the original date; or (viii) sanctioning, or directing the Trustee to concur in, the amendment of the terms of the CGIF Guarantee (subject to and in accordance with the provisions thereof) or certain designated provisions of the Trust Deed in so far as they relate to the CGIF Guarantee where the effect is that the Guaranteed Amount (as defined in the CGIF Guarantee) (or any part thereof) is reduced or CGIF's obligations under the CGIF Guarantee are altered; or

- where a Guarantor Non-Payment Event has occurred and (i) CGIF has not made payment under the CGIF Guarantee of the relevant Guaranteed Amount in full or (ii) CGIF has made payment under the CGIF Guarantee of the relevant Guaranteed Amount in full and the Extraordinary Resolution being proposed is a resolution (a) to do, or in relation to, any of the matters set out in the first bullet point above or (b) to instruct, direct or authorise the Trustee to waive either the Guarantor Non-Payment Event or any breach by CGIF of any obligation to pay any Guaranteed Amount in accordance with the CGIF Guarantee; or

- during the period of 30 days following the occurrence of a Missed Payment Event (as defined in the Terms and Conditions of the Bonds), where the Extraordinary Resolution being proposed is a resolution (a) to do, or in relation to, any of the matters set out in the first bullet point above or (b) to instruct, direct or authorise the Trustee to waive either the Missed Payment Event or any breach by the Issuer of any obligation to pay any Guaranteed Amount in accordance with the Terms and Conditions of the Bonds and the Trust Deed.

CGIF is entitled as a Bondholder to vote, or direct the Trustee to exercise any right, discretion or power, on any matter provided that none of the circumstances described in the three bullet points above and in the Terms and Conditions of the Bonds applies, and this means that CGIF may vote or give directions to the Trustee on other matters including, among others, matters which are the subject of a Reserved Matter where CGIF is not precluded from voting or directing the Trustee as to the exercise of any right, discretion or power, whether contained in the Trust Deed and the Bonds or provided by law.

In those circumstances where CGIF is permitted to vote or to direct the Trustee, if CGIF holds a significant portion of the Bonds, it may be able to exercise rights and powers on its own or exert significant influence at meetings of Bondholders, the outcome of which will be binding on all Bondholders. CGIF as guarantor of the Bonds may have conflicting interests with those of other Bondholders and may be able to exercise its rights as a Bondholder and as the Guarantor to the detriment of other Bondholders.

Also, Condition 16 *(Meetings of Bondholders – Modification and Waiver)* of the Terms and Conditions of the Bonds will provide that the Trustee may, with the consent of the Issuer and CGIF but without the consent of Bondholders of the relevant series of Bonds, agree (but shall not be obliged to agree) (i) to any modification of the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter (as defined in the Terms and Conditions of the Bonds)) if such modification will not be materially prejudicial to the interests of Bondholders; and (ii) to any modification of such series of Bonds, the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is to correct a manifest error or which is necessary to comply with mandatory provisions of law.

In addition, the Trustee may, but shall not be obliged to, with the consent of the Issuer and CGIF but without the consent of the Bondholders, authorise or waive any proposed breach or breach of the Bonds, the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if the interests of the Bondholders will not be materially prejudiced thereby, provided that the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 12 *(Events of Default)* of the Terms and Conditions of the Bonds.

The Trustee's ability to accelerate the Bonds is limited pursuant to the terms of the Trust Deed.

Under the terms of the Trust Deed, the Trustee may at any time after an Event of Default shall have occurred or after the Bonds have become due and payable, at its discretion and without further notice, institute such actions, steps and proceedings against the Issuer or, subject to and in accordance with the terms of the CGIF Guarantee, CGIF, as it may think fit to recover any amounts due in respect of the Bonds which are unpaid or to enforce any of its rights under the Trust Deed or any other Bond Document, but it shall not be bound to take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

Under the terms of the Trust Deed, the Trustee has further agreed with CGIF that it shall not take steps to declare any Bond to be or become immediately due and payable while an Event of Default is continuing (an "**Acceleration Step**") except in limited circumstances set out in the Trust Deed. Unless the prior written consent of CGIF is obtained, the circumstances mentioned above are strictly limited to the failure by CGIF to make payment of a Guaranteed Amount in accordance with the CGIF Guarantee such that a Non-Payment Event has occurred and is continuing (a "**Guaranteed Party Acceleration**"). Investors should be aware that pursuant to the terms of the Trust Deed, neither the Trustee nor any Bondholder shall be entitled to take an Acceleration Step against the Issuer or CGIF unless a Guaranteed Party Acceleration has occurred and, in the event that any such Acceleration Step is taken in contravention of the relevant provision in the Trust Deed, CGIF shall not be required to pay any amounts in respect of such Acceleration Step. Upon the occurrence of a Guaranteed Party Acceleration and if the Guaranteed Amounts are not paid by the Issuer in accordance with the Terms and Conditions of the Bonds and the Trust Deed following such Guaranteed Party Acceleration, the Trustee may at its sole discretion and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution, shall (subject in each case to the Trustee having been indemnified and/or secured and/or pre-funded to its satisfaction) deliver in accordance with the Trust Deed a Guaranteed Party Acceleration Notice in respect of the aggregate of the unpaid Guaranteed Amounts and the Guarantor Default Interest Amount (as defined in the CGIF Guarantee) (if any) to be paid by the Guarantor in accordance with the CGIF Guarantee.

In particular, potential investors should be aware that other than in the above limited circumstances, the Trustee is not permitted under the Terms and Conditions of the Bonds, the Trust Deed or the CGIF Guarantee to take steps to declare any Bond to be or become immediately due and payable if an Event of Default arising other than in relation to Condition 12(a)(i) *(Non-Payment)* of the Conditions (being Conditions 12(a)(ii) *(Events of Default – Breach of other obligations)* to 12(a)(xiii) *(Events of Default – Guarantee not in force)* of the Terms and Conditions of the Bonds) has occurred and is continuing, other than with the prior written consent of CGIF. Potential investors should also be aware that under the terms of the CGIF Guarantee, CGIF will pay the Guaranteed Amounts only in relation to a Missed Payment Event in accordance with Condition 12(a)(i) *(Non-payment)* of the Terms and Conditions of the Bonds that has occurred and is continuing or a CGIF Acceleration. For more information, "Risks relating to the Guarantor and the CGIF Guarantee – Other than principal amounts, scheduled interest and certain other amounts, not all amounts due in respect of the Bonds are guaranteed by CGIF", "The CGIF Guarantee – Guaranteed Party Acceleration" and "The CGIF Guarantee – Limited rights of acceleration". In certain circumstances, including, without limitation, the circumstances described above, the giving of a Guaranteed Party Acceleration Notice to the Guarantor pursuant to clause 3

(Acceleration) of the Trust Deed and taking enforcement steps pursuant to Condition 17 *(Enforcement)* of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall 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. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law and regulations, it will be for the holders of the Bonds to take such actions directly.

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws and may be subject to restrictions under the terms of their indebtedness or other agreements they have entered into. Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefor, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is a creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries and any subsidiaries that the Issuer may in the future acquire or establish.

If the Issuer or its subsidiaries are unable to comply with the restrictions and covenants in each of its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of the Issuer's or its subsidiaries' debt to be accelerated.

If the Issuer or any of its subsidiaries are unable to comply with the restrictions and covenants in each of its 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 the Issuer or the relevant subsidiary, 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 the Issuer's or its subsidiaries' debt agreements, including the Bonds, contain cross-acceleration or cross-default provisions. As a result, the Issuer's or its subsidiaries' default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer's or its subsidiaries' other debt agreements, including the Trust Deed. If any of these events occur, you cannot be assured that the Issuer's assets and cash flow would be sufficient to repay in full all of its indebtedness, or that the Issuer would be able to find alternative financing. Even if the Issuer could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Issuer.

The Trustee may request that the Bondholders provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, the giving of a Guaranteed Party Acceleration Notice to the Guarantor pursuant to the Trust Deed and taking enforcement steps pursuant to Condition 17 *(Enforcement)* of the Terms and Conditions of the Bonds, the Trustee may (at its sole discretion) request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any steps and/or actions and/or institutes any proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute such proceedings if not indemnified and/or provided with security and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take any steps and/or actions and/or institute any proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such steps and/or actions and/or institute such proceedings directly.

Credit ratings may not reflect all risks and the ratings assigned to the Bonds may be lowered or withdrawn in the future.

Credit ratings may not reflect all risks and any downgrade in ratings may affect the market price of the Bonds. The Bonds are expected to be rated AA by S&P. The ratings address the Issuer's and the Guarantor's ability to perform their obligations under the Terms and Conditions of the Bonds and credit risk in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time. Furthermore, the ratings may not reflect the potential impact of all risks that may affect the value of the Bonds including those relating to the structure of the Bonds or the CGIF Guarantee, market conditions and the factors discussed in this section. There is no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. Neither the Issuer nor the Guarantor has any obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The Bonds will initially be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the CMU.

The Bonds will initially be represented by a Global Certificate which will be held in the CMU, which is a clearing system run by the Hong Kong Monetary Authority. The Global Certificate of the Bonds will be deposited for safekeeping with a sub-custodian of the CMU. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive individual certificates. The CMU will maintain records of the beneficial interests in the Global Certificate.

While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the CMU. The Issuer will discharge its payment obligations under the Bonds by making payments to the CMU for distribution to their account holders.

A holder of a beneficial interest in a Global Certificate must rely on the procedures of the CMU to receive payments under the Bonds. None of the Issuer, the Trustee or the Agents or any of their respective affiliates, officers, representatives, directors, employees, agents or advisers or any person who controls any of them has any responsibility or liability for the records of the CMU relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in a Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the CMU to appoint appropriate proxies.

The Bonds may be redeemed prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part only, at any time, at their principal amount, together with interest accrued but unpaid to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer satisfies the Trustee that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions of the Bonds), as further described in Condition 8b *(Redemption and Purchase – Redemption for Tax Reasons)* of the Terms and Conditions of the Bonds. On or after 27 December 2029, the Issuer may, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 (Notices) and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable), redeem the Bonds, in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption. At any time following the occurrence of a CGIF Acceleration, the Guarantor may require the Issuer to redeem the Bonds at its discretion, in whole but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption.

If the Issuer redeems or is required to redeem the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The CGIF Guarantee does not cover any relevant amounts of principal or accrued but unpaid interest that become payable by the Issuer on an accelerated basis at the instigation of the Issuer, including, without limitation, as a result of the Issuer's voluntary redemption of the Bonds (whether in full or in part) prior to the Maturity Date (as defined in the Terms and Conditions of the Bonds). Failure by the Issuer to pay any amount of principal in respect of the Bonds on the scheduled redemption at maturity or on an early redemption would constitute an event of default under the Bonds.

A change in English law which governs the Bonds, the Trust Deed and the CGIF Guarantee may adversely affect Bondholders.

The Bonds, the Trust Deed and the CGIF Guarantee are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

CGIF may not have sufficient assets in Hong Kong to satisfy an arbitral award obtained in Hong Kong and enforcement proceedings in respect of such arbitral award may need to be taken in CGIF Member Countries.

The Trust Deed, the Agency Agreement, the Bonds and the CGIF Guarantee are governed by English law and the parties have agreed that disputes arising thereunder, other than a Bondholder Dispute (as defined in the Terms and Conditions of the Bonds), are subject to arbitration in Hong Kong under the Hong Kong International Arbitration Centre (HKIAC) Administered Arbitration Rules in force when the Notice of Arbitration is submitted.

CGIF was established by the members of the Association of Southeast Asian Nations, China, Japan, and Korea (together, the "**CGIF Member Countries**") and the Asian Development Bank as a key component of the ABMI. A substantial part of CGIF's assets is located outside of Hong Kong. Therefore, even though the Trustee may obtain an arbitral award in Hong Kong against CGIF in arbitration proceedings (an "**Award**") and the Award may be enforced in Hong Kong in the same manner as a judgment or order to the same effect, CGIF may not have sufficient assets in Hong Kong to satisfy the Award.

In this regard, pursuant to Article 2.2 of CGIF's Articles of Agreement, CGIF may only undertake its functions within the CGIF Member Countries. As all CGIF Member Countries are parties to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), any arbitration award obtained in Hong Kong will be recognised and enforceable in all CGIF Member Countries, provided the conditions for enforcement set out in the New York Convention are met and certain conditions and requirements under the applicable laws of the relevant jurisdictions relating to such enforcement are complied with.

Enforcing Bondholders' rights under the Bonds or the CGIF Guarantee across multiple jurisdictions may be difficult.

The Bonds, which are guaranteed by CGIF, a trust fund of the Asian Development Bank, will be issued by the Issuer, which is incorporated under Cayman Islands law and continued under the laws of Bermuda and conducts a significant majority of business operations through PRC-incorporated subsidiaries in China. The CGIF Guarantee, the Bonds and the Trust Deed are governed by English law. In the event of a bankruptcy, insolvency or similar event, different proceedings could be initiated in the United Kingdom, the Cayman Islands, Bermuda, the PRC or other relevant jurisdictions. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of the rights of Bondholders.

Bondholders' rights under the Bonds and the CGIF Guarantee will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that Bondholders will be able to effectively enforce their rights in such complex bankruptcy, insolvency or similar proceedings.

Furthermore, the bankruptcy, insolvency, administrative and other laws of Bermuda, the Cayman Islands, the PRC and England may be materially different from, or conflict with, each other and those with which Bondholders may be familiar, including in respect of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of proceedings. The application of these laws, or any conflict among them, could call into question whether the laws of any particular jurisdiction should apply and could adversely affect Bondholders and their ability to enforce their rights under the Bonds and the CGIF Guarantee in the relevant jurisdiction or limit any amounts that Bondholders may receive. Investors should analyse the risks and uncertainties carefully before investing in the Bonds.

An investment in the Bonds may be subject to interest rate risks and changes in market interest rates may adversely affect the value of the Bonds.

An investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the price of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the price of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

The Issuer's ability to make payments in respect of the Bonds may depend upon other parties' due performance.

The Issuer's ability to make payments in respect of the Bonds may depend upon due performance by other parties to the transaction documents of the obligations thereunder. This includes the performance by the Trustee, the CMU Lodging and Paying Agent and/or the Registrar of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of the Bonds, the Issuer may not, in such circumstances, be able to fulfil its obligations to the Bondholders.

Any failure to complete the relevant filings under Order 56 within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

On 5 January 2023, the NDRC issued Order 56. On 9 February 2023, the NDRC published the frequently asked questions on Order 56 and its responses (the "**FAQs**"), which provided further clarifications on the practical implications of certain provisions in Order 56. The Issuer shall comply with the provisions relating to foreign debt risk management and interim and ex-post supervision under Order 56, including, among others, to complete the post-issuance filing to the NDRC within 10 business days after the completion of the issuance of the Bonds and any implementation rules as issued by the NDRC from time to time (together, the "**NDRC Reporting Obligations**").

According to Order 56, if any enterprise fails to report relevant information according to Order 56, the review and registration authorities shall, depending on the seriousness of the circumstances, order rectification within a limited time period, or impose disciplinary measures such as interviews and public warnings on such enterprise and its principal responsible person. Furthermore, conduct in violation of Order 56 committed by enterprises will be published on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). In the worst scenario, non-compliance by the Issuer with the NDRC Reporting Obligations under Order 56 may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds.

Any failure to complete the relevant filings under Order 56 within the prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The conversion of RMB is subject to the PRC laws, and there are certain restrictions on the remittance of Renminbi into and out of the PRC which may affect the liquidity of Bonds.

The PRC government continues to regulate conversions between Renminbi and foreign currencies, including the Hong Kong dollar. Remittance of Renminbi into and out of the PRC for the settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a monitoring system.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by PBOC in 2018, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued. Despite efforts to internationalise the Renminbi, including the Renminbi internationalisation pilot programme, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under the Bonds may be affected.

The Company may be unable to obtain and remit foreign exchange.

The Company's ability to satisfy its obligations under the Bonds depends solely upon the ability of its PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to it and, if applicable, to repay shareholder loans. The Company's 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 the Company makes to its 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, it will be unable to pay the Company dividends or interest and principal on shareholder loans, which may affect Company's ability to satisfy its obligations under the Bonds.

There is improving availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the Issuer's ability to source Renminbi outside the PRC to service Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC may be limited. As PBOC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, it has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is rising.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter¬bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer is required to source Renminbi in the offshore market to service its Bonds, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Investment in the Bonds is subject to exchange rate risks.

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. All payments of interest and principal will be made in Renminbi with respect to the Bonds unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Bonds in that foreign currency will decline.

There may be less publicly available information about the Issuer than is available for public companies 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 Circular 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 Circular. The Company has not prepared a reconciliation of its consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of the Group, the terms of the offering and its 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 Circular.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation of the holders of the Bonds create and issue further bonds (See "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There is no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Bondholders may be subject to tax.

Prospective investors of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the purchase, ownership, or disposition of the Bonds. See "*Taxation*" in this Offering Circular for a discussion of tax consequences in certain jurisdictions.

Payments with respect to the Bonds may be made only in the manner designated in the Bonds.

All payments to investors in respect of the Bonds will be made solely (i) for so long as the Bonds are represented by the Global Certificate deposited with a sub-custodian for the CMU or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong and (ii) for so long as the Bonds are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Neither the Issuer nor the Guarantor can be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

RISKS RELATING TO THE GUARANTOR AND THE CGIF GUARANTEE

Other than principal amounts, scheduled interest and certain other amounts, not all amounts due in respect of the Bonds are guaranteed by CGIF.

Pursuant to the terms of the CGIF Guarantee, CGIF will irrevocably and unconditionally guarantee to the Trustee, on behalf of the Bondholders, the full and punctual payment of each Guaranteed Amount. For the purposes of the CGIF Guarantee, "*Guaranteed Amount*" means:

- any Principal Amount and any Scheduled Interest (each as defined in the CGIF Guarantee) which is overdue and unpaid (whether in whole or in part) by the Issuer under the Terms and Conditions of the Bonds and the Trust Deed;
- any Additional Accrued Interest (as defined in the CGIF Guarantee); and
- any Trustee Expenses (as defined in the CGIF Guarantee).

A Guaranteed Amount does not include any increased costs, tax-related indemnity (but for the avoidance of doubt does include any additional amounts required to be paid to the Bondholders due to a tax withholding or deduction and the operation of Condition 10 (Taxation) of the Terms and Conditions of the Bonds and does include any additional amounts required to be paid to the Trustee or the Agents due to (i) a tax deduction or withholding and/or (ii) the operation of Clause 5.1 of the Trust Deed or Clause 16.5 of the Agency Agreement, provided that the Guaranteed Amount will only include the original amount which would have been due from the Issuer if no tax deduction were required), default interest, fees or any other amounts (other than any Principal Amount, any Scheduled Interest, any Additional Accrued Interest and any Trustee Expenses) payable by the Issuer to the Trustee or any Bondholders. Also, the CGIF Guarantee does not cover any relevant amounts of principal or accrued but unpaid interest that become payable by the Issuer on an accelerated basis at the instigation of the Issuer, including, without limitation, as a result of the Issuer's voluntary redemption of the Bonds (whether in full or in part) prior to the Maturity Date (as defined in the Terms and Conditions of the Bonds) (which for the avoidance of doubt does not include an early redemption as a result of a CGIF Acceleration).

The obligations of the Guarantor under the CGIF Guarantee will be secondary obligations only.

The CGIF Guarantee will be governed by English law. Under English law generally, the liability of a guarantor (in this case, the Guarantor) is ancillary, or secondary, to that of the principal debtor (in this case, the Issuer), in the sense that the principal debtor remains primarily liable to creditors (in this case, the Trustee, on behalf of the Bondholders) and the guarantor's liability depends upon the continued existence and validity of the principal debtor's liability. The Guarantor's liability under the CGIF Guarantee is therefore co-extensive with that of the Issuer. Consequently, and in the absence of agreement to the contrary, a guarantor's liability will normally be extinguished if the principal debtor's obligation is void or unenforceable, has not yet arisen or has been released, or if a defence or right of set-off is available to the principal debtor.

Accordingly, English law guarantees in debt capital markets transactions customarily include provisions:

- aimed at protecting creditors by preserving a guarantor's liability in circumstances where it would otherwise be discharged, for example, in the event of any unenforceability, illegality or, invalidity of any obligation of any person under any of the bond documents (such as a trust deed, agency agreement or guarantee) or any other document or security ("**Protective Provisions**"); and

- to the effect that the guarantor shall be liable as if it were the principal debtor and not merely a surety, and an indemnity, to provide that the guarantor will be liable as a primary obligor in the event that the original guaranteed obligations were to be set aside for any reason ("**Co-Principal Debtor Provisions**").

Potential investors should therefore be aware that while the CGIF Guarantee does contain certain customary Protective Provisions whereby the Guarantor's liability is preserved (and shall remain in force), notwithstanding any act, omission, event or thing of any kind which, but for the Protective Provisions, would reduce, release or prejudice any of the Guarantor's obligations, neither the CGIF Guarantee nor the Trust Deed contains any Co-Principal Debtor Provisions. See "*Appendix A: Form of CGIF Guarantee*" in this Offering Circular.

Accordingly, in the event that the Issuer's obligations under the Bonds, the Trust Deed and/or the Agency Agreement (i.e., the primary obligations which are the subject of the CGIF Guarantee) cease to exist in circumstances that are not contemplated by the Protective Provisions, the Trustee may not be able to make a claim under the CGIF Guarantee for any Guaranteed Amount in the event of a failure by the Issuer to meet its obligations under the Bonds (including, without limitation, a Missed Payment Event).

CGIF has the right to require the Issuer to redeem the Bonds following a CGIF Acceleration.

Prospective investors should be aware that the Bonds may be redeemed in certain circumstances at the election of CGIF. At any time following the occurrence of a CGIF Acceleration, CGIF may at its discretion, on giving not less than seven nor more than 15 days' notice to the Issuer, the Trustee and the CMU Lodging and Paying Agent, require the Issuer to redeem the Bonds in whole, but not in part, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption following which the Issuer shall immediately, or if the Issuer fails to do so CGIF may, give notice to the Bondholders of the Bonds, the Trustee and the CMU Lodging and Paying Agent (which notice shall be irrevocable).

A "**CGIF Acceleration**" occurs if:

- an Issuer Event of Default (as defined in the Terms and Conditions of the Bonds) occurs;

- a Missed Payment Event has occurred and is continuing, irrespective of whether CGIF has already paid any Guaranteed Amounts in respect of such Missed Payment Event; or

- any term or provision of the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement has been amended, modified, varied, novated, supplemented, superseded, waived or terminated without the prior written consent of CGIF as required pursuant to the terms of the CGIF Guarantee, the Trust Deed or the Agency Agreement, as the case may be;

and CGIF has delivered a CGIF Acceleration Notice to the Trustee in accordance with the Trust Deed.

The CGIF Acceleration Notice will, among other things, contain a written confirmation that CGIF will pay all unpaid Guaranteed Amounts.

Obligations of CGIF will not constitute obligations of the Asian Development Bank.

The obligations of CGIF under the CGIF Guarantee will not constitute obligations of the Asian Development Bank or any other contributors to CGIF. Bondholders' recourse to CGIF under the CGIF Guarantee and any Bond Document (as defined in the CGIF Guarantee) is therefore limited solely to the assets of CGIF, which are all property and assets of CGIF held in trust in accordance with the Articles of Agreement of CGIF and available from time to time to meet the liabilities of CGIF ("**CGIF Assets**") and Bondholders and the Trustee on their behalf have no recourse to any assets of the Asian Development Bank or any other contributors to CGIF. For the avoidance of doubt, CGIF Assets do not include any assets of the Asian Development Bank or any other contributors to CGIF. Notwithstanding any other provisions under the CGIF Guarantee or any Bond Document, neither the Asian Development Bank nor any other contributors to CGIF or the officers, employees or agents of the Asian Development Bank or any contributor to CGIF shall be subject to any personal liability whatsoever to any third party including the Trustee in connection with the operation of CGIF or under the CGIF Guarantee or any Bond Document or any Guarantee Document (as defined in the CGIF Guarantee). None of the Bondholders or the Trustee on their behalf or any third party may bring any actions against the Asian Development Bank as the trustee of CGIF or as contributor to CGIF or against any other contributors to CGIF or any of their respective officers, employees or agents in connection with the CGIF Guarantee.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Issuer's capitalisation and indebtedness as at 31 March 2024 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds in this offering (before deducting the underwriting discounts and commissions and other estimated expenses payable by the Issuer in connection with this offering).

The following table should be read in conjunction with "Use of Proceeds" and the Issuer's audited consolidated financial statements for the year ended and as at 31 March 2024 and related notes included elsewhere in this Offering Circular.

	As at 31 March 2024(1)			
	Actual		As adjusted	
	HK$'000	US$'000	HK$'000	US$'000
		(Unaudited)	*(Unaudited)*	*(Unaudited)*
Cash and cash equivalents(2)	4,804,799	613,961	5,888,674	752,459
Short-term borrowings(3)				
Bank loans – unsecured	4,667,775	596,452	4,667,775	596,452
Bank loans – secured	1,885,819	240,972	1,885,819	240,972
Other loans – unsecured	6,594	843	6,594	843
Other loans – secured	371,269	47,441	371,269	47,441
Government loans – unsecured	40,067	5,120	40,067	5,120
Subtotal of short-term borrowings	6,971,524	890,827	6,971,524	890,827
Long-term borrowings(3)				
Bank loans – unsecured	6,607,107	844,262	6,607,107	844,262
Bank loans – secured	6,655,908	850,497	6,655,908	850,497
Other loans – unsecured	3,312,994	423,337	3,312,994	423,337
Other loans – secured	1,283,627	164,023	1,283,627	164,023
Government loans – unsecured	19,101	2,441	19,101	2,441
Bonds to be Issued	—	—	1,083,875	138,498
Subtotal of long-term borrowings	17,878,737	2,284,560	18,962,612	2,423,058
Total borrowings	24,850,261	3,175,387	25,934,136	3,313,885
Total equity	21,452,542	2,741,224	21,452,542	2,741,224
Total capitalization(4)	39,331,279	5,025,783	40,415,154	5,164,282

Notes:

(1) The translations from Hong Kong dollar amounts to U.S. dollars were made at the rate of HK$7.8259 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 29 March 2024.

(2) Cash and cash equivalents exclude pledged deposits of HK$745.4 million (US$95.2 million).

(3) Subsequent to 31 March 2024, the Issuer has, in the ordinary course of business, entered into additional financing arrangements to finance the construction of the Issuer'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 31 March 2024, the Issuer has, in the ordinary course of business, entered into additional financing arrangements to finance the construction of the Issuer's projects and for general corporate purposes. After the completion of this offering, the Issuer 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 Circular, there has been no material adverse change in the Issuer's capitalisation since 31 March 2024.

EXCHANGE RATE INFORMATION

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since 17 October 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 1 July 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

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

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

	Noon Buying Rate(1)			
Period	**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				
July	7.8117	7.8095	7.8138	7.8058
August	7.7974	7.7962	7.8153	7.7852
September	7.7693	7.7910	7.8028	7.7693
October	7.7740	7.7707	7.7743	7.7650
November	7.7805	7.7798	7.7857	7.7708
December	7.7734	7.7677	7.7846	7.7617
2025				
January (through 10 January 2025)	7.7864	7.7792	7.7864	7.7749

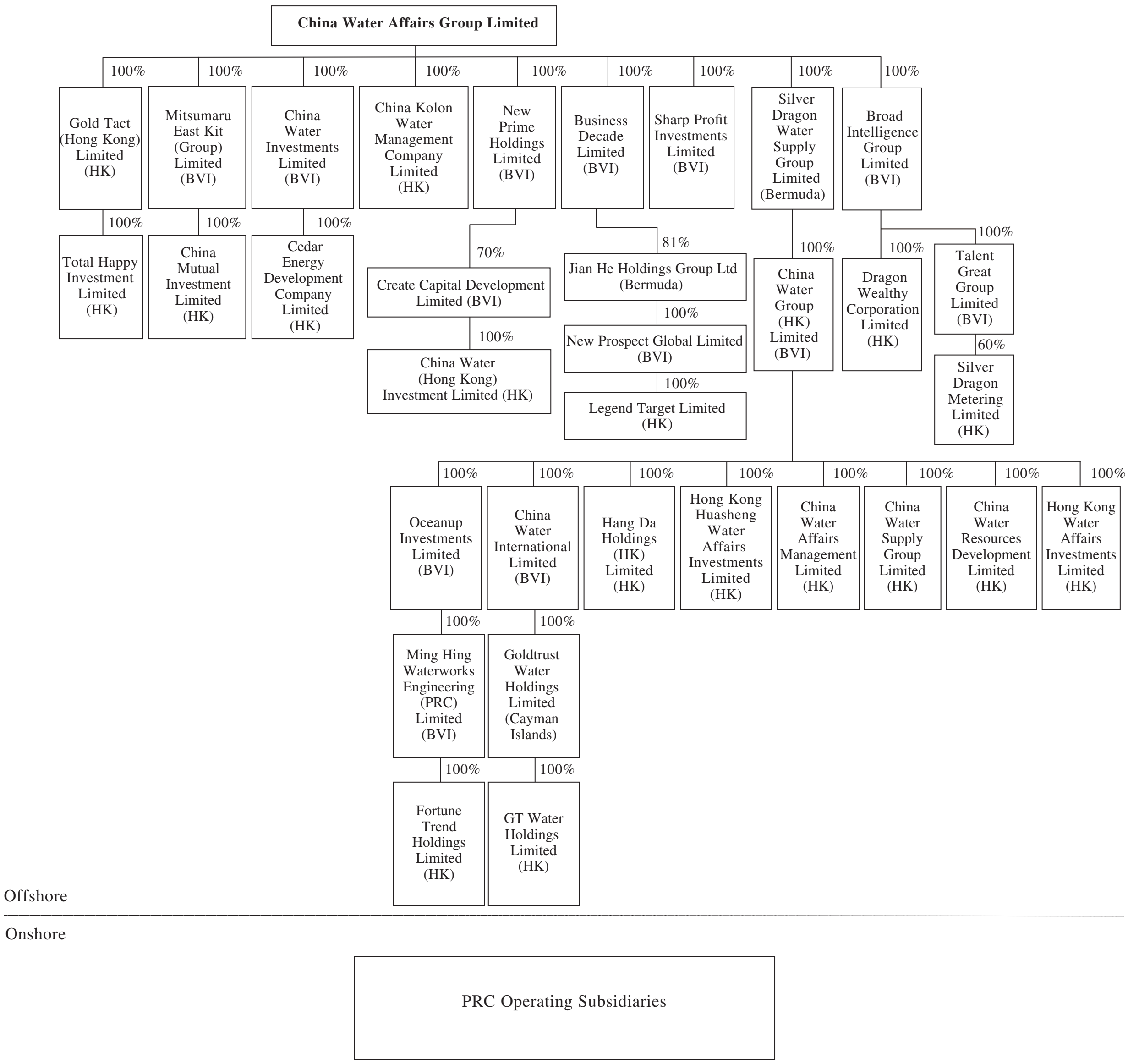
Notes:

(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 at the date of the Offering Circular:



OVERVIEW

The Issuer is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended 31 March 2024. Unlike its peers, the Issuer uniquely focuses on the water supply business. The Issuer 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 Issuer 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 Issuer 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 Issuer also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Issuer 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 Issuer has enjoyed sustainable and rapid growth in water supply capacity. The Issuer 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 31 March 2012 to 15.4 million tons per day as at 31 March 2024. The total volume of city water sold by the Group increased from 1,294.1 million tonnes for the year ended 31 March 2022 to 1,368.5 million tonnes for the year ended 31 March 2023 and further to 1,401.9 million tonnes for the year ended 31 March 2024, representing a CAGR of 4.1%. In addition to increases in tariffs and increases in volume of water sold, the Issuer has also expanded its capacity, sales volume and revenue through acquisition of new projects. the Issuer 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 at 31 March 2024, the Issuer's water pipeline network reached approximately 149,000 km in length and covered an estimated population of more than 30 million for city water supply. The Issuer had an extensive portfolio of city water supply projects covering 70 districts, counties and county-level cities across 13 provinces and municipalities in China as at 31 March 2024, comprising (i) 60 tap water supply projects with 163 tap water treatment plants in operation; and (ii) eight raw water supply projects in operation. As at 31 March 2024, the Issuer's city water supply business had a total designed installed and planned capacity of 14.1 million tonnes per day, comprising 8.4 million tonnes per day in operation, 1.7 million tonnes per day under construction and 4.0 million tonnes per day under planning. As at 31 March 2024, the Issuer also operated more than 6,900 pipeline direct drinking water supply projects in 306 districts, counties and county-level cities across 24 provinces, municipalities and autonomous regions in China, serving an estimated user population of approximately 8.3 million, of which approximately 2.4 million was within the regions where existing city water supply projects were located. In addition, the Issuer had more than 700 pipeline direct drinking water supply projects under construction as at 31 March 2024.

The water supply industry in China is exclusive in nature. As a result, the Issuer 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 31 March 2024, the coverage of the Issuer's water supply plants included exclusive rights to operate in 70 cities, with more than 7.0 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 at 31 March 2018 to 7.8 million as at 31 March 2024.

The Issuer was incorporated in the Cayman Islands on 26 July 1999 and continued in Bermuda on 9 July 2003 as an exempted company with limited liability. The Issuer is listed on the Hong Kong Stock Exchange (Stock Code: HK0855). For the years ended 31 March 2022, 2023 and 2024, the Group's revenue was HK$12.9 billion, HK$14.2 billion and HK$12.9 billion (US$1.6 billion) respectively, and its profit for the same years was HK$3.0 billion, HK$3.1 billion and HK$2.6 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 Issuer is one of the largest publicly-listed water supply companies in China based on the volume of water sold for the year ended 31 March 2024. Unlike its peers, the Issuer is uniquely focused on the water supply business. For the year ended 31 March 2024, the Issuer sold 1,401.9 million tons of city water. In addition, the Issuer recorded revenue of HK$9,316.3 million, HK$8,729.2 million and HK$8,276.4 million for the years ended 31 March 2022, 2023 and 2024, respectively, for city water supply business, representing 71.9%, 61.5% and 64.4% of its total revenue for the respective years.

As at 31 March 2024, the Issuer's water pipeline network reached approximately 149,000 km in length and covered an estimated population of more than 30 million for city water supply. The Issuer had an extensive portfolio of city water supply projects covering 70 districts, counties and county-level cities across 13 provinces and municipalities in China as at 31 March 2024, comprising (i) 60 tap water supply projects with 163 tap water treatment plants in operation; and (ii) eight raw water supply projects in operation. As at 31 March 2024, the Issuer's city water supply business had a total designed installed and planned capacity of 14.1 million tonnes per day, comprising 8.4 million tonnes per day in operation, 1.7 million tonnes per day under construction and 4.0 million tonnes per day under planning. Most of the Issuer's operations are in central or southern China where rainfalls are abundant and its operations are less susceptible to weather conditions. Many of the Issuer'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 Issuer 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 Issuer 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 31 March 2024, the coverage of the Issuer's water supply plants included exclusive rights to operate in 70 cities, with more than 7.0 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 at 31 March 2018 to 7.8 million as at 31 March 2024.

The Issuer collects water tariffs directly from end users. If water tariffs are not paid within two months, the Issuer has the right to discontinue water supply to the specific users. Together with the water tariffs, the Issuer 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 Issuer has a strong record in terms of revenue collection capabilities, with an average account receivable days of 58 days in the fiscal year ended 31 March 2024. As a result, the Issuer 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 31 March 2022, 2023 and 2024 were HK$4.5 billion, HK$4.9 billion and HK$4.4 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 Issuer'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 Issuer 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 and Robust Growth in the Pipeline Direct Drinking Water Supply Business, Creating a Synergy Effect with the City Water Supply Business

The Issuer is a leading pipeline direct drinking water supplier in China. The Issuer'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 Issuer 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 Issuer'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 at 31 March 2024, the Issuer operated more than 780 and 50 pipeline direct drinking water supply projects in schools and hospitals nationwide, respectively, with an estimated user population of approximately 1.4 million in schools and approximately 28,000 in hospitals, respectively. As at 31 March 2024, the Issuer served an estimated non-residential user population of approximately 2.4 million for pipeline direct drinking water supply business. In addition, the Issuer 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 at 31 March 2024, the Issuer served an estimated residential user population of approximately 1.8 million for pipeline direct drinking water supply business.

Given its industry leading position and early involvement in the sector, the Issuer's has been working closely with the relevant government authorities to establish industry standards and policies in the pipeline direct drinking water market. The Issuer 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 Issuer 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 Issuer's city water supply and pipeline direct drinking water supply projects are synergistic to each other. The Issuer's large customer base from city water supply business facilitates the promotion of pipeline direct drinking water services in the same areas because the Issuer already enjoys high recognition by existing customers. The Issuer 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 Issuer's acquisition of a pipeline direct drinking water company in 2019, the Issuer managed to transform it into a leading pipeline direct drinking water supplier in Changsha by integrating their advanced equipment with the Issuer's strong brand name, water supply experience and technological capabilities. Leveraging on the Issuer's established brand name in city water supply, strong synergies and high level of satisfaction from customers, the Issuer 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 Issuer has enjoyed sustainable and rapid growth in water supply capacity. The Issuer 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 at 31 March 2012 to 15.4 million tons per day as at 31 March 2024. For the year ended 31 March 2024, the volume of city water sold has increased to 1,401.9 million tons.

Since 2012, the average water tariffs that the Issuer collects for the water it supplies has been steadily increasing. The Issuer's average water tariffs have increased from approximately HK$1.83 per cubic meter as at 31 March 2012 to approximately HK$2.36 per cubic meter as at 31 March 2024. In the years to come, the Issuer 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 Issuer has also expanded its capacity, sales volume and revenue through acquisition of new projects. The Issuer 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 Issuer has successfully executed strategy of growth through acquisitions over the past ten years and this remains a strategic focus.

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

Strong Credit and Financial Profile with High Quality Partners

The Issuer 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 Issuer's EBITDA to interest coverage ratio has been consistently strong. The Issuer expects to continue to maintain strong liquidity position and credit profile, which will enable it to expand steadily and sustain business plans.

The Issuer has received financial and strategic support from high quality partners. The Issuer's partners include the Asian Development Bank. In addition to providing long-term financing, The Issuer'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 Issuer's senior management team contributes a wealth of experience and in-depth knowledge in the water industry in China. The majority of the Issuer's senior management team members are veteran experts in the water industry and have deep knowledge of the sector and relevant government policies. The Issuer 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 Issuer'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 Issuer's key employees and senior management team are highly-incentivized in delivering and executing water supply projects. The Issuer 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 Issuer plans to continue to strengthen and solidify its leading position in the PRC water business. The Issuer intends to continue to focus on city water supply business and expand its operations organically to increase recurring revenue streams. The Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer plans to continue to invest in expanding the installed capacity of existing city water supply facilities. The Issuer also intends to expand city water supply business to new regions through project acquisition or partnership opportunities. The Issuer 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 Issuer acquires more project companies, it expects to be able to share its technical and operational know-how to improve utilizations rates and efficiency. The Issuer 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 Issuer aims to achieve higher synergies between its city water supply and pipeline direct drinking water supply businesses through better resource sharing. The Issuer 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 Issuer intends to continue to expand presence in the market through selective mergers and acquisitions. The Issuer 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 Issuer intends to acquire and integrate companies with water supply capacity in various regions of China. In particular, the Issuer plans to acquire government-owned, under-performing water plants in cities with growth potential in terms of water demand and tariffs, allowing the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer intends to take full advantage of opportunities to increase its water tariffs.

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

The Issuer's corporate brand is recognized for high quality services, safe water supply and technological innovation. The Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer intends to continue to develop this aspect of its business to expand value-added services.

THE GROUP'S BUSINESS

The Issuer'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 Issuer also engages in sewage treatment and related construction work. In addition to its core water related businesses, the Issuer also undertakes main contractor construction, property development and investment and other business.

The Issuer began operations in city water supply in 2003, and have since experienced significant growth primarily through cooperation with local governments. Among the 163 water treatment plants the Issuer operated as at 31 March 2024, the vast majority were acquired by it through investment in existing or new water supply project companies. The Issuer 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 Issuer 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 Issuer began to engage in the pipeline direct drinking water supply business in 2015 and further expanded business through various acquisitions since 2019. The Issuer has developed and will continue to develop its own core technology for pipeline direct drinking water. The Issuer 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 Issuer 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 31 March 2022, 2023 and 2024.

	Year ended 31 March		
	2022	**2023**	**2024**
	HK$'000	**HK$'000**	**HK$'000**
City water supply	9,316,250	8,729,233	8,276,397
Pipeline direct drinking water supply	693,715	1,310,146	1,721,929
Environmental protection	1,200,041	1,409,945	1,071,518
Main contractor construction	389,314	1,198,706	826,840
Property development and investment	531,729	544,931	207,482
All other segments[(1)]	818,779	1,001,992	754,349
Total	**12,949,828**	**14,194,953**	**12,858,515**

Note:

(1) Includes revenue from rental income and others.

City Water Supply

The Issuer 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 Issuer'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 Issuer recorded revenue of HK$9,316.3 million, HK$8,729.2 million and HK$8,276.4 million for the years ended 31 March 2022, 2023 and 2024, respectively, for city water supply business, representing 71.9%, 61.5% and 64.4% of its total revenue for the respective years.

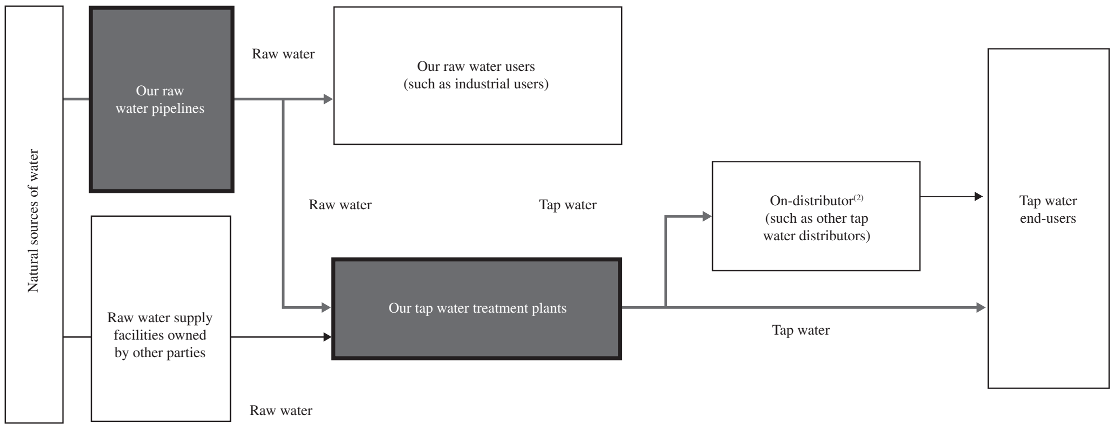
The Issuer operates city water supply business through water supply project companies controlled by it to operate each city water supply project. Depending on the circumstances of the city water supply project, the Issuer either (i) forms or invest in a joint venture project company with the local government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

The Issuer's project companies have made concession arrangements with the local government grantor for each of tap water supply projects. Under the concession arrangements, the Issuer holds the operation right to the relevant water supply facilities and generally obtain the ownership of the water supply facilities. Under certain circumstances, the Issuer is entrusted by the local government grantor to operate the water supply facility without ownership of the assets. According to the concession arrangements, the Issuer 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 Issuer is typically given a priority to apply for renewal of the arrangements at no extra cost after the contract period. Furthermore, the Issuer shall seek to renew the concession arrangements and retain the water supply facilities upon any expiry. If the Issuer 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 Issuer'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 Issuer operates tap water treatment plants allow it to collect water tariffs directly from end-users. Together with the water tariffs, the Issuer 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 Issuer 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 Issuer has the right to discontinue water supply to the specific users.

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



Notes:

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

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

Raw water supply

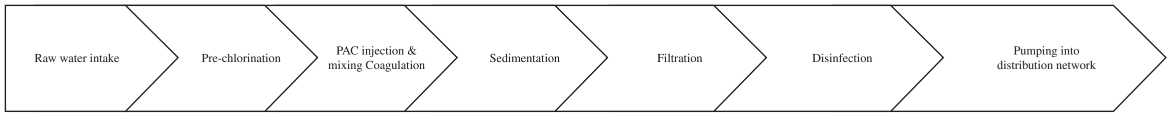
Raw water is untreated water from natural sources such as rivers, lakes, reservoirs or underground aquifers. The Issuer generally transmits raw water from various natural resources such as local rivers and reservoirs, and store at its water treatment plants. The Issuer's raw water is supplied by a project 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.

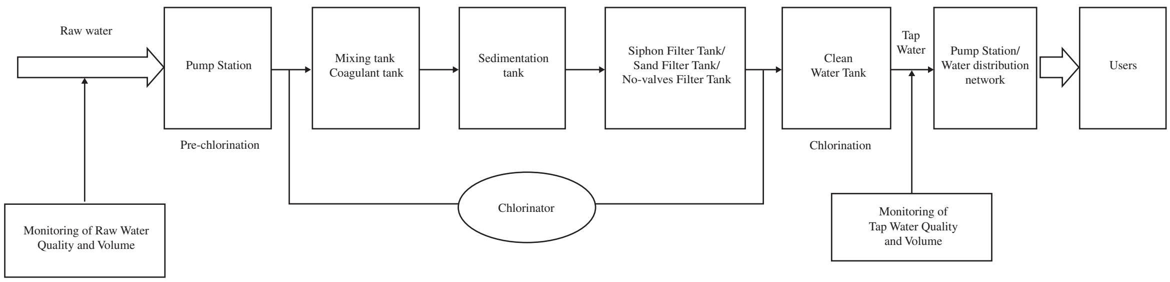
Tap water supply

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 Issuer's city water supply business features the following steps:





The Issuer'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 Chlorid, 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 Issuer distributes tap water and raw water to end-users directly through its pipeline network. The Issuer's end-users include both residential users and non-residential users.

The Issuer 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 Issuer 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 Issuer has a track record of high-quality water supply consistently surpassing requirements set by local governments.

In addition, the Issuer's tap water treatment plants have a track record of steadily increasing water supply over the years. For the years ended 31 March 2022, 2023 and 2024, the average daily water supply volume of the Issuer's tap water treatment plants amounted to approximately 4.3 million tonnes per day, 4.4 million tonnes per day and 4.5 million tonnes per day, respectively.

City water supply construction services

The Issuer 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 Issuer also provides construction services to third parties including local governments under construction services agreements. The Issuer 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 at the date of this Offering Circular, the Issuer has obtained the relevant qualifications to carry out construction works.

Project management

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

Project identification and selection

The Issuer 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 Issuer around three years to turn the plant around to become profit-making. Thereafter, the Issuer continues to improve the operational efficiency of these projects and achieve organic growth.

The Issuer 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 Issuer targets water supply systems with prospects of organic growth and expansion in small and medium-sized cities.

- ***Pipeline network and tariff collection rights:*** The Issuer 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 Issuer 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 Issuer targets projects with the local government's commitment to support non-state-owned operators in urban-rural water supply.

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

Based on the above principles, the Issuer pursues expansion into towns or neighboring districts and counties in accordance with the relevant government authority's water efficiency improvement plan. The Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer is engaged by the local government grantor to operate the water supply facilities on an entrusted basis. In addition, the Issuer'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 at the date of this Offering Circular, the Issuer had 60 tap water supply projects held by a total of 59 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 Issuer is generally responsible for any construction or upgrade of the water supply facilities during the contract period. The Issuer 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 Issuer's project management department is responsible for supervising the construction phase of city water supply projects. During the construction process, the Issuer supervises in-house construction teams or the subcontractors' construction works, principally through project managers and the Issuer may also engage third-party professional supervision companies from time to time.

Operation and maintenance during contract period

The Issuer's project management team is responsible for the overall supervision of the operation and maintenance of water supply facilities. The Issuer is responsible for all operation, repair and maintenance costs during the operation phase. The Issuer'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 Issuer and tested periodically by the local health authorities. The Issuer 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 Issuer 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 Issuer 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 Issuer's production and operation team is in charge of pipeline repair and maintenance. The Issuer has implemented routine inspection and maintenance procedures and schedules for underground pipeline network.

Installation and Maintenance Services

In addition to city water supply, the Issuer 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 at 31 March 2024, the Issuer 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 Issuer 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 Issuer'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 Issuer to upgrade, install and connect water pipelines and water meters for the locations and connect such water pipelines to the Issuer's water pipeline network. The Issuer 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 Issuer 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

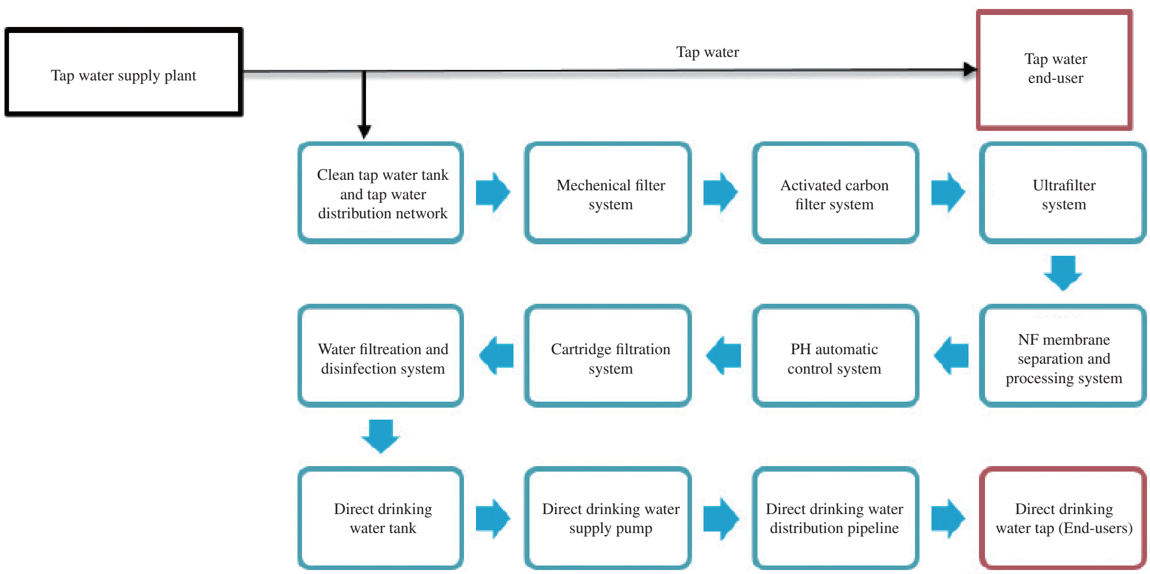
The Issuer mainly supplies pipeline direct drinking water to local residential communities and non-residential users including but not limited to hospitals, schools, commercial establishments and public institutions, through the installation of advanced water filtering equipment to the last section of 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 Issuers 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 Issuer'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 31 March 2022, 2023 and 2024, the revenue generated from the Issuer's pipeline direct drinking water supply business amounted to approximately HK$693.7 million, HK$1,310.1 million and HK$1,721.9 million, respectively, representing 5.4%, 9.2% and 13.4% of its total revenue for the respective years.

Pipeline Direct Drinking Water Supply Services

The Issuer'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 Issuer collects water tariffs based on the consumption volume. The Issuer 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 Issuer 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 Issuer 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 Issuer generally does not collect water tariffs and may collect certain operation service fees from the local government annually.

The Issuer'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 at schools, hospitals, commercial establishments, or residential properties. The tap water transmitted to the Issuer's filtering equipment will be further processed into direct drinkable water. The Issuer's customers of pipeline direct drinking water supply business can simply drink the water distributed to their taps via the Issuer's special steel pipeline into their homes or water vending machines. The general process of the Issuer's provision of pipeline direct drinking water supply business features the following steps:



Throughout the years, the Issuer 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 Issuer'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 Issuer'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 Issuer 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 at 31 March 2024, the Issuer's pipeline direct drinking water supply business served an estimated user population of approximately 8.3 million, of which around 2.4 million were within the regions in which existing city water supply projects operated while the rest were from the regions where the Issuer did not operate any city water supply projects. The Issuer 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 at 31 March 2024, the Issuer had entered into 33 strategical alliance and cooperation framework agreements with various partners including operating water supply companies and local governments to promote the development of pipeline direct drinking water business.

As at 31 March 2024, the Issuer operated more than 6,900 pipeline direct drinking water supply projects in 306 districts, counties and county-level cities across 24 provinces, municipalities and autonomous regions throughout China. The Issuer also had more than 700 pipeline direct drinking water supply projects under construction as at 31 March 2024.

Direct Drinking Water Supply Equipment

The Issuer endeavors to manufacture direct drinking water equipment that can produce safe and high– quality "fresh water" for the users. The Issuer 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 Issuer 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 Issuer 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 at 31 March 2024, the Issuer 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. The Issuer's production facilities had a total annual production capacity of 17,600 units of pipeline direct drinking water supply equipment as at 31 March 2024. As at 31 March 2024, the Issuer had approximately 1,900 central water purification equipment and approximately 2,200 water station and all-in-one water machine in operation.

Environmental Protection Business

As part of its integrated water resource management business model, the Issuer also engage in sewage treatment and related construction work. For the years ended 31 March 2022, 2023 and 2024, the Issuer's revenue from environmental protection business was HK$1,200.0 million, HK$1,409.9 million and HK$1,071.5 million, respectively, accounting for 9.3%, 9.9% and 8.3% of its total revenue for the respective years.

The Issuer'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 Issuer's sewage treatment plants are primarily located in Beijing, Tianjin, Guangdong, Henan, Hebei, Hunan, Hubei, Guizhou, Jiangxi, Shaanxi, Heilongjiang and Sichuan provinces of China. As at 31 March 2024, the Issuer has 25 sewage treatment plants with a daily water treatment capacity of approximately 804,400 cubic meters.

For its sewage treatment projects, the Issuer typically enters into service concession arrangements with certain government authorities in the PRC. These service concession arrangements generally involve the Issuer, 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 Issuer typically will be paid for its services over the relevant service concession periods at prices stipulated through a pricing mechanism. The Issuer 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 Issuer 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 Issuer 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 Issuer, 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 Issuer'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 Issuer 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 Issuer manages procurement for its water supply operations at the group level. Prior to each financial year, the Issuer'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 at the date of this Offering Circular, the Issuer did not experience any material disputes with its suppliers.

With respect to its construction-related suppliers, the Issuer 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 Issuer 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 at the date of this Offering Circular, the Issuer had not experienced any material difficulties in obtaining any construction services, raw materials or equipment for its business operations.

Operation-Related Suppliers

The Issuer 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 Issuer has maintained a long-term and good business relationship with all of its suppliers. The Issuer 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 Issuer'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 Issuer enters into construction contracts with construction-related suppliers primarily to build or expand water supply facilities.

INVENTORY MANAGEMENT

The Issuer'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 Issuer has a stringent inventory management policy in place to enhance the control of inventory. The Issuer's inventory system contains the full record of its inventories and assists it in planning and managing inventory control. The Issuer conducts inventory reviews and carry out physical stock take on a regular basis. The Issuer'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 Issuer'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 Issuer is generally able to retain customers once they were connected to the Issuer's city water supply pipeline network and use its city water supply services, unless such customers relocate to outside service areas. The Issuer'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 Issuer'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 Issuer 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 Issuer 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 Issuer'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 Issuer 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 Issuer'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 Issuer 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 Issuer'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 Issuer 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 Issuer 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 Issuer 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 Issuer'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 Issuer 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 Issuer has established over 170 customer services centers across the regions where it operates city water supply business as at 31 March 2024. The Issuer 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 Issuer's water supply business. The tap water and pipeline direct drinking water the Issuer 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 1 July 2007 and further revised on 15 March 2022. In addition, the raw water the Issuer 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 28 April 2002.

As such, the Issuer 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 Issuer 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 Issuer has established a professional quality control team which is led by its Executive General Manager, Mr. Liu Zhaohui. The Issuer'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 Issuer has obtained ISO9001 certification in recognition of its quality control.

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

RESEARCH AND DEVELOPMENT

The Issuer collaborated with various research institutions and universities in China to conduct researches on water treatment and filtering technologies. The Issuer has built an effective research and development team of 15 members as at 31 March 2024, comprising experts from key tertiary institutions in China and international research institutions and senior technical personnel in the local pipeline direct drinking water industry. The Issuer'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 Issuer'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 Issuer's intellectual property rights are important to its business and as at the date of this Offering Circular, the Issuer had more than 130 registered patents, 45 trademarks, 30 software copyrights and 30 domain names in China. The Issuer also had 43 pending patent registrations and one trademark registration in the PRC as at the date of this Offering Circular.

The Issuer 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 at the date of this Offering Circular, there had not been any pending or threatened claims made against the Issuer, nor had there been any claims made by it against third parties, with respect to the infringement of intellectual property rights owned by it or third parties. As at the date of this Offering Circular, the Issuer 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.

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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 at 31 March 2024, the Issuer had a total of 11,579 full-time employees, of which 30 employees were located at its headquarters in Hong Kong and the remaining 11,549 employees were based in Mainland China.

The Issuer enters into individual employment contracts with all of its full-time employees. The Issuer's remuneration packages are generally structured by reference to market rates and individual merits. The Issuer's employees are generally remunerated by way of a fixed salary. The Issuer 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 Issuer's employees are also entitled to a performance-based bonus, paid leave and various subsidies.

The Issuer currently recruits employees primarily through on-campus recruiting programs, advertisements on recruitment websites and referrals. The Issuer 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 Issuer 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 Issuer 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 Issuer also provides distinctive career paths for employees with excellent performance during the training period in order to reserve quality staff and management team. The Issuer has maintained a good working relationship with employees and maintained a low turnover rate. The Issuer 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 Issuer 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 Issuer's headquarters, which is leased by it, is located in Hong Kong. The Issuer'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 at the date of this Offering Circular, the Issuer 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 at the date of this Offering Circular, the land use right for some of the Issuer's parcels of land owned were mortgaged. Except as disclosed above, there were no encumbrances on the land use rights owned by the Issuer or the local governments or their designees or other third-parties as at the date of this Offering Circular.

Leased Properties

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

As at the date of this Offering Circular, the Issuer did not experience any dispute arising out of its leased properties. As at the date of this Offering Circular, the Issuer 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 Issuer 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 Issuer is subject to certain environmental risks during business operations and environmental protection and safety are always a priority at all of its facilities. As at the date of this Offering Circular, certain subsidiaries of the Issuer have obtained the ISO14001 certification in recognition of their environmental management system. The Issuer 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 Issuer to penalties but also harm the environment. Any penalty imposed by the relevant authorities may have an adverse impact on the Issuer's financial position and create a negative corporate image on it, which may affect its development of future projects. Accordingly, the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 at the date of this Offering Circular, the Issuer did not have any material environment-related incident that would have a material adverse effect on its business operations, and the Issuer had not been subject to any fines or legal proceedings for any environmental-related violations, nor have the Issuer 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 Issuer 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 Issuer 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 Issuer believes that its internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for its current business operation.

The Issuer 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 Issuer's management, internal and external reporting mechanisms, remedial measures and contingency management have been codified in its policies.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

The Issuer is subject to the PRC laws and regulations on labor, safety and work-related incidents. The Issuer has established occupational safety and sanitation systems and provided safety-related training to its employees to increase their awareness of workplace safety. The Issuer 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 at the date of this Offering Circular, certain subsidiaries of the Issuer had obtained the ISO45001:2018 certification in recognition of their occupational safety and sanity management system.

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

INSURANCE

The Issuer 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 Issuer 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 Issuer believe that its insurance policies are adequate and consistent with the industry practice in China.

LEGAL PROCEEDINGS

The Issuer 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 at the date of this Offering Circular, there had not been any material legal, arbitration, or administrative proceedings, regulatory inquiries or investigations made or pending or threatened against the Issuer or any of its directors.

INFORMATION ON THE GUARANTOR

Establishment

CGIF, a trust fund of the Asian Development Bank, was established by the ten members of the Association of Southeast Asian Nations ("**ASEAN**") together with the PRC, Japan, Republic of Korea (the "**ASEAN+3**") and the Asian Development Bank in 2010. The ten members of ASEAN consist of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic ("**Lao PDR**"), Malaysia, Republic of the Union Myanmar, Philippines, Singapore, Thailand and Vietnam.

CGIF was established in November 2010 to promote economic development, stability and resilience of financial markets in the ASEAN+3 region (the "**Region**"). The main function of CGIF is to provide credit guarantees for local currency denominated bonds issued in the Region by corporations in the Region.

Shareholding Structure

CGIF's guarantees are backed by US$1,158 million of paid-in capital from its sovereign government contributors and the Asian Development Bank. Neither the Asian Development Bank nor the other contributors are liable for the obligations of CGIF.

CGIF Shareholding Structure as at 4 November 2024

CGIF Contributors	Contribution	Shareholding Percentage
	(US$)	*(%)*
PRC	342,800,000	29.60
Japan	342,800,000	29.60
Asian Development Bank	180,000,000	15.54
Republic of Korea	171,400,000	14.80
Indonesia	30,600,000	2.64
Malaysia	17,600,000	1.52
Philippines	21,600,000	1.87
Singapore	21,600,000	1.87
Thailand	21,600,000	1.87
Brunei Darussalam	5,600,000	0.48
Vietnam	1,900,000	0.16
Cambodia	200,000	0.02
Lao People's Democratic Republic	200,000	0.02
Republic of the Union Myanmar	100,000	0.01
Total	**1,158,000,000**	**100.00**

Governance Structure

CGIF has a governance structure comprising of oversight by the: (i) Meeting of Contributors; (ii) Board of Directors; and (iii) Board Committees (Internal Control and Risk Management, Nomination and Remuneration and Audit).

The Board of Directors is comprised of eight Contributor-appointed members, including the Chief Executive Officer. Each of the PRC and Japan are entitled to nominate two Directors. The Republic of Korea is entitled to nominate one Director. The Asian Development Bank, and the ASEAN countries representing Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam are each entitled to one nomination.

The Board of Directors is accountable and reports to the Contributors on the operations and performance of management and of CGIF.

Board of Directors	**Members Represented**
Ms. Shuo Zhang	PRC
Ms. Minweng Zhang	PRC
Ms. Kazuko Sakuma (Chairperson)	Japan
Mr. Shunichi Takenaka	Japan
Mr. Sang-Hun Kim	Korea
Mr. Shum Jin-Chyi Kevin	ASEAN – Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
Mr. Craig Roberts	Asian Development Bank
Mr. Hongwei Wang	CGIF Management

CGIF is led by an internationally recruited management team with experience in development banking, risk management, and credit assessment through senior positions in the Export-Import Bank of China, Asian Development Bank, Mitsubishi UFJ Financial Group, Bank of the Philippines Islands, Danajamin Nasional Berhad, Hong Leong Bank Berhad, Standard Chartered Bank, Citibank and Société Générale.

The executive decision-making powers of CGIF, and the day-to-day management of CGIF, are mandated and vested to the Chief Executive Officer. The Chief Executive Officer is recommended by the Board of Directors and approved by the Meeting of Contributors. He is the legal representative of CGIF. The Chief Executive Officer heads the management team currently comprising the Deputy Chief Executive Officer/Chief Risk Officer, Chief Credit-risk Officer, Vice President Operations, Chief Financial Officer, General Counsel & Board Secretary, Corporate Planner and Head of Budget, Planning, Personnel and Management Systems and Internal Auditor.

Name	**Position**
Mr. Hongwei Wang	Chief Executive Officer
Mr. Mitsuhiro Yamawaki	Deputy Chief Executive Officer/Chief Risk Officer
Mr. Aarne Dimanlig	Chief Credit-risk Officer
Mr. Anuj Awasthi	Vice President Operations
Mr. Dong Woo Rhee	Chief Financial Officer
Mr. Gene Soon Park	General Counsel & Board Secretary
Mr. Hou Hock Lim	Corporate Planner and Head of Budget, Planning, Personnel and Management Systems
Ms. Jackie Jeong-Ae Bang	Internal Auditor

Credit Strength

CGIF is rated by international and domestic credit rating agencies.

Credit Rating Agency	Scale	Rating	Outlook	Date Reviewed
Standard & Poor's ("**S&P**")	Global Long Term/Short Term	AA/A-1+	Stable	28 February 2024
RAM Ratings ("**RAM**")	National	AAA	Stable	13 December 2024
TRIS Ratings	National	AAA	Stable	20 November 2024
Fitch Ratings Indonesia	National	AAA	Stable	16 December 2024
Pefindo Credit Rating Agency ("**Pefindo**")	National	idAAA	Stable	14 August 2024

Guarantee Business

CGIF's guarantee portfolio is limited to a leverage ratio of 2.5 times of its paid in capital of US$1,158 million as at 5 October 2024, plus (a) retained earnings, plus (b) reserves, less (c) net credit loss reserves, less (d) foreign exchange loss reserves, less (e) all illiquid assets. CGIF conducts its guarantee operations by adhering to its risk management framework consisting of: (i) credit guarantee process; (ii) credit guarantee portfolio management; (iii) risk reporting; and (iv) safeguards standards, among others.

Guarantee Portfolio

As of 14 January 2025, the following are the guarantees outstanding which have been extended by CGIF with respect to bonds issued by issuers in the ASEAN region:

Issue Date	Issuer	Note Issuance Venue	Issue Size(1)	% Guaranteed by CGIF	Issue Rating	Tenor
8 January 2025	PT Indonesian Paradise Property Tbk	Indonesia	IDR 487.5 billion	100%	AAA (Pefindo)	5 years
8 January 2025	PT Indonesian Paradise Property Tbk	Indonesia	IDR 12.5 billion	100%	AAA (Pefindo)	3 years
20 December 2024	Northeast Rubber Public Company Limited	Thailand	THB 1,500 million	100%	AAA (Tris Rating)	5 years
18 December 2024	PT Sarana Mitra Luas Tbk	Indonesia	IDR 152.9 billion	100%	AAA (Pefindo)	5 years
18 December 2024	PT Sarana Mitra Luas Tbk	Indonesia	IDR 147.1 billion	100%	AAA (Pefindo)	3 years
27 November 2024	Biwase – Long An Water JSC	Vietnam	VND 700 billion	100%	AAA (FinRatings Joint Stock Company)	10 years

Issue Date	Issuer	Note Issuance Venue	Issue Size(1)	% Guaranteed by CGIF	Issue Rating	Tenor
27 November 2024	PowerDC Holdco Pte. Ltd.	Singapore	HKD300 million	100%	AA (S&P)	5 years
26 November 2024	PT Hartadinata Abadi Tbk.	Indonesia	IDR 840.5 billion	100%	AAA (Pefindo)	5 years
26 November 2024	PT Hartadinata Abadi Tbk.	Indonesia	IDR 59.5 billion	100%	AAA (Pefindo)	3 years
20 November 2024	Singapore Medical Group Limited	Singapore	SGD90 million	100%	AA (S&P)	5 years
8 November 2024	PowerDC Holdco Pte. Ltd.	Singapore	SGD 100 million	100%	AA (S&P)	5 years
18 October 2024	Precious Shipping Public Company Limited	Thailand	THB 680 million	100%	AAA (Tris Rating)	5 years
18 October 2024	Precious Shipping Public Company Limited	Thailand	THB 680 million	100%	AAA (Tris Rating)	10 years
8 August 2024	Vongsayam Korsang Co., Ltd	Thailand	THB 342.9 million	100%	AAA (tha) (Fitch)	3 years
8 August 2024	Vongsayam Korsang Co., Ltd	Thailand	THB 634.8 million	100%	AAA (tha) (Fitch)	5 years
8 August 2024	Vongsayam Korsang Co., Ltd	Thailand	THB 488.5 million	100%	AAA (tha) (Fitch)	7 years
8 August 2024	Vongsayam Korsang Co., Ltd	Thailand	THB 489.6 million	100%	AAA (tha) (Fitch)	10 years
9 July 2024	PT Steel Pipe Industry of Indonesia TBK	Indonesia	IDR 33.78 billion	100%	AAA (Pefindo)	3 years
9 July 2024	PT Steel Pipe Industry of Indonesia TBK	Indonesia	IDR 766.22 billion	100%	AAA (Pefindo)	5 years
9 July 2024	PT Steel Pipe Industry of Indonesia TBK	Indonesia	IDR 200 billion	100%	AAA (Pefindo)	7 years
25 June 2024	HSBC Institutional Trust Services (Singapore) Limited, as Trustee of Sabana Industrial Real Estate Investment Trust ("**Sabana Industrial REIT**")	Singapore	SGD 100 million	100%	AA (S&P)	5 years
20 June 2024	Royal Group Phnom Penh SEZ Plc.	Cambodia	KHR 41 billion	100%	khAAA (RAC)	5 years

Issue Date	Issuer	Note Issuance Venue	Issue Size[(1)]	% Guaranteed by CGIF	Issue Rating	Tenor
30 May 2024	Thonburi Healthcare Group Public Company Limited	Thailand	THB 700 million	100%	AAA (tha) (Fitch)	3 years
30 May 2024	Thonburi Healthcare Group Public Company Limited	Thailand	THB 1.0 billion	100%	AAA (tha) (Fitch)	5 years
5 March 2024	Daewoo Engineering & Construction Co., Ltd.	Singapore	SGD 150 million	100%	AA (S&P)	5 years
15 February 2024	Hektar Real Estate Investment Trust	Malaysia	MYR 215 million	100%	AAA (RAM)	5 years
29 December 2023	Telcotech Limited	Cambodia	KHR 82.3 billion	100%	khAAA (RAC)	5 years
28 December 2023	Tecomen Joint Stock Company	Vietnam	VND 200 billion	100%	Unrated	5 years
15 December 2023	CIA First International School Co., Ltd.	Cambodia	KHR 41.25 billion	100%	khAAA (RAC)	5 years
14 December 2023	A&A Green Phoenix Group Joint Stock Company	Vietnam	VND 600 billion	100%	Unrated	7 years
14 December 2023	A&A Green Phoenix Group Joint Stock Company	Vietnam	VND 300 billion	100%	Unrated	7 years
8 December 2023	PT Adhi Commuter Properti TBK	Indonesia	IDR 15.7 billion	100%	AAA (Pefindo)	3 years
8 December 2023	PT Adhi Commuter Properti TBK	Indonesia	IDR 484.2 billion	100%	AAA (Pefindo)	5 years
22 November 2023	Yoma Strategic Holdings Ltd.	Thailand	THB 1,275 million	100%	AAA (Tris Rating)	3 years
22 November 2023	Yoma Strategic Holdings Ltd.	Thailand	THB 425 million	100%	AAA (Tris Rating)	5 years
2 November 2023	INTI Universal Holdings Sdn Bhd	Malaysia	MYR 165 million	100%	AAA (RAM)	5 years
29 September 2023	Hope Education Group Co., Ltd.	Thailand	THB 1,300 million	100%	AAA (Tris Rating)	3 years
24 August 2023	Erajaya Digital Pte. Ltd.	Singapore	SGD 50 million	100%	AA (S&P)	3 years
23 June 2023	Apeiron Agrocommodities Pte Ltd.	Singapore	SGD 50 million	100%	AA (S&P)	5 years

Issue Date	Issuer	Note Issuance Venue	Issue Size[1]	% Guaranteed by CGIF	Issue Rating	Tenor
19 April 2023	China Education Group Holdings Limited	Singapore	Offshore Renminbi (CNY) 500 million	100%	AA (S&P)	3 years
27 January 2023	SNC Former Public Company Limited	Thailand	THB 1.0 billion	100%	AAA (Tris Rating)	5 years
7 April 2022	First Real Estate Investment Trust	Singapore	SGD 100 million	100%	AA (S&P)	5 years
22 March 2022	China Education Group Holdings Limited	Singapore	Offshore Renminbi (CNY) 500 million	100%	AA (S&P)	3 years
4 March 2022	PT Polytama Propindo	Indonesia	IDR 110.25 billion[4]	100%	AAA (Pefindo)	5 years
1 December 2021	JWD InfoLogistics Public Company Limited[2]	Thailand	THB 1.2 billion	100%	AAA (tha) (Fitch)	9 years
11 November 2021	Thaifoods Group Public Company Limited	Thailand	THB 1 billion	100%	AAA (Tris Rating)	5 years
8 September 2021	PT Polytama Propindo	Indonesia	IDR 223 billion	100%	AAA (Pefindo)	5 years
8 September 2021	PT Polytama Propindo	Indonesia	IDR 56 billion[4]	100%	AAA (Pefindo)	5 years
25 August 2021	Telcotech Ltd.	Cambodia	KHR 80 billion	100%	Unrated	5 years
5 March 2021	JWD InfoLogistics Public Company Limited[2]	Thailand	THB 700 million	100%	AAA (tha) (Fitch)	5 years
8 January 2021	PT Ketrosden Triasmitra	Indonesia	IDR 168 billion	100%	AAA (Pefindo)	5 years
24 December 2020	GLP Pte. Ltd.	Japan	JPY 15.4 billion	100%	AA (S&P)	9 years
9 April 2020	RMA (Cambodia) PLC	Cambodia	KHR 80 billion	100%	Unrated	5 years
10 January 2020	Energy Absolute Public Company Ltd.	Thailand	THB 3.0 billion	50% risk participation with ADB	A (Tris Rating)	7 years
8 January 2020	Thaifoods Group Public Company Limited	Thailand	THB 2.0 billion	100%	AAA (Tris Rating)	5 years
31 December 2019	GELEX Group Joint Stock Company	Vietnam	VND 1.15 trillion	100%	Unrated	10 years
24 December 2019	Hong Phong 1 Energy JSC	Vietnam	VND 2.15 trillion	100%	Unrated	15 years
3 December 2019	Nexus International School (Singapore) Pte. Ltd.	Singapore	SGD 150 million	100%	AA (S&P)	12 years

Issue Date	Issuer	Note Issuance Venue	Issue Size[1]	% Guaranteed by CGIF	Issue Rating	Tenor
28 January 2019	Refrigeration Electrical Engineering Corporation	Vietnam	VND 2.318 trillion	100%	Unrated	10 years
5 October 2018	Hoan My Medical Corporation	Vietnam	VND 1.4 trillion	100%	Unrated	7 years
18 February 2016	Vingroup Joint Stock Company	Vietnam	VND 1.05 trillion	100%	Unrated	10 years
7 October 2015	IVL Singapore Pte. Ltd, a subsidiary of Indorama Ventures Public Company Limited	Singapore	SGD 195 million	100%	AA (S&P)	10 years

Notes:

(1) IDR refers to Indonesian Rupiah, PHP refers to Philippine Peso, SGD refers to Singapore dollars, THB refers to Thai Baht, VND refers to Vietnamese Dong, KHR refers to Cambodian Riel, JPY refers to Japanese Yen, CNY refers to Offshore Renminbi, and MYR refers to Malaysian Ringgit.

(2) Change of issuer of the bonds from JWD InfoLogistics Public Company Limited to SCGJWD Logistics Public Company Limited effective 14 February 2023.

(3) Change of issuer of the bonds from Protelindo Finance B.V. to PT Professional Telekomunikasi Indonesia effective 3 August 2016.

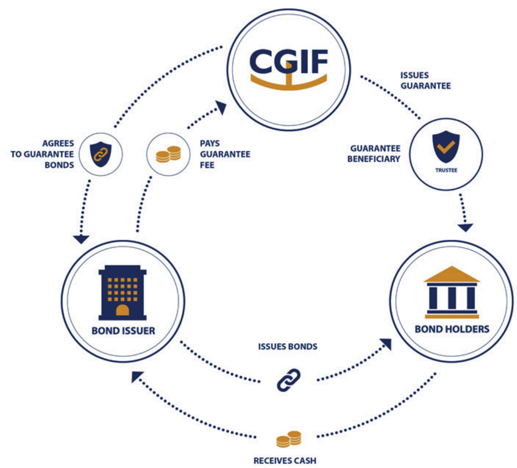
(4) Refers to ijarah sukuk issuances.

Guarantee Structure

CGIF's bond guarantee operation is aimed at supporting ASEAN+3 corporations to access the Region's bond markets to achieve the following benefits:

- expand and diversify their sources of debt capital;
- raise funds in matching currencies and tenors;
- transcend country sovereign ceilings for cross-border transactions; and
- gain familiarity in new bond markets and broader investor groups.

The guarantees issued by CGIF are irrevocable and unconditional commitments to pay bondholders upon non-payment by the issuers throughout the tenor of the bonds. This commitment is backed by CGIF's equity capital which has been fully paid-in by all of its contributors. CGIF's general bond guarantee structure is illustrated below.



To ensure applicability of the guarantee in multiple jurisdictions in the ASEAN+3 countries, some variations to the above structure may be incorporated to accommodate the established market norms.

Bond issuances that can be considered for CGIF guarantees are limited to the following parameters:

- group exposure/single borrow limit is up to US$231.6 million;
- bond tenor of up to 15 years, subject to conditions on credit rating and transaction structure; and
- for foreign currency denominated issuance, the borrowing entity should be adequately hedged, naturally or financially, on such currency (for example, via entity's sales receipts, inward foreign currency remittances, or financial hedge arrangements).

CGIF started its guarantee operations with a full guarantee for standard corporate bonds issued by corporations in the Region. With the experience gained from offering a full wrap guarantee, CGIF may also explore other alternatives including partial guarantees and other risk sharing mechanisms depending on the market opportunities and acceptability of such an arrangement. CGIF also guarantees project bonds to help develop them in the relevant markets in the Region.

Capital and Liquidity Guidelines

CGIF has investment strategies and liquidity guidelines for the management of its capital resources, where investments are focused on low-risk and highly liquid assets, such as government-related securities and/or highly rated securities which are internationally rated "A+" or higher for long-term instruments issued by government related entities of CGIF contributor countries, "AA-" or higher for those issued by others, and "A-1" or higher for short-term instruments. In order for CGIF to raise enough funds in a contingent case where a guarantee is called, CGIF also implemented the following:

(i) Quarterly stress test, where CGIF's funding capability is tested by liquidating its investment portfolio in a stress environment.

(ii) Quarterly liquidity gap reports, where monthly cash surplus from all projected cash in/out flows related to all CGIF operations and activities are checked.

Selected Financial Information

A summary of the statement of financial position, income statement, and cash flows as at, and for each of the years ended 31 December 2022 and 2023 have been extracted from CGIF's financial statements for the years ended 31 December 2022 and 2023 and presented as follows:

Statement of Financial Position Summary

	As at 31 December	
	2022	**2023**
	(in thousands of U.S. dollars)	
Statement of Financial Position:		
Assets:		
Cash	9,342	5,811
Investments	1,182,301	1,261,641
Accrued interest income	8,236	9,166
Guarantee fee receivable, net	57,248	54,724
Guarantee receivable, net	45,335	54,087
Other assets, net	2,539	1,987
Total assets	**1,305,001**	**1,387,416**
Liabilities and Member's equity:		
Guarantee liability	66,435	65,081
Other liabilities	15,334	19,868
Total liabilities	**81,769**	**84,949**
Member's equity:		
Capital stock (Paid-in capital)	1,148,899	1,158,000
Accumulated other comprehensive income:		
Investment revaluation reserve	(78,750)	(52,608)
Reserves & retained earnings	153,083	197,075
Total member's equity	**1,223,232**	**1,302,467**
Total liabilities and members' equity	**1,305,001**	**1,387,416**

Statement of Net Income and Comprehensive Income Summary

	For the years ended 31 December	
	2022	**2023**
	(in thousands of U.S. dollars)	
Statement of Net Income:		
Guarantee fees	20,034	20,535
Interest income	28,458	37,451
Miscellaneous income	2,608	511
Total revenue	51,100	58,497
Total expenses	(35,937)	(13,582)
Net operating income	15,163	44,915
Loss from foreign exchange	(1,329)	(923)
Net income	13,834	43,992
Statement of Comprehensive Income:		
Net unrealised loss on investments measured at FVTOCI	(94,863)	26,142
Total comprehensive income	**(81,029)**	**70,134**

Statement of Cash Flow Summary

	For the years ended 31 December	
	2022	**2023**
	(in thousands of U.S. dollars)	
Statement of Cash Flow:		
Net cash flows from operating activities	27,577	8,530
Net cash flows from investing activities	(39,085)	(20,968)
Net cash flows from financing activities	11,737	8,927
Effect of exchange rate changes on cash	(41)	(20)
Net cash movement	188	(3,531)
Cash at beginning of period	9,154	9,342
Cash at end of period	**9,342**	**5,811**

Audited Financial Statements for the Years ended 31 December 2022 and 2023

CGIF's financial statements are prepared and presented in accordance with IFRS and audited by Deloitte & Touche LLP. The independent auditors' report accompanying CGIF's financial statements for the years ended 31 December 2022 and 2023 of CGIF are available at the following website page: http://www.cgif-abmi.org/investors/financial-statements.

All of the information on the Guarantor under this section has been provided by CGIF. Information in respect of the Issuer contained in this Offering Circular has not been verified by the Guarantor. None of the Guarantor, its management nor its employees take any responsibility, expressed or implied, for any information contained in this Offering Circular, other than the information contained in this Section entitled "*Information on the Guarantor*". In addition, none of the foregoing parties has taken any steps to verify the accuracy of any of the information included in this Offering Circular, other than the information contained in this Section entitled "*Information on the Guarantor*", and no representation or warranty, express or implied, is made by any such parties as to the accuracy or completeness of the information contained in this Offering Circular.

DIRECTORS AND MANAGEMENT

Directors

The board of directors of the Issuer 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)	61	Executive director and chairman
Ding Bin (丁斌)	48	Executive director
Li Zhong (李中)	56	Executive director
Duan Jerry Linnan (段林楠)	34	Executive director
Li Hao (李浩)	42	Non-executive director
Wang Xiao Qin (王小沁)	52	Non-executive director
Liu Yu Jie (劉玉杰)	60	Non-executive director
Chau Kam Wing (周錦榮).	61	Independent non-executive director
Siu Chi Ming (邵梓銘)	44	Independent non-executive director
Ho Ping (何萍)	53	Independent non-executive director
Xiao Zhe (肖喆)	39	Independent non-executive director

Executive Directors

Mr. Duan Chuan Liang (段傳良), aged 61, 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 48, 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 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 Issuer 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 Issuer 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 Issuer. 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 Issuer.

Non-executive Directors

Mr. Li Hao (李浩), aged 42, 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 Issuer) 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.

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.

Ms. Liu Yu Jie (劉玉杰), aged 60, graduated from University of International Business and Economic in Beijing and obtained a master degree in Business Administration. Ms. Liu has been working in Hong Kong, Singapore and the PRC for over 20 years in total and is familiar with the business environment and regulatory system of the three places. She has comprehensive experience in capital market, business promotion and corporate management; participated in IPO and underwriting of over 30 companies on The Stock Exchange of Hong Kong Limited; led and completed merger and acquisition of three companies in Hong Kong and Singapore; assisted capital raising and management of large-scale industrial fund for investment in China; acted as executive directors of listed companies in Hong Kong and Singapore which engage in utilities and infrastructure investment. Currently, she is also the executive director of New Universe Environmental Group Limited (stock code: 436) and Kangda International Environmental Company Limited (stock code: 6136), and an independent non-executive director of Zhongyu Energy Holdings Limited (stock code: 3633), which are listed on the main board of the Stock Exchange. She joined the Group in 2014. She was re-designated to non-executive director of the Issuer with effect from 12 April 2023.

Independent Non-executive Directors

Mr. Chau Kam Wing (周錦榮), aged 61, 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 Issuer.

Mr. Siu Chi Ming (邵梓銘), aged 44, 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 Issuer.

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 Issuer.

Mr. Xiao Zhe (肖喆), aged 39, 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.

Board Committees

Audit Committee

The Issuer 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 Issuer. 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 Issuer'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 Issuer has a remuneration committee. The remuneration committee consists of four members, all of whom are independent non-executive directors of the Issuer. 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 Issuer 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 Issuer where the appointment of directors of the Issuer 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 46, is the company secretary of the Issuer. 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 at 31 March 2024, as far as the Issuer is aware, the following persons had interests or short positions in the shares or underlying shares which were required to be disclosed to the Issuer 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 Issuer pursuant to Section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of shares	Long/Short position	Approximate percentage of shareholding in the Issuer (%)
Duan Chuan Liang	Beneficial	471,036,301	Long position	28.86
Asset Full Resources Limited[1]	Beneficial	218,044,301	Long position	13.36
ORIX Corporation	Beneficial	322,364,277	Long position	19.75

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 Issuer.

Save as disclosed above, as at 31 March 2024, so far as is known to any Director or chief executive of the Issuer, no person (other than a Director or chief executive of the Issuer) had interests or short positions in the shares or underlying shares of the Issuer as recorded in the register required to be kept by the Issuer pursuant to Section 336 of the SFO.

BONDS 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 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	6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	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	7 AFFORDABLE AND CLEAN ENERGY	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, 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/.

TERMS AND CONDITIONS OF THE BONDS

*The following is the text of the Terms and Conditions of the Bonds (the "**Conditions**") which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Bonds:*

The CNY1,000,000,000 in aggregate principal amount of 3.45 per cent. Guaranteed Blue Bonds due 2030 (in these Conditions, the "**Bonds**", which expression includes any further bonds issued pursuant to Condition 18 *(Further Issues)* and consolidated and forming a single series therewith) of China Water Affairs Group Limited (中國水務集團有限公司) (the "**Issuer**") are constituted by, are subject to, and have the benefit of, (a) a trust deed dated 27 January 2025 (as amended, restated, replaced and/or supplemented from time to time, the "**Trust Deed**") among the Issuer, Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank, as guarantor ("**CGIF**" or the "**Guarantor**") and Citicorp International Limited as trustee (the "**Trustee,**" which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed), (b) a guarantee agreement dated 27 January 2025 (as amended, restated, replaced and/or supplemented from time to time, the "**CGIF Guarantee**") between the Guarantor and the Trustee, and (c) an agency agreement dated 27 January 2025 (as amended, restated, replaced and/or supplemented from time to time, the "**Agency Agreement**") among the Issuer, the Guarantor, Citicorp International Limited, as registrar (the "**Registrar,**" which expression includes any successor registrar appointed from time to time in connection with the Bonds), as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent,**" which expression includes any successor CMU lodging and paying agent appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent,**" which expression includes any successor or additional transfer agent(s) appointed from time to time in connection with the Bonds) and the Trustee. References herein to the "**Agents**" (as defined below) are to the Registrar, the Transfer Agent and the CMU Lodging and Paying Agent and any reference to an "**Agent**" is to any one of them.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries of the Trust Deed, the CGIF Guarantee and the Agency Agreement and subject to their detailed provisions. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the CGIF Guarantee and the Agency Agreement applicable to them. Copies of the Trust Deed, the CGIF Guarantee and the Agency Agreement are available electronically via e-mail to Bondholders from the CMU Lodging and Paying Agent during normal business hours following prior written request and proof of holding and identity to the satisfaction of the CMU Lodging and Paying Agent and subject in the case of the Trust Deed and the CGIF Guarantee to the CMU Lodging and Paying Agent first having been provided with a copy of the same by the Issuer.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION, STATUS AND GUARANTEE

(a) **Form and denomination:** The Bonds are in registered form in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, an "**Authorised Denomination**").

(b) **Status of the Bonds:** The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4 *(Negative Pledge)*) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

(c) **Guarantee of the Bonds:** The payment obligations of the Issuer under the Bonds and the Trust Deed are unconditionally and irrevocably guaranteed by the Guarantor to the extent of, and in accordance with and subject to the terms of, the CGIF Guarantee. Such obligations of the Guarantor under the CGIF Guarantee are direct, unconditional and general obligations of the Guarantor and rank *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

The CGIF Guarantee does not cover (i) any relevant amounts of principal or accrued but unpaid interest that may become payable by the Issuer on the exercise by it of an early redemption option, including as a result of the Issuer's early redemption for tax reasons (Condition 8(b) (Redemption for tax reasons)) and the Issuer's early redemption at its option (Condition 8(d) (Redemption at the Option of the Issuer)) or (ii) any amounts that may become payable by the Issuer or any of its Subsidiaries as a result of the Issuer's or any of its Subsidiaries' purchasing of the bonds pursuant to Condition 8(e) (Purchase). In order to mitigate any risk of the Issuer not paying the relevant amount of principal and/or accrued but unpaid interest arising out of or in connection with the Issuer exercising any of its rights of early redemption, the Issuer, in exercising its rights for redemption for tax reasons or at its option, is required to, not less than one Business Day prior to the publication of any notice of redemption in relation to redemption for tax reasons under Condition 8(b) (Redemption for tax reasons) or redemption at the Issuer's option under 8(d) (Redemption at the Option of the Issuer), transfer to a Renminbi account specified by the CMU Lodging and Paying Agent for distribution to the Bondholders an amount in Renminbi in immediately available cleared funds sufficient to redeem the Bonds at their principal amount together with any interest accrued but unpaid to (but excluding) the relevant date fixed for redemption.

(d) **Limitation on the Guarantor's Liabilities:** Notwithstanding any other provisions of the CGIF Guarantee, the Trust Deed and the Agency Agreement, these Conditions or any other document related to the issuance of the Bonds, the recourse of the Bondholders against CGIF in respect of the CGIF Guarantee is limited solely to the CGIF Assets. By its holding of a Bond each Bondholder will be deemed to acknowledge and accept that it, and the Trustee on its behalf, only has recourse to the CGIF Assets and neither the Trustee nor any Bondholder has recourse to any assets of the Asian Development Bank or any other contributors to the Guarantor. Any obligation under the CGIF Guarantee shall not constitute an obligation of the Asian Development Bank or any other contributors to the Guarantor.

By its holding of a Bond, and notwithstanding any other provisions of the CGIF Guarantee, the Trust Deed and the Agency Agreement, these Conditions or any other document related to the issuance of the Bonds, each Bondholder will be deemed to further acknowledge and accept that neither the Asian Development Bank nor any other contributors to the Guarantor or the officers, employees or agents of the Asian Development Bank or any contributor to the Guarantor shall be subject to any personal liability whatsoever to any third party, including each Bondholder, in connection with the operation of the Guarantor or under the CGIF Guarantee and no action may be brought against the Asian Development Bank, as the trustee of the Guarantor or as contributor to the Guarantor, or against any other contributors to the Guarantor or any of their respective officers, employees or agents by any third party including the Bondholders and the Trustee in connection with these Conditions.

2. DEFINITIONS

In these Conditions:

"**Acceleration Step**" has the meaning given to it in the Trust Deed;

"**Articles of Agreement of CGIF**" means the articles of agreement of CGIF originally dated 11 May 2010, as amended on 27 November 2013, 31 May 2016, 23 May 2017, 31 May 2018, 16 May 2019, 1 August 2019 and 28 May 2024 (as may be further amended or supplemented from time to time);

"**Bondholder**" means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof);

"**Business Day**" means any day (other than a Sunday or a Saturday) on which commercial banks are open for general business (including dealings in foreign currencies) in Manila, Bermuda, the Cayman Islands, the British Virgin Islands, New York, Singapore, the PRC and Hong Kong;

"**CGIF Assets**" means all property and assets of CGIF held in trust in accordance with the Articles of Agreement of CGIF and available from time to time to meet the liabilities of CGIF. For the avoidance of doubt, a CGIF Asset does not include any assets of the Asian Development Bank or any other contributors to CGIF;

"**CMU Lodging and Paying Agent(s)**" means the CMU Lodging and Paying Agent which expression shall include any other or additional CMU lodging and paying agent appointed pursuant to the Agency Agreement;

"**Default**" means an event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 12 *(Events of Default)* become an Event of Default;

"**Directors**" means the directors of the Issuer from time to time, and each a "**Director**";

"**Extraordinary Resolution**" has the meaning given to it in Schedule 3 of the Trust Deed;

"**GAAP**" means Hong Kong Financial Reporting Standards as in effect from time to time.

"**Guarantee**" means, in relation to any indebtedness of any Person, any obligation of another Person to pay such indebtedness including (without limitation):

(a) any obligation to purchase such indebtedness;

(b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such indebtedness;

(c) any indemnity against the consequences of a default in the payment of such indebtedness; and

(d) any other agreement to be responsible for such indebtedness;

"**Guaranteed Amount**" has the meaning given to such term in Clause 2.1(a) of the CGIF Guarantee;

"**Guaranteed Party Acceleration Notice**" means a written notice delivered by the Trustee to CGIF pursuant to, and substantially in the form set out in the Trust Deed;

"**Guarantor Default Interest Amount**" means certain default interest payable by the Guarantor in the amount and at the rate as calculated in accordance with the CGIF Guarantee;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Indebtedness**" means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit;

"**Interest Period**" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date;

"**Issuer Event of Default**" means:

(a) the occurrence of any of the events described in Condition 12 *(Events of Default)*; or

(b) the failure by the Issuer to pay when due the guarantee fees payable to the Guarantor in relation to the CGIF Guarantee provided by the Guarantor;

"**Macau**" means the Macau Special Administrative Region of the People's Republic of China;

"**Maturity Date**" means 27 January 2030;

"**Missed Payment Event**" means the non-payment (not taking into account any grace period) of any Guaranteed Amount by the Issuer in accordance with these Conditions and the Trust Deed;

"**Non-Payment Eve**nt" means the occurrence of an Event of Default thirty (30) calendar days after the occurrence of a Missed Payment Event in accordance with Condition 12(a)(i) *(Non-payment)* of these Conditions;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**Principal Subsidiaries**" means any Subsidiary or any group of 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 U.S. Securities Act of 1933, as amended, as such Regulation is in effect on the Issue Date, if any of the conditions exceeds 5 percent.

An Officer's Certificate (as defined in the Trust Deed) of the Issuer that, in the opinion of the Issuer, a Subsidiary is or is not or was or was not or would or would not have been, pursuant to the definition above, treated, at any particular time, as a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties concerned. The Guarantor and the Trustee shall be entitled to rely on any such certificate without any further investigation and without liability to the Bondholders, the Issuer, the Guarantor or any other person.

References in these Conditions to the audited profit and loss account of a Subsidiary which has subsidiaries shall be construed as references to the audited consolidated profit and loss account of such Subsidiary and its subsidiaries, if such are required by law to be produced, or if no such profit and loss account is required by law to be produced, to a pro forma profit and loss account, prepared for the purpose of such certificate;

"**Registration Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing, the PRC;

"**Relevant Indebtedness**" means any future or present indebtedness incurred outside the PRC in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money, which are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement). For the avoidance of doubt, "Relevant Indebtedness" does not include indebtedness under any bilateral loan, syndicated loan, club loan, credit facility, or transferable loan facility or agreement (including any draw-down of any existing credit line or facility);

"**Relevant Taxing Jurisdiction**" means Bermuda, the Cayman Islands, Hong Kong and the PRC, as applicable, or, in each such case, any political subdivision or any authority thereof or therein having power to tax;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Specified Office**" has the meaning given to such term in the Trust Deed;

"**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; and

"**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.

3. REGISTER, TITLE AND TRANSFERS

(a) **Register:** The Registrar will maintain a register outside the United Kingdom (the "**Register**") in respect of the Bonds in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Certificate**") will be issued to each Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*Upon issue, the Bonds will be evidenced by a global certificate in the aggregate principal amount of the Bonds (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed and registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator of the Central Moneymarkets Unit (the "**CMU**"). Interests in the Global Certificate shall be exchangeable for individual Certificates only in the circumstances set out therein.*

*The Bonds will be traded on the Singapore Exchange Securities Trading Limited ("**SGX– ST**") in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies).*

(b) **Title:** Each Bondholder shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Bondholder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) **Transfers:** Subject to Conditions 3(f) *(Closed periods)* and 3(g) *(Regulations concerning transfers and registration)* below and the provisions of the Agency Agreement, a Bond may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed and executed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) the Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a Bondholder are being transferred) the principal amount of the balance of Bonds not transferred is not less than the minimum Authorised Denomination. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures of the CMU.

(d) **Registration and delivery of Certificates:** Within five (5) Business Days of the surrender of a Certificate in accordance with Condition 3(c) *(Transfers)* above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant Bondholder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Bondholder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Bondholder. In this Condition 3(d) *(Registration and delivery of Certificates)*, "**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.

(e) **No charge:** The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agent but (i) against such payment or indemnity as the Registrar or (as the case may be) the Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer, (ii) upon the Registrar or (as the case may be) the Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application, and (iii) upon the Issuer and/or the Registrar and/or the Transfer Agent being satisfied that the Regulations (as defined in the Agency Agreement) concerning the transfer of Bonds have been complied with.

(f) **Closed periods:** Bondholders may not require the transfer of a Bond to be registered (i) during the period of fifteen (15) days ending on the due date for any payment of principal or interest in respect of the Bonds or (ii) after such Bond has been called for redemption.

(g) **Regulations concerning transfers and registration:** All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by:

(i) the Issuer with the prior written approval of the Trustee and the Registrar; or

(ii) the Registrar with the prior written approval of the Issuer and the Trustee.

A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder who requests in writing a copy of such regulations and following proof of holding and identity to the satisfaction of the Registrar.

*For so long as any of the Bonds are represented by the Global Certificate, each person who is for the time being shown in the records of the CMU as the holder of a particular principal amount of Bonds (the "**accountholder**") (in which regard any certificate or other document issued by the CMU as to the principal amount of such Bond standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee and the Agents as the absolute holder of such principal amount of Bonds other than with respect to the payment of principal, interest and any other amounts in respect of the Bonds, the right to which shall be vested, as against the Issuer, the Guarantor, the Registrar and the Agents solely in the holder of the Global Certificate in accordance with and subject to its terms. For so long as any of the Bonds are represented by the Global Certificate and the Global Certificate is held with the CMU, any transfer of principal amounts of Bonds shall be effected in accordance with the rules and procedures for the time being of the CMU.*

Notwithstanding the above, if the Global Certificate is held by or on behalf of the CMU, any payments that are made in respect of the Global Certificate shall be made to the CMU and such payments shall discharge the obligation of the Issuer and the Guarantor in respect of that payment. For these purposes, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error). Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the CMU.

4. NEGATIVE PLEDGE

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not, and shall ensure that none of its Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, property, assets or revenues (including uncalled share capital) to secure for the benefit of the holders of any Relevant Indebtedness:

(a) payment of any sum due in respect of any such Relevant Indebtedness;

(b) payment under any Guarantee or other like obligation in respect of any such Relevant Indebtedness; or

(c) payment under any indemnity or other like obligation in respect of any such Relevant Indebtedness,

without (i) at the same time or prior thereto securing the Bonds equally and rateably or (ii) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

5. PROVISION OF FINANCIAL STATEMENTS AND REPORTS

(a) So long as any of the Bonds remain outstanding, the Issuer shall file with the Trustee and furnish to the Bondholders 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 Issuer'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 Issuer ceases to be listed for trading on a recognized stock exchange, the Issuer will file with the Trustee and furnish to the Bondholders:

   (i) as soon as they are available, but in any event within one hundred and twenty (120) calendar days after the end of the fiscal year of the Issuer, copies of the financial statements (on a consolidated basis and in the English language) of the Issuer 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

   (ii) as soon as they are available, but in any event within ninety (90) calendar days after the end of the second financial quarter of the Issuer, copies of the financial statements (on a consolidated basis and in the English language) of the Issuer 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 Officer's Certificate, in form and substance reasonably satisfactory to the Trustee, stating that such financial statements are prepared in accordance with GAAP.

(b) So long as any of the Bonds remain outstanding, as soon as possible and in any event within thirty (30) days after the Issuer becomes aware or should reasonably become aware of the occurrence thereof, the Issuer shall provide to the Trustee written notice of the occurrence of any event or condition which constitutes an Event of Default (as defined in Condition 12 *(Events of Default)* below) or Default and an Officer's Certificate of the Issuer setting forth the details thereof and the action the Issuer is taking or proposes to take with respect thereto.

6. NDRC REGISTRATION

NDRC Post-issue Filing: The Issuer undertakes that it will, within the prescribed time period after the Issue Date prescribed by the NDRC (as defined below) or under the relevant laws and regulations, file or cause to be filed with the National Development and Reform Commission of the PRC or its successor (the "**NDRC**") the requisite information and documents in accordance with the Administrative Measures for the Examination and Registration of Medium and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法) ("**Order 56**") issued by the NDRC and effective as of 10 February 2023 (the "**NDRC Post-issue Filing**") in respect of the Bonds and 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).

7. INTEREST

(a) **Accrual of interest:** The Bonds bear interest from (and including) 27 January 2025 (the "**Issue Date**") at the rate of 3.45 per cent. per annum, (the "**Rate of Interest**") payable semi-annually in arrear on 27 January and 27 July, in each year, commencing on 27 July 2025 (each, an "**Interest Payment Date**"), subject as provided in Condition 9 *(Payments)*.

(b) Each Bond will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate aforesaid per annum (both before and after an arbitral decision, judgment or other order of a court of competent jurisdiction) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (ii) the day which is seven (7) days after the CMU Lodging and Paying Agent or the Trustee (as the case may be) has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh (7th) day (except to the extent that there is any subsequent default in payment).

(c) **Calculation of Interest:** Interest in respect of any Bonds shall be calculated per Calculation Amount. The amount of interest payable per Calculation Amount (the "**Interest Amount**") shall be calculated by multiplying the Rate of Interest, the Calculation Amount and the actual number of days elapsed in such Interest Period and then dividing the product thereof by 365, and rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards), where "**Calculation Amount**" means CNY10,000.

8. REDEMPTION AND PURCHASE

(a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at 100 per cent. (100%) of their principal amount on the Maturity Date, subject as provided in Condition 9 *(Payments)*.

(b) **Redemption for tax reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part only, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 *(Notices)* and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable) (a "**Tax Redemption Notice**") at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption (the "**Tax Redemption Date**"), if:

(i) immediately before giving such notice, the Issuer notifies the Trustee that:

(A) the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 10 *(Taxation)* as a result of any change in, or amendment to, the laws or regulations of the Relevant Taxing Jurisdiction or any change in the application or official interpretation of such laws or regulations (including without limitation a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 January 2025 and such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

(B) the Guarantor has or will become obliged to pay Additional Amounts as provided or referred to in Condition 10 *(Taxation)* or the CGIF Guarantee, as the case may be, as a result of any change in, or amendment to, the laws or regulations of the Republic of the Philippines (the "**Philippines**") or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 21 January 2025 and such obligation cannot be avoided by the Guarantor taking reasonable measures available to it;

provided, however, that in any event, no such notice of redemption shall be given earlier than one hundred and eighty (180) days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such Additional Amounts if a payment in respect of the Bonds or under the CGIF Guarantee were then due;

(ii) prior to the publication of any notice of redemption pursuant to this Condition 8(b) *(Redemption for tax reasons)*, the Issuer shall deliver or procure that there is delivered to each of the Trustee and the Guarantor:

(A) (X) an Officer's Certificate of the Issuer stating that the circumstances referred to in Condition 8(b)(i)(A) above prevail and setting out the details of such circumstances, or (Y) (as the case may be) a certificate signed by an authorised officer of the Guarantor stating that the circumstances referred to in Condition 8(b)(i)(B) above prevail and setting out details of such circumstances, provided that in the case of (Y), the Issuer shall deliver or procure that there is delivered such an officer's certificate of the Guarantor to the Trustee only; and

(B) an opinion in form and substance satisfactory to the Trustee from independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor (as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event they shall be conclusive and binding on the Bondholders; and

(iii) not less than one (1) Business Day prior to the publication of any notice of redemption pursuant to this Condition 8(b) *(Redemption for tax reasons)*, the Issuer shall irrevocably transfer to a Renminbi account specified by the CMU Lodging and Paying Agent for distribution to the Bondholders an amount in Renminbi in immediately available cleared funds sufficient to redeem the Bonds at their principal amount together with any interest accrued but unpaid to (but excluding) the relevant date fixed for redemption.

If the Issuer fails to comply with any of the requirements of the foregoing provisions of this Condition 8(b) *(Redemption for tax reasons)* any notice of redemption purported to be delivered pursuant to this Condition 8(b) *(Redemption for tax reasons)* shall be void and of no effect, but this shall not affect, release or otherwise discharge any of the Issuer's or the Guarantor's other obligations under these Conditions, the Trust Deed or the CGIF Guarantee.

Upon the expiry of any such notice as is referred to in this Condition 8(b) *(Redemption for tax reasons)* and satisfaction of the other requirements specified in this Condition 8(b) *(Redemption for tax reasons)*, the Issuer shall be bound to redeem the Bonds in accordance with this Condition 8(b) *(Redemption for tax reasons)* and the CMU Lodging and Paying Agent shall apply all monies paid to it by the Issuer as contemplated in Condition 8(b)(iii) in redemption of the Bonds in accordance with these Conditions and the Agency Agreement.

(c) **Redemption in the event of a CGIF Acceleration:**

(i) At any time following the occurrence of a CGIF Acceleration, the Guarantor may at its discretion, on giving not less than seven (7) nor more than fifteen (15) days' notice to the Issuer, the Trustee and the CMU Lodging and Paying Agent, require the Issuer to redeem the Bonds in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption, and immediately upon receipt of such notice, the Issuer shall, or if the Issuer fails to do so the Guarantor may, give notice to the Bondholders in accordance with Condition 19 *(Notices)* and to the Trustee and the Agents in writing (which notice shall be irrevocable).

(ii) For the purposes of this Condition 8(c) *(Redemption in the event of a CGIF Acceleration)*, a "**CGIF Acceleration**" occurs if:

(A) an Issuer Event of Default occurs; or

(B) a Missed Payment Event has occurred and is continuing, irrespective of whether the Guarantor has already paid any Guaranteed Amounts in respect of such Missed Payment Event; or

(C) any term or provision of these Conditions, the Trust Deed or the Agency Agreement has been amended, modified, varied, novated, supplemented, superseded, waived or terminated without the prior written consent of the Guarantor as required pursuant to the terms of the CGIF Guarantee, the Conditions, the Trust Deed or the Agency Agreement, as the case may be,

and the Guarantor has delivered a CGIF Acceleration Notice to the Trustee in accordance with the Trust Deed.

(iii) In this Condition 8(c) *(Redemption in the event of a CGIF Acceleration)*, a "**CGIF Acceleration Notice**" shall mean a written notice delivered by the Guarantor to the Trustee pursuant to, and substantially in the form set out in, the Trust Deed.

(iv) The Trustee shall be entitled to accept and rely upon (without further enquiry and without liability to any Bondholder or any other person) a CGIF Acceleration Notice as sufficient evidence that a CGIF Acceleration has occurred and of the Guarantor's agreement to pay all outstanding Guaranteed Amounts, and in such event such CGIF Acceleration Notice shall be conclusive and binding on the Bondholders.

(v) Upon the relevant date fixed for redemption specified in any CGIF Acceleration Notice and notified by the Issuer or the Guarantor to the Bondholders in accordance with Condition 19 *(Notices)* and to the Trustee and the CMU Lodging and Paying Agent in writing, the Issuer shall be bound to redeem the Bonds in accordance with this Condition 8(c) *(Redemption in the event of a CGIF Acceleration)* and the Guarantor shall be bound to pay all Guaranteed Amounts outstanding as set out in the CGIF Acceleration Notice within thirty (30) calendar days from the date of such CGIF Acceleration Notice, **provided that**, (A) CGIF has required the Issuer to redeem the Bonds pursuant to Condition 8(c) *(Redemption in the event of a CGIF Acceleration)* and (B) the Issuer has failed to redeem the Bonds within the prescribed period in accordance with these Conditions.

(d) **Redemption at the Option of the Issuer:** On or after 27 December 2029 (being the date that falls one (1) month prior to the Maturity Date), the Issuer may, at any time, on giving not less than fifteen (15) nor more than thirty (30) days' notice to the Bondholders in accordance with Condition 19 *(Notices)* and to the Guarantor, the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable), redeem the Bonds, in whole, but not in part only, at their principal amount, together with interest accrued but unpaid to (but excluding) the date fixed for redemption (the "**Redemption Date**").

Not less than one (1) Business Day prior to the publication of any notice of redemption pursuant to this Condition 8(d) *(Redemption at the Option of the Issuer)*, the Issuer shall irrevocably transfer to a Renminbi account specified by the CMU Lodging and Paying Agent for distribution to the Bondholders an amount in Renminbi in immediately available cleared funds sufficient to redeem the Bonds at their principal amount together with any interest accrued but unpaid to (but excluding) the relevant date fixed for redemption.

If the Issuer fails to comply with any of the requirements of the foregoing provisions of this Condition 8(d) *(Redemption at the Option of the Issuer)* any notice of redemption purported to be delivered pursuant to this Condition 8(d) *(Redemption at the Option of the Issuer)* shall be void and of no effect, but this shall not affect, release or otherwise discharge any of the Issuer's or the Guarantor's other obligations under these Conditions, the Trust Deed or the CGIF Guarantee.

Upon the expiry of any such notice as is referred to in this Condition 8(d) *(Redemption at the Option of the Issuer)* and satisfaction of the other requirements specified in this Condition 8(d) *(Redemption at the Option of the Issuer)*, the Issuer shall be bound to redeem the Bonds in accordance with this Condition 8(d) *(Redemption at the Option of the Issuer)* and the CMU Lodging and Paying Agent shall apply all monies paid to it by the Issuer as contemplated in Condition 8(d) *(Redemption at the Option of the Issuer)* in redemption of the Bonds in accordance with these Conditions and the Agency Agreement.

(e) **Purchase:** The Issuer, any of its Subsidiaries or the Guarantor may at any time purchase Bonds in the open market or otherwise and at any price. The Bonds so purchased by the Issuer or any of its Subsidiaries, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 12 *(Events of Default)*, 16(a) *(Meetings of Bondholders)* and 17 *(Enforcement)*. The Bonds so purchased by the Guarantor, while held by or on behalf of the Guarantor, shall not entitle the Guarantor to vote at the meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 12 *(Events of Default)*, 16(a) *(Meetings of Bondholders)* and 17 *(Enforcement)*, in the following circumstances or where so provided in the Trust Deed:

(i) where a Guaranteed Party Acceleration has occurred and (A) CGIF has not made payment under the CGIF Guarantee of the relevant Guaranteed Amount in full or (B) CGIF has made payment under the CGIF Guarantee of the relevant Guaranteed Amount in full and the Extraordinary Resolution being proposed is a resolution (I) to do, or in relation to, any purpose set out in sub-paragraph (iii) of this Condition 8(e) *(Purchase)* or (II) to instruct, direct or authorise the Trustee to waive either the Guaranteed Party Acceleration or any breach by CGIF of any obligation to pay any Guaranteed Amount in accordance with the CGIF Guarantee;

(ii) during the period of thirty (30) days following the occurrence of a Missed Payment Event and prior to the occurrence of a Guaranteed Party Acceleration, where the Extraordinary Resolution being proposed is a resolution (A) to do, or in relation to, any of the matters set out in sub-paragraph (iii) of this Condition 8(e) *(Purchase)* or (B) to instruct, direct or authorise the Trustee to waive (I) a Missed Payment Event or (II) a breach by the Issuer of its obligation to pay any Guaranteed Amount in accordance with these Conditions and the Trust Deed; or

(iii) at any time (whether before or after any Missed Payment Event, Event of Default, Default, Non-Payment Event or Guaranteed Party Acceleration or any other event as contemplated in the Trust Deed, the CGIF Guarantee, the Agency Agreement, these Conditions and/or any other documentation relating to the transactions herein or therein contemplated), where the Extraordinary Resolution being proposed is a resolution for the purpose of making a modification to the Trust Deed or the Bonds which would have the effect of:

(A) reducing the amount of principal or interest payable on any date in respect of the Bonds;

(B) modifying the circumstances in which the Issuer is entitled to, or required to, redeem the Bonds pursuant to Condition 8(c) *(Redemption in the event of a CGIF Acceleration)*;

(C) changing the quorum requirements relating to meetings of Bondholders;

(D) changing the majority required to pass an Extraordinary Resolution;

(E) amending the definition of "Reserved Matter" as set out in Condition 16(a) *(Meetings of Bondholders)*;

(F) changing any date fixed for payment of principal or interest in respect of the Bonds, where such change has the effect of changing the date fixed for payment of principal or interest in respect of the Bonds to a date that is later than the original date for such payment;

(G) altering the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, where such alteration has an effect of decreasing the amount of any payment in respect of the Bonds or changing the date for any such payment to a date that is later than the original date for such payment; or

(H) sanctioning, or directing the Trustee to concur in, the amendment of the terms of the CGIF Guarantee or the provisions of Clauses 2.5 *(Guarantee and Indemnity)* and 6.2 *(The CGIF Guarantee)* of the Trust Deed in so far as they relate to the CGIF Guarantee, where such amendment has the effect of reducing the Guaranteed Amount or altering CGIF's obligations under the CGIF Guarantee.

For the avoidance of doubt, the Bonds so purchased by the Guarantor, while held by or on behalf of the Guarantor, shall entitle the Guarantor to vote at the meetings of the Bondholders and shall be deemed outstanding in any other circumstances not otherwise set forth above and in sub-paragraphs (i) to (iii) (both inclusive) of this Condition 8(e) *(Purchase)* or in the Trust Deed.

(f) **Cancellation:** All Bonds so redeemed or purchased by the Issuer or any of its Subsidiaries shall be cancelled and may not be reissued or resold.

(g) **No other redemption:** The Issuer and the Guarantor shall not be entitled to redeem, and the Issuer and the Guarantor shall not be required to redeem, the Bonds otherwise than as provided in Conditions 8(a) *(Scheduled redemption)* to 8(d) *(Redemption at the Option of the Issuer)* (both inclusive) above.

(h) **Calculations:** Neither the Trustee nor any of the Agents shall be responsible for monitoring or determining whether a right of redemption or an obligation to redeem has arisen or may arise under this Condition 8 *(Redemption and Purchase)* or for calculating or verifying the calculations of any amount payable under any notice of redemption and none of them shall have any duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and none of them shall be liable to the Bondholders or any other person for not doing so.

9. PAYMENTS

(a) **Principal:** Payments of principal shall be made in Renminbi by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of the CMU Lodging and Paying Agent, not later than 10:00 a.m. (Hong Kong Time) one (1) Business Day prior to each such payment date.

(b) **Interest:** Payments of interest shall be made in Renminbi by transfer to a Renminbi account maintained by the payee with, a bank in Hong Kong and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of the CMU Lodging and Paying Agent, not later than 10:00 a.m. (Hong Kong Time) one (1) Business Day prior to each such payment date.

(c) **Payments subject to fiscal laws:** Without prejudice to the provisions of Condition 10 *(Taxation)*, payments will be subject in all cases to:

(i) any fiscal or other laws and regulations applicable thereto in the place of payment;

(ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof; or

(iii) any law implementing an intergovernmental approach thereto.

No commissions or expenses shall be charged to the Bondholders in respect of such payments made pursuant to this Condition 9(c) *(Payments subject to fiscal laws)*.

(d) **Payments on Business Days:** Payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated:

(i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of the CMU Lodging and Paying Agent; and

(ii) (in the case of payments of interest payable other than on redemption) on the due date for payment **provided that** if such date falls on a day which is not a Business Day it shall be postponed to the next day which is a Business Day.

A Bondholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

In this Condition 9(d) *(Payments on Business Days)*, "**Business Day**" means any day (other than a Sunday, a Saturday, or a public holiday) on which commercial banks are open for general business (including dealings in foreign currencies) and for settlement of Renminbi payment in Manila, the Cayman Islands, the British Virgin Islands, New York, Singapore, Bermuda, the PRC and Hong Kong and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

(e) **Partial payments:** If the CMU Lodging and Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) **Record date:** Each payment in respect of a Bond will be made to the person shown as the Bondholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth (15th) day before the due date for such payment (the "**Record Date**").

For so long as any of the Bonds are represented by the Global Certificate, payments of interest or principal will be made to or to the order of the persons for whose account a relevant interest in the Global Certificate is credited as being held by the CMU at the relevant time, as notified to the CMU Lodging and Paying Agent by the CMU in a CMU issue position report (as defined in the CMU Rules) or in any other relevant notification by the CMU. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

So long as the Global Certificate is held by the CMU, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the CMU on the Clearing System Business Day immediately before the due date for such payments, where "Clearing System Business Day" means a day on which the CMU is operating and open for business.

10. TAXATION

All payments of principal and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands, Bermuda, Hong Kong, the PRC or the Philippines or any jurisdiction in which the Issuer or the Guarantor is resident for tax purposes or any jurisdiction through which payment on the Bonds or the CGIF Guarantee is made or, in each such case, any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In the event that any such withholding or deduction is so required by law, the Issuer or (in the case of a withholding or deduction required to be made by the Guarantor) the Guarantor shall pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

(a) if the Bondholder or the beneficial owner of such Bond is liable to such taxes, duties, assessments or governmental charges in respect of such Bond or, as the case may be, payments made by the Guarantor by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding or enforcement of the Bond or the CGIF Guarantee or the receipt of payments thereunder; or

(b) if the Bondholder or a beneficial owner of such Bond failed to comply, upon a written request addressed to the Bondholder, with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the jurisdiction imposing the tax, if such compliance is required by law or regulation or administrative practice as a condition to relief or exemption from withholding or deduction of the relevant taxes, duties, assessments or governmental charges; or

(c) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than thirty (30) days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of thirty (30) days.

In these Conditions, "**Relevant Date**" means whichever is the later of: (i) the date on which the payment in question first becomes due; and (ii) if the full amount payable has not been received by the CMU Lodging and Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

If any such deduction or withholding shall be required and if the Issuer or (as the case may be) the Guarantor therefore becomes liable to pay any Additional Amounts, then at least five (5) Business Days prior to each payment date, the Issuer or (as the case may be) the Guarantor shall furnish the CMU Lodging and Paying Agent with a certificate that specifies the amount required to be withheld on such payment date to Bondholders and the Additional Amounts due to Bondholders and that the Issuer or (as the case may be) the Guarantor shall pay in a timely manner such amount to be withheld to the appropriate government agency, and the Issuer or (as the case may be) the Guarantor will pay to the CMU Lodging and Paying Agent such Additional Amounts as shall be required to be paid to such Bondholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 10 *(Taxation)* or any undertaking given in addition to or in substitution of this Condition 10 *(Taxation)* pursuant to the Trust Deed.

If the Issuer or the Guarantor, as the case may be, becomes subject at any time to any taxing jurisdiction other than the Cayman Islands, Bermuda, Hong Kong, the PRC or the Philippines, references in these Conditions to the Cayman Islands, Bermuda, Hong Kong, the PRC or the Philippines (as the case may be) shall be construed as references to the Cayman Islands, Bermuda, Hong Kong, the PRC or the Philippines (as the case may be) and/or such other jurisdiction.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 10 (Taxation) or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

11. SUBSTITUTION OF THE ISSUER

The Issuer may, at any time (without any requirement for the consent or approval of the Bondholders), subject to the provisions of this Condition 11 *(Substitution of the Issuer)* and the Trust Deed having been complied with, and the Trustee shall agree to, substitute any corporation with which the Issuer has consolidated, merged with or into, or transferred all or substantially all of its assets to (such substituted corporation being hereinafter called the "**New Issuer**") to assume liability for the due and punctual payment of all payments and the performance of all the Issuer's other obligations under, or in respect of, the Bonds then outstanding. Upon any such substitution, the New Issuer shall succeed to the rights and obligations of the Issuer (or any previous assuming company) under the Bonds and the Issuer (or any previous substitute) shall be released from its liability on the Bonds. Such substitution shall be permitted only if, in addition to assuming the obligations of the Issuer (or of any previous substitute) under the Bonds:

(a) prior written consent of the Guarantor is obtained;

(b) the New Issuer is a corporation organised and existing under the laws of the Cayman Islands, Hong Kong, Bermuda or the British Virgin Islands;

(c) immediately before and immediately after the transaction, with respect to the Issuer or the New Issuer, no Event of Default or Default shall have occurred and be continuing;

(d) the New Issuer assumes by means of a supplemental trust deed and a supplemental agency agreement in form and substance satisfactory to the Trustee, all the obligations of the Issuer under the Bonds, the Trust Deed and the Agency Agreement;

(e) the Guarantor confirms by means of a supplemental guarantee agreement that the CGIF Guarantee will apply to the Bonds following the substitution of the Issuer;

(f) the New Issuer shall have obtained confirmation from SGX-ST that the Bonds will continue to be listed on SGX-ST;

(g) all applicable requirements under the laws where the New Issuer is organised or incorporated for the purpose of such substitution are complied with;

(h) the New Issuer and the Guarantor shall have obtained legal opinions (which are capable of being relied upon by the Trustee and contain no more than customary assumptions or qualifications) (i) from (A) independent legal advisers of recognised standing in England, stating that the obligations of such successor corporation and of the Guarantor in respect of the Bonds, the supplemental guarantee agreement, the supplemental trust deed and the supplemental agency agreement (as the case may be) are legal, valid, binding and enforceable under English law and that all consents and approvals required in England have been obtained, and (B) independent legal advisers of recognised standing in Bermuda stating that all consents and approvals as aforesaid have been obtained and (ii) from the General Counsel and Board Secretary of CGIF, stating that CGIF has capacity and authority to enter into and perform its obligations in respect of the Bonds, the supplemental guarantee agreement, the supplemental trust deed and the supplemental agency agreement (as the case may be); and

(i) such other matters as the Trustee may in its discretion require in the interest of the Bondholders.

The Issuer shall deliver to the Trustee prior to the proposed transaction an Officer's Certificate, which shall state that such substitution of the Issuer complies with this Condition 11 *(Substitution of the Issuer)* and that all conditions precedent herein provided for relating to such substitution have been complied with.

12. EVENTS OF DEFAULT

(a) **Events of Default:** If any of the following events occurs and is continuing (each, an "**Event of Default**"), then the Trustee shall comply with the limitations on acceleration as set out in Conditions 12(b) *(Missed Payment Event)* to 12(d) *(Guaranteed Party Acceleration Notice)* below to the extent applicable:

(i) **Non-payment:** the Issuer or the Guarantor fails to pay any amount of principal in respect of the Bonds or fails to pay any amount of interest in respect of the Bonds, in each case within thirty (30) calendar days after the due date for payment thereof; or

(ii) **Breach of other obligations:** the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed and such default (A) is in the opinion of the Trustee incapable of remedy or (B) being a default which in the opinion of the Trustee is capable of remedy, remains unremedied for thirty (30) calendar days after the Trustee has given written notice thereof to the Issuer; or

(iii) **Cross-default of the Issuer or any of its Subsidiaries:**

(A) if any Indebtedness of the Issuer or any of its Subsidiaries becomes (or becomes capable of being declared) due and repayable prematurely by reason of acceleration thereof following any actual or potential default, event of default or the like (however described);

(B) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness on the due date for payment or (as the case may be) within any applicable grace period; or

(C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that no event described in this Condition 12(a)(iii) *(Cross-default of the Issuer or any of its Subsidiaries)* shall constitute an Event of Default unless the relevant amount of Indebtedness or other relative liability due and unpaid, either individually or when aggregated (without duplication) with other amounts of Indebtedness and/or other liabilities due and unpaid relative to all (if any) other events specified in (A) through (C) above of this Condition 12(a)(iii) *(Cross-default of the Issuer or any of its Subsidiaries)* which have occurred and are continuing, amounts to at least U.S.$30,000,000 (or its equivalent in any other currency); or

(iv) **Unsatisfied judgment:** one or more judgment(s) or order(s) for the payment of an individual amount in excess of U.S.$30,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Subsidiaries, is not subject to any further ability to object or appeal and continue(s) unsatisfied and unstayed for a period of sixty (60) calendar days after the date(s) thereof or, if later, the date therein specified for payment; or

(v) **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries and such possession or appointment remains undischarged or unstayed for a period of not less than sixty (60) days; or

(vi) **Insolvency, etc.:** (A) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay all or substantially all of its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts (as and when such debts fall due); (B) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries for the whole or substantially all of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries; or (C) the Issuer or any of its Principal Subsidiaries takes any proceeding under any law for a readjustment or deferment of all or substantially all of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of all or substantially all of its indebtedness or any Guarantee of any such indebtedness given by it; or

(vii) **Enforcement proceedings:** a distress, attachment, execution or legal process is levied, enforced or sued out on or against all or any material part of the assets of the Issuer or any Principal Subsidiary and is not removed, dismissed or discharged within sixty (60) days; or

(viii) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries (except for a members' voluntary solvent winding up of a Principal Subsidiary) and in the case of the order applied for by persons other than the Issuer or the Principal Subsidiary, as the case may be, such order is not stayed or discharged within sixty (60) days, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations (other than pursuant to Condition 11 *(Substitution of the Issuer)*), except for the purpose of and followed by a reconstruction, amalgamation, authorisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries; or

(ix) **Government intervention:** all or any substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government; or

(x) **Analogous event:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 12(a)(v) *(Security enforced)* to 12(a)(viii) *(Winding-up)* above (both inclusive); or

(xi) **Failure to take action, etc.:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds, the Trust Deed and the Agency Agreement; and (B) to ensure that those obligations are legal, valid, binding and enforceable, is not taken, fulfilled or done; or

(xii) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds or the Trust Deed; or

(xiii) **Guarantee not in force:** the CGIF Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

(b) **Missed Payment Event:** Subject to clause 2.1 *(Guarantee)* of the CGIF Guarantee and clause 3.2 *(Missed Payment Event)* and clause 3.3 *(Acceleration)* of the Trust Deed, if a Missed Payment Event has occurred and is continuing, the Guarantor shall pay the Guaranteed Amount relating to the Missed Payment Event to or to the order of the Trustee within thirty (30) calendar days of the occurrence of such Missed Payment Event.

(c) **Guaranteed Party Acceleration:** The Trustee shall not take an Acceleration Step unless the Guarantor has failed to make payment of a Guaranteed Amount such that a Non-Payment Event has occurred and is continuing (a "**Guaranteed Party Acceleration**"). Pursuant to the Trust Deed, neither the Trustee nor any Bondholder shall be entitled to take an Acceleration Step against the Issuer or the Guarantor unless a Guaranteed Party Acceleration has occurred or with the prior written consent of the Guarantor and, in the event that an Acceleration Step is taken in contravention of such provision, the Guarantor shall not be required to pay any amounts in respect of such Acceleration Step.

(d) **Guaranteed Party Acceleration Notice:** Upon the occurrence of a Guaranteed Party Acceleration and if the Guaranteed Amounts are not paid by the Issuer or the Guarantor in accordance with these Conditions and the Trust Deed following such Guaranteed Party Acceleration, the Trustee may at its sole discretion and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed to do so by an Extraordinary Resolution shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction in all cases), deliver in accordance with the Trust Deed a Guaranteed Party Acceleration Notice in respect of the aggregate of the unpaid Guaranteed Amounts and the Guarantor Default Interest Amount (if any) to be paid by CGIF in accordance with the CGIF Guarantee.

(e) **Not Obliged:** The Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Default or an Event of Default or a Missed Payment Event has occurred or may occur or to monitor the occurrence of any Default or Event of Default or a Missed Payment Event, and shall not be liable to the Bondholders or any other person for not doing so.

13. PRESCRIPTION

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the appropriate Relevant Date.

14. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require or, as the case may be, as the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. TRUSTEE AND AGENTS

Pursuant to the Trust Deed, the Trustee is entitled to be indemnified and/or provided with security and/or pre-funded to its satisfaction and relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments and all other amounts in priority to the claims of the Bondholders. In addition, the Trustee, the Agents and their respective directors, officers and affiliates are entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity relating (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its functions, rights, powers and discretions under these Conditions, the Trust Deed and the CGIF Guarantee, the Trustee will have regard to the interests of the Bondholders as a class and will not be responsible or liable for any consequence for individual Bondholders as a result of any circumstances particular to individual holders of Bonds, including but not limited to such Bondholders being connected in any way with a particular territory or taxing jurisdiction.

The Trustee shall not be responsible for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of these Conditions, the Trust Deed, the CGIF Guarantee, the Agency Agreement or any other document relating thereto, any licence, consent or other authority for the execution, delivery, legality, effectiveness, adequacy, genuineness, validity, performance, enforceability or admissibility in evidence of these Conditions, the Trust Deed, the CGIF Guarantee, the Agency Agreement or any other document relating thereto. In addition, the Trustee shall not be responsible for the effect of the exercise of any of its powers, duties and discretions hereunder or thereunder.

In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

The Issuer and the Guarantor reserve the right (with the prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or paying agent and additional or successor paying agents and transfer agents in accordance with the Agency Agreement; **provided, however, that** the Issuer shall at all times maintain (a) a registrar outside of the United Kingdom; (b) a CMU Lodging and Paying Agent having a specified office in Hong Kong; and (c) such other agents as may be required by any stock exchange on which the Bonds may be listed.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders in accordance with Condition 19 *(Notices)* by the Issuer.

16. MEETINGS OF BONDHOLDERS; MODIFICATION AND WAIVER

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Bondholders to consider matters relating to the Bonds, including without limitation the modification of any provision of these Conditions, the Trust Deed, the CGIF Guarantee and/or the Agency Agreement. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer, the Guarantor or by the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Bonds and subject to the Trustee being indemnified and/or provided with security and/or pre-funded to its satisfaction against all costs and expenses. Subject to the requirement as set out in Condition 16(b) *(Modification and waiver)*, the quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; **provided, however, that** if the business of the meeting includes consideration of certain proposals (being any proposal (i) to change any date fixed for payment of principal or interest in respect of the Bonds, (ii) to reduce the amount of principal or interest payable on any date in respect of the Bonds, (iii) to modify the circumstances in which the Issuer is entitled to, or required to, redeem the Bonds pursuant to Condition 8(b) *(Redemption for tax reasons)*, Condition 8(c) *(Redemption in the event of a CGIF Acceleration)* and Condition 8(d) *(Redemption at the Option of the Issuer)*; (iv) to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, (v) to change the currency of payments under the Bonds, (vi) sanctioning, or directing the Trustee to concur in, the amendment of the terms of the CGIF Guarantee (subject to and in accordance with the Trust Deed and the CGIF Guarantee), (vii) to change the quorum requirements relating to meetings of Bondholders, (viii) to change the majority required to pass an Extraordinary Resolution or (ix) to amend the definition of the Reserved Matter as set out in this Condition 16(a) *(Meetings of Bondholders)* (each, a "**Reserved Matter**")), such Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which one or more persons holding or representing not less than 66 2/3 per cent. or, at any adjourned meeting, 33 1/3 per cent. of the aggregate principal amount of the outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

In addition, a resolution (A) in writing signed by or on behalf of Bondholders who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed and who hold not less than 90 per cent. of the aggregate principal amount of the Bonds outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification and waiver:** The Trustee may, with the consent of the Issuer and the Guarantor but without the consent of the Bondholders, agree, but shall not be obliged to agree:

(i) to any modification of these Conditions, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) if such modification will not in its opinion be materially prejudicial to the interests of Bondholders; and

(ii) to any modification of the Bonds, these Conditions, the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is to correct a manifest error or which is necessary to comply with mandatory provisions of law.

In addition, the Trustee may with the consent of the Issuer and the Guarantor but without the consent of the Bondholders, but shall not be obliged to, authorise or waive any proposed breach or breach of the Bonds, these Conditions, the Trust Deed or the Agency Agreement (other than a proposed breach or breach relating to the subject of a Reserved Matter) if in its opinion the interests of the Bondholders will not be materially prejudiced thereby, **provided that** the Trustee will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 12 *(Events of Default)*.

Any such authorisation, waiver or modification shall be binding on the Bondholders and unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders in accordance with Condition 19 *(Notices)* by the Issuer as soon as reasonably practicable thereafter.

Notwithstanding the foregoing, no provision of the Bonds, these Conditions, the Trust Deed or the Agency Agreement may be modified, waived or amended, and no proposed breach or breach of the Bonds, these Conditions, the Trust Deed or the Agency Agreement may be authorised or waived, without the Guarantor's prior written consent.

(c) **Directions from Bondholders:** Notwithstanding anything to the contrary in the Bonds, the Trust Deed and/or the Agency Agreement, whenever the Trustee is required or entitled by the terms in the Bonds, the Trust Deed and/or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek approval, directions or instructions from the Bondholders by way of an Extraordinary Resolution and seek clarification of any such directions or instructions and to have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which in its opinion it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which in its opinion may be incurred by it in connection therewith, and the Trustee is not responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such approval, directions, instructions or clarifications or in the event that the approval, directions, instructions or clarifications sought are not provided by the Bondholders.

(d) **Certificates and Reports:** The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, advice, opinion, confirmation or certificate from any lawyers, valuers, accountants (including auditors and surveyors), financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and, in such event, such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Guarantor and the Bondholders.

17. ENFORCEMENT

Subject to the terms of the Trust Deed and Condition 12(c) *(Guaranteed Party Acceleration)*, the Trustee may at any time, at its discretion and without notice, institute such actions, steps and proceedings as it thinks fit to enforce its rights under the Trust Deed and the CGIF Guarantee in respect of the Bonds, as the case may be, but it shall not be bound to do so unless:

(a) it has been so requested in writing by the Bondholders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or has been so directed by an Extraordinary Resolution; and

(b) it has been indemnified and/or provided with security and/or pre-funded to its satisfaction.

No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

18. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed create and issue further securities ("**Additional Bonds**") having the same terms and conditions as the Bonds in all respects (or in all respects except for any one or more of the first payment of interest, the issue date, the timing for the NDRC Post-issue Filing and, to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds, **provided that** the Guarantor shall enter into a new guarantee agreement with respect to such

Additional Bonds in favour of the Trustee having the same terms and conditions as the CGIF Guarantee with respect to the Bonds. Reference in these Conditions to the Bonds include (unless the context otherwise requires) any other securities issued pursuant to this Condition 18 *(Further Issues)* and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed and have the benefits of an agreement supplemental to the Agency Agreement.

19. NOTICES

Notices to Bondholders will be valid if (a) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, published on the website of the SGX-ST at http://www.sgx.com or (b) despatched by prepaid ordinary post (or by airmail if to another country) to Bondholders at their addresses appearing in the Register (or, in the case of joint holders, to the address of the holder whose name stands first in the Register). Any such notice shall be deemed to have been given on the date of publication or despatch to the Bondholders, as the case may be.

Until such time as any definitive Certificates are issued, and so long as the Global Certificate is held in its entirety on behalf of the CMU, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to the CMU for communication to entitled accountholders and any such notice shall be deemed to have been given to the accountholders on the day on which such notice is delivered to the CMU, except that if the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, notice will in any event be published in accordance with the preceding paragraph.

20. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of any payments to the Trustee under Clause 9 *(Remuneration and Indemnification of the Trustee)* of the Trust Deed and any payments in respect of the Agents under Clause 15 *(Fees and Expenses)* and Clause 16 *(Indemnity)* of the Agency Agreement or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under the Trust Deed and/or the Agency Agreement or such order or judgment into another currency (the "**second currency**") for the purpose of:

(a) making or filing a claim or proof against the Issuer;

(b) obtaining an order or judgment in any court or other tribunal; or

(c) enforcing any order or judgment given or made in relation to the Trust Deed and/or the Agency Agreement, the Issuer shall indemnify the Trustee and each Agent, on the written demand of the Trustee or such Agent, against any loss suffered as a result of any discrepancy between:

(i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and

(ii) the rate or rates of exchange at which the Trustee or such Agent may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. GOVERNING LAW AND DISPUTE RESOLUTION

(a) **Governing law**

The Bonds (including these Conditions), the Trust Deed, the Agency Agreement and the CGIF Guarantee and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Dispute Resolution**

(i) (A) Subject to Condition 21(c) *(Dispute Resolution between Bondholders and the Trustee)* below, other than a Bondholder Dispute (as defined below), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with these Conditions (which includes this Condition 21(b) *(Dispute Resolution)*), the Bonds, the Trust Deed, the Agency Agreement and/or the CGIF Guarantee, including any dispute as to their existence, validity, interpretation, performance, breach or termination, or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (for the purpose of this Condition 21(b) *(Dispute Resolution)*, a "**Dispute**"), shall be referred to and finally resolved by arbitration administered by the Hong Kong International Arbitration Centre (the "**HKIAC**") under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted (for the purpose of this Condition 21(b) *(Dispute Resolution)*, the "**Rules**"), except as they are modified by the provisions of these Conditions.

(B) For the avoidance of doubt, any Bondholder Dispute (as defined below) shall be settled in accordance with Condition 21(c) *(Dispute Resolution between Bondholders and the Trustee)*.

(ii) The Rules are incorporated by reference into this Condition 21(b) *(Dispute Resolution)* and capitalised terms used in this Condition 21(b) *(Dispute Resolution)* (which are not otherwise defined in these Conditions) shall have the meaning given to them in the Rules.

(iii) The number of arbitrators shall be three. The claimant(s) shall nominate one arbitrator. The respondent(s) shall nominate one arbitrator. The arbitrators nominated by the claimant(s) and the respondent(s) (for purposes of this Condition 21(b) *(Dispute Resolution),* the *"**parties**")* in accordance with the Rules shall jointly designate the third arbitrator who will act as the presiding arbitrator. If the third arbitrator is not chosen by the two arbitrators nominated by the parties within thirty (30) days of the date of the HKIAC's confirmation of the appointment of the later of the two party-nominated arbitrators, the third arbitrator shall be appointed by the HKIAC. Each arbitrator must (1) be an English-qualified lawyer with at least fifteen (15) years of post-qualification experience and have at least fifteen (15) years of experience acting as counsel or arbitrator in international commercial arbitrations; (2) have experience as counsel or arbitrator in at least one (1) arbitration under the HKIAC Administered Arbitration Rules with Hong Kong as the seat of arbitration, the International Chamber of Commerce (ICC) International court of Arbitration, the Singapore International Arbitration Centre, or other international commercial arbitration courts of similar reputation; and (3) have experience as counsel or arbitrator in disputes relating to the issuance of bonds or enforcement under bonds documents.

(iv) The seat of arbitration shall be Hong Kong and all hearings shall take place in Hong Kong or by virtual means unless otherwise agreed by the parties or the arbitral tribunal in its absolute discretion decides that a different location will be appropriate.

(v) The language used in the arbitral proceedings shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation and in which case, the English translation shall prevail.

(vi) Service of any Notice of Arbitration made pursuant to this Condition 21(b) *(Dispute Resolution)* shall be made in accordance with the Rules and (A) the Issuer agrees that the service of any Notice of Arbitration may also be served on it by being delivered to the Issuer at its principal place of address in Hong Kong at Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, or to such other person with an address in Hong Kong and/or at such other address in Hong Kong as the Issuer may specify by notice in writing to the parties hereto and (B) the Guarantor agrees that the service of any Notice of Arbitration may be served on it by being delivered to the Guarantor at the address given for the sending of notices under the Trust Deed. If for any reason the Issuer shall cease to have an address for service of process in Hong Kong, the Issuer shall forthwith appoint a new agent for service of process in Hong Kong.

(vii) The arbitration award(s) rendered by the arbitral tribunal shall be final and binding on the parties. To the fullest extent permitted under any applicable law, the parties irrevocably exclude and agree not to exercise any right to refer points of law or to appeal to any court or other judicial authority.

(viii) The arbitral tribunal and any emergency arbitrator appointed in accordance with the Rules shall not be authorised to order, and each of the Issuer and the Trustee agrees for itself that it shall not seek from the arbitral tribunal or any judicial authority, and each Bondholder, by its holding of a Bond, will be deemed to acknowledge and accept that it, and the Trustee on its behalf, shall not seek from the arbitral tribunal or any judicial authority:

(A) any order of whatsoever nature against the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents; or

(B) any interim order to sell, attach, freeze or otherwise enforce against the CGIF Assets.

(ix) The Rules shall not prohibit CGIF from disclosing any information relating to any arbitral proceedings and/or arbitral award arising out of this Condition 21(b) *(Dispute Resolution)* to the board of directors of CGIF (the "**CGIF Board**") as part of its approval process and portfolio administration, or to the Asian Development Bank or any other contributors to CGIF or any of their respective officers, employees, advisers, agents or representatives. The members of the CGIF Board may seek instructions from their constituents for the purpose of CGIF Board approval and portfolio administration and the CGIF Board documents and other relevant information may be distributed to any representatives of the relevant member countries of CGIF for the said purpose only, **provided that** such information and documents distributed by the CGIF Board insofar as they relate to any arbitral proceedings and/or arbitral award shall be clearly marked "CONFIDENTIAL".

(c) **Dispute Resolution between Bondholders and the Trustee**

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, claims, difference or controversy between any Bondholder and the Trustee only that may arise out of, in relation to or in connection with these Conditions, the Bonds, the Trust Deed and/or the Agency Agreement including any dispute between any Bondholder and the Trustee as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute between any Bondholder and the Trustee relating to any non-contractual obligations arising out of or in connection with them (a "**Bondholder Dispute**") and accordingly any legal action or proceedings arising out of or in connection with these Conditions, the Bonds, the Trust Deed and/or the Agency Agreement between any Bondholder and the Trustee (the "**Bondholder Proceedings**") may be brought in such courts. For the avoidance of doubt, any dispute involving CGIF shall be settled in accordance with Condition 21(b) *(Dispute Resolution)*.

22. LIMITED RECOURSE

Notwithstanding any other provisions of these Conditions, the Trust Deed, the Agency Agreement, the CGIF Guarantee or any other document related to the issuance of the Bonds, the recourse of the Bondholders against CGIF under these Conditions, the Trust Deed, the Agency Agreement, the CGIF Guarantee or any other document related to the issuance of the Bonds is limited solely to CGIF Assets. By its holding of a Bond, each Bondholder will be deemed to acknowledge and accept that it, and the Trustee on its behalf, only has recourse to the CGIF Assets and neither the Trustee nor any Bondholder has recourse to any assets of the Asian Development Bank or any other contributors to CGIF. Any obligation under these Conditions of CGIF shall not constitute an obligation of the Asian Development Bank or any other contributors to CGIF.

23. NO PERSONAL LIABILITY

Notwithstanding any other provisions of these Conditions, the Trust Deed, the Agency Agreement, the CGIF Guarantee or any other document related to the issuance of the Bonds, neither Asian Development Bank nor any other contributors to CGIF or the officers, employees or agents of the Asian Development Bank or any contributor to CGIF shall be subject to any personal liability whatsoever to any third party including the Bondholders and the Trustee in connection with the operation of CGIF or under these Conditions, the Trust Deed, the Agency Agreement, the CGIF Guarantee or any other document related to the issuance of the Bonds. No action may be brought against Asian Development Bank as the trustee of CGIF or as contributor to CGIF or against any other contributors to CGIF or any of their respective officers, employees or agents by any third party including the Bondholders and the Trustee in connection with these Conditions.

24. NO WAIVER

Nothing in these Conditions, or any agreement, understanding or communication relating to these Conditions (whether before or after the date of these Conditions), shall constitute or be construed as an express or implied waiver, renunciation, exclusion or limitation of any of the immunities, privileges, or exemptions accorded to the Asian Development Bank under the Agreement Establishing the Asian Development Bank, any other international convention or any applicable law, or accorded to CGIF under the Articles of Agreement of CGIF.

25. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless expressly provided to the contrary in the Bonds, the Trust Deed, the Agency Agreement and the CGIF Guarantee, a person who is not a party to these Conditions may not enforce any term of the Bonds under the Contracts (Rights of Third Parties) Act 1999 and, notwithstanding any term of the Bonds, the Trust Deed, the Agency Agreement and the CGIF Guarantee, no consent of any third party is required for any amendment (including any release or compromise of any liability) or termination of these Conditions.

Notwithstanding the foregoing, the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents may enforce Conditions 1(d) *(Limitation on the Guarantor's Liabilities)*, 22 *(Limited Recourse)*, 23 *(No Personal Liability)*, 24 *(No waiver)*, and 21(b) *(Dispute Resolution)*.

THE CGIF GUARANTEE

The following contains summaries of certain key provisions of the CGIF Guarantee and related provisions of the Trust Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the CGIF Guarantee and the Trust Deed. Defined terms used in this section shall have the meanings given to them in the CGIF Guarantee, the Conditions and the Trust Deed. All references to a "Condition" are to a condition in the Conditions.

Guaranteed Amounts

Pursuant to the CGIF Guarantee, CGIF will irrevocably and unconditionally guarantee to the Trustee as the Guaranteed Party the full and punctual payment of each Guaranteed Amount.

For the purposes of the CGIF Guarantee, "**Guaranteed Amount**" means:

- any Principal Amount and any Scheduled Interest which is overdue and unpaid (whether in whole or in part) by the Issuer under the Conditions and the Trust Deed;
- any Additional Accrued Interest; and
- any Trustee Expenses,

(in each case as defined in the CGIF Guarantee).

The Guaranteed Amount will not include, and the CGIF Guarantee will not cover, any amounts that become payable under the Bonds on an accelerated basis at the instigation of the Issuer, including, without limitation, as a result of the Issuer's voluntary redemption of the Bonds (whether in full or part) prior to the Bond Maturity Date (as defined in the CGIF Guarantee).

Missed Payment Event

Subject to Clause 2.1 *(Guarantee)* of the CGIF Guarantee and Clause 3.2 *(Missed Payment Event)* and Clause 3.3 *(Acceleration)* of the Trust Deed, if a Missed Payment Event (as defined in the Conditions) has occurred and is continuing, CGIF shall pay the Guaranteed Amount relating to the Missed Payment Event to the Guaranteed Party or to its order within 30 calendar days of such Missed Payment Event.

If CGIF fails to make a payment in accordance with the preceding paragraph, CGIF will pay interest on the overdue Guaranteed Amount (other than any Trustee Expenses) for the period from (and including) the date the relevant Non-Payment Event (as defined in the Conditions) occurred to (but excluding) the Guarantor Payment Date at the Guarantor Default Rate.

CGIF will pay interest on the overdue Trustee Expenses from the period from (and including) the date the relevant Non-Payment Event occurred to (but excluding) the Guarantor Payment Date at the rate of the Trustee's cost of funds, provided that the Trustee furnishes evidence as to its cost of funds to the reasonable satisfaction of CGIF.

Notwithstanding the above, following the receipt by CGIF of a Missed Payment Notice (as defined in the Trust Deed) in accordance the Trust Deed and at any time prior to the date on which a Guaranteed Amount is due for payment:

- if the CMU Lodging and Paying Agent subsequently receives payment in full or in part in respect of a Guaranteed Amount from a source other than CGIF, the CMU Lodging and Paying Agent shall as soon as reasonably practicable notify the Issuer, CGIF and the Trustee of such payment; and

- upon receipt of the notice referred to above, the obligation of CGIF to pay the Guaranteed Amount specified in the relevant Missed Payment Notice shall, in respect of any payment received in part by the CMU Lodging and Paying Agent, be reduced by the corresponding amount received by the CMU Lodging and Paying Agent or, in respect of any payment received in full by the CMU Lodging and Paying Agent, be terminated in respect of such payment due date.

Guaranteed Party Acceleration

Pursuant to the Trust Deed, the Trustee shall not be entitled to take an Acceleration Step unless CGIF has failed to make payment of a Guaranteed Amount such that a Non-Payment Event has occurred and is continuing (a "**Guaranteed Party Acceleration**"). Pursuant to the Trust Deed, neither the Trustee nor any Bondholder shall be entitled to take an Acceleration Step against the Issuer or CGIF unless a Guaranteed Party Acceleration has occurred or with the prior written consent of the Guarantor and, in the event that any such Acceleration Step is taken in contravention of such provision, CGIF shall not be required to pay any amounts in respect of such Acceleration Step.

Upon the occurrence of a Guaranteed Party Acceleration and if the Guaranteed Amounts are not paid by the Issuer in accordance with the Conditions and the Trust Deed following such Guaranteed Party Acceleration, the Trustee may at its sole discretion and, if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the outstanding Bonds or if so directed to do so by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or provided with security and/or pre-funded to its satisfaction in all cases) deliver in accordance with the Trust Deed a Guaranteed Party Acceleration Notice (substantially in the form of Schedule 6 *(Form of Guaranteed Party Acceleration Notice)* to the Trust Deed) in respect of the aggregate of the unpaid Guaranteed Amounts and the Guarantor Default Interest Amount (if any) to be paid by CGIF in accordance with the CGIF Guarantee.

Limited rights of acceleration

The Trustee's and the Bondholders' acceleration rights against the Issuer and CGIF will be limited pursuant to the Trust Deed, as described under "*Guaranteed Party Acceleration*" above. In particular, potential investors should note that the Trustee and the Bondholders will not be permitted to accelerate upon the occurrence of any of the Events of Default set out in Condition 12 *(Events of Default)*.

CGIF's Obligations under the CGIF Guarantee will not be impacted by its or the Issuer's insolvency or winding-up

CGIF will agree under the CGIF Guarantee that its obligations will not be affected by and shall remain in force notwithstanding by any act, omission, event or thing of any kind which, but for the relevant provision set out in the CGIF Guarantee would reduce, release or prejudice any of its obligations under the CGIF Guarantee including, among other things, in the event of any insolvency or similar proceedings affecting the Issuer or CGIF.

Investors should, however, note that the CGIF Guarantee will be a secondary obligation only under English law, being the governing law of the CGIF Guarantee. In the event that the Issuer's obligations under the Bonds, the Trust Deed and/or the Agency Agreement (being the primary obligations which are the subject of the CGIF Guarantee) cease to exist for any reason (for example, because they are held to be void for lack of capacity or illegality) the Trustee and the Bondholders may not be able to make a claim under the CGIF Guarantee for any Guaranteed Amount. See "*Risk Factors – Risks relating to the Guarantor and the CGIF Guarantee – The obligations of the Guarantor under the CGIF Guarantee are secondary obligations only*").

CGIF Acceleration

At any time following the occurrence of a CGIF Acceleration, CGIF may at its discretion require the Issuer to redeem the Bonds in whole, but not in part only, at their outstanding principal amount, together with interest accrued but unpaid to the date fixed for redemption on giving not less than seven (7) nor more than fifteen (15) days' notice to the Issuer, the Trustee and the CMU Lodging and Paying Agent in accordance with Condition 16 *(Notices)*, following which the Issuer shall immediately, or if the Issuer fails to do so CGIF may, give notice to the Bondholders in accordance with Condition 19 *(Notices)* and to the Trustee and the CMU Lodging and Paying Agent in writing (which notice shall be irrevocable).

A CGIF Acceleration will occur if the Issuer or CGIF notifies the Trustee immediately before the giving of such notice that:

- an Issuer Event of Default has occurred;

- a Missed Payment Event has occurred and is continuing and irrespective of whether or not CGIF has already paid any Guaranteed Amounts in respect of such Missed Payment Event; or

- any term or provision of the Conditions, the Trust Deed or the Agency Agreement has been amended, modified, varied, novated, supplemented, superseded, waived or terminated without the prior written consent of CGIF as required pursuant to the terms of the CGIF Guarantee, the Trust Deed or the Agency Agreement, as the case may be,

and CGIF has delivered a CGIF Acceleration Notice (substantially in the form of Schedule 5 *(Form of CGIF Acceleration Notice)* to the Trust Deed) to the Trustee in accordance with the Trust Deed.

The CGIF Acceleration Notice will, among other things, contain a written confirmation that CGIF will pay all outstanding Guaranteed Amounts.

Reimbursement and Indemnity Agreement

The Issuer, certain of the Issuer's subsidiaries or affiliates, and the Guarantor have entered into a reimbursement and indemnity agreement (the "**Reimbursement and Indemnity Agreement**") which, among other things, specifies the payment of guarantee fees and other amounts in respect of the CGIF Guarantee and the basis on which amounts paid by the Guarantor under the CGIF Guarantee are to be reimbursed and indemnified by the Issuer and certain of the Issuer's affiliates.

THE GLOBAL CERTIFICATE

The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a sub-custodian for the CMU.

Under the Global Certificate, the Issuer, for value received, will promise to pay the amount payable upon redemption under the Terms and Conditions of the Bonds represented by that Global Certificate to the Bondholders in such circumstances as the same may become payable in accordance with the Terms and Conditions of the Bonds.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates if the CMU is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system is available or the CMU has notified the Issuer that it is unable or unwilling to act as depository for the Bonds and to continue performing its duties as set out in the terms and conditions for the provision of depository services and no alternative clearing system is available.

In such circumstances, the Issuer at its own expense will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates representing Bonds.

In addition, the Global Certificate will contain provisions that modify the Terms and Conditions of the Bonds as they apply to the Bonds represented by such Global Certificate. The following is a summary of certain of those provisions as applicable to the Bonds, the related Global Certificate and the Bondholders of the Bonds:

Purchase and Cancellation: Cancellation of any Bond will be effected by a reduction in the principal amount of the Global Certificate and in the register of Bondholders.

Accountholders: For so long as all of the Bonds are represented by the Global Certificate and such Global Certificate is deposited with a sub-custodian for the CMU, each person who is for the time being shown in the records of the CMU as entitled to a particular principal amount of such Bonds (each an "**Accountholder**") (in which regard any certificate or other document issued by Clearstream and/or Euroclear as to the aggregate principal amount of such Bonds standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Bonds (and the expression "Bondholders" and references to "holding of Bonds" and to "holder of Bonds" shall be construed accordingly) for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the holders) other than with respect to the payment of principal and interest on such Bonds, for which purpose the registered holder of the Global Certificate shall be deemed to be the holder of such principal amount of the Bonds in accordance with and subject to the terms of the Global Certificate and the Trust Deed. Each Accountholder must look solely to the CMU for its share of each payment made to the registered holder of the Global Certificate.

Notices: For so long as all of the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a sub-custodian for the CMU, notices to holders may be given by delivery of the relevant notice to the CMU and any such notice shall be deemed to have been given to the Accountholders on the day on which such notice is delivered to the CMU rather than by publication as required by Condition 18 (Notices) of the Terms and Conditions of the Bonds.

Whilst any Bonds held by a holder are represented by the Global Certificate, notices to be given by such holder may be given by such holder to the Registrar through a person shown in the CMU Issue Position Report in such a manner as the Registrar and the CMU may approve for this purpose.

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 27 December 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 19 March 2004 and implemented on 1 May 2004 and revised on 4 May 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 10 September 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 25 April 2015, implemented on 1 June 2015 and amended on 28 March 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 28 March 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 3 August 2021 and implemented on 1 October 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 19 July 1994, implemented on 1 October 1994, and amended on 19 March 2018 and 27 March 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 18 September 2017, and implemented on 1 January 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 3 August 2021, and implemented on 1 October 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 31 December 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 15 March 2022 and effective from 1 April 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 24 December 2002 and amended on 8 May 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 11 May 1984 and amended on 15 May 1996, 28 February 2008 and 27 July 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 1 September 1996 and implemented on 1 January 1997 and amended on 12 February 2010 and 17 April 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 21 January 1988 and amended on 29 August 2002, 27 August 2009 and 2 July 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 21 February 2006 and implemented on 15 April 2006 and amended on 1 March 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 9 April 2008 and revised on 16 December 2015 and 22 December 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 27 June 2017 and implemented on 1 January 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 24 January 2021 and effective on 1 March 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 6 October 1995 and latest revised in 22 December 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 24 April 2014 by the Standing Committee of the National People's Congress of the PRC and effective from 1 January 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 28 October 2002 by the Standing Committee of the National People's Congress and with effect from 1 September 2003 as amended on 2 July 2016 and 29 December 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 29 November 1998 and amended on 16 July 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 2 April 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稅法), or the EIT Law, which was promulgated on 16 March 2007 by the National People's Congress of the PRC and took effect on 1 January 2008 and amended on 29 December 2018, and its implementation regulations, both domestic and foreign-invested enterprises incorporated in the PRC are subject to enterprise income tax at a rate of 25%. Non-resident enterprises that have set up institutions or premises in the PRC are also subject to enterprise income tax to the extent of the income that is generated by such institutions or premises in the PRC and the income originated outside the PRC are actually related to the institutions or establishments. Non-resident enterprises that do not have institutions or establishments in the PRC or do not have income relating to such institutions or establishments are subject to enterprise income tax at a rate of 10% for income originating from the PRC.

Pursuant to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), which took effect on 8 December 2006, and the Notice of the State Administration of Taxation on Issues relating to the Administration of the Dividend Provision in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), promulgated and took effect on 20 February 2009, the dividends paid by a PRC resident enterprise to a Hong Kong enterprise are subject to withholding tax at a rate of 5% if the Hong Kong enterprise has directly owned at least 25% of the capital of the PRC enterprise during a period of 12 months immediately preceding the date of the receipt of such dividends, or otherwise at a rate of 10%. Further, according to the Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties(國家稅務總局關於稅收協定中"受益所有人"有關問題的公告), issued on 3 February 2018 and effective on 1 April 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 30 June 2015, wastewater treatment fees are exempted from value added tax under relevant requirements of the Circular Concerning Value-Added Tax Policy on Sewage Treatment Charges (關於污水處理費有關增值稅政策的通知), issued on 19 June 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 7 November 2000, the Circular Concerning Value-Added Tax Policy on Comprehensive Utilization of Resources and Other Products (關於資源綜合利用及其他產品增值稅政策的通知) issued by the Ministry of Finance and the State Administration of Taxation on 9 December 2008 and repealed on 1 July 2015.

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

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to the Law of the PRC on Urban Maintenance and Construction Tax (中華人民共和國城市維護建設稅法), promulgated by the Standing Committee of the National People's Congress of the PRC on 11 August 2020 and implemented on 1 September 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 28 April 1986 and implemented on 1 July 1986 by the State Council and most recently revised on 8 January 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 29 December 2023 and effective on 1 July 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 Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, 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 Bonds 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 Circular are to be regarded as advice on the tax position of any Bondholder or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds 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 31 March 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 Bonds, 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 Bonds.

HONG KONG

Withholding Tax

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

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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds 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 Bonds 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 Bonds.

PRC

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), 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 Issuer or the Guarantor is within the PRC, the Issuer or the 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 Bonds 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 Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Bonds may be considered to be PRC source, in which case the Issuer would be required to withhold income tax at a rate of 10% from payments of interest in respect of the Bonds 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 Bonds 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 23 March 2016, MOF and SAT issued Circular 36 which confirms that business tax is replaced by VAT from 1 May 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 Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer and the Group, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer 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 Issuer to any non-resident Bondholders may subject to withholding VAT at the rate of around 6%.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds 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 Issuer 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 Bonds 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 Issuer is regarded as a PRC tax resident enterprise, the Issuer shall withhold EIT (should such tax apply) and VAT (should such tax apply) from the payments of interest in respect of the Bonds to any non-PRC-resident Bondholder. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer 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. For more information, see "*Terms and Conditions of the Bonds – Taxation*".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds 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 Bonds is made outside of the PRC.

SUBSCRIPTION AND SALE

Subject to the terms and conditions contained in a subscription agreement dated 21 January 2025 (the "**Subscription Agreement**") among the Issuer, the Guarantor and the Joint Lead Managers, each Joint Lead Manager, subject to and in accordance with the provisions of the Subscription Agreement, has agreed, severally and not jointly, to subscribe and pay for, or procure subscriptions and payment for, the principal amount of the Bonds indicated opposite its name in the following table.

Joint Lead Managers	**Principal Amount of Bonds**
	(CNY)
Morgan Stanley & Co. International plc	**250,000,000**
China International Capital Corporation Hong Kong Securities Limited	**250,000,000**
Barclays Bank PLC	**250,000,000**
The Hongkong and Shanghai Banking Corporation Limited	**125,000,000**
China CITIC Bank International Limited	**125,000,000**
Total	**1,000,000,000**

The Subscription Agreement provides that the Issuer has agreed to pay the Joint Lead Managers certain fees and commissions and to reimburse the Joint Lead Managers for certain of their expenses in connection with the initial sale and distribution of the Bonds, and the Issuer and the Guarantor will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective subsidiaries and affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and certain of their respective subsidiaries or affiliates may have performed certain investment banking and advisory services for, and entered into certain commercial banking transactions with, the Issuer, the Guarantor or any other member of the Group and/or their respective subsidiaries and affiliates, from time to time, for which they have received customary fees and expenses. The Joint Lead Managers and their respective subsidiaries or affiliates may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor or any other member of the Group and/or their respective subsidiaries and affiliates in the ordinary course of their business.

The Joint Lead Managers and their respective affiliates may purchase any Bonds and be allocated Bonds for asset management and/or proprietary purposes but not with a view to distribution. The affiliates or the Issuer or the Guarantor may act as investors and place orders, receive allocations and trade the Bonds for their own account. The Joint Lead Managers and/or their respective affiliates or affiliates of the Issuer or the Guarantor may initially purchase a significant portion of the Bonds for asset management and/or proprietary purposes but not with a view to distribution and may therefore be able to exercise certain rights and powers on their own which will be binding on all holders. Additionally, this may reduce the liquidity of the Bonds in the secondary trading market. References herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. In the ordinary course of their various business activities, the Joint Lead Managers and their respective 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 and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Guarantor. 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.

The distribution of this Offering Circular, or any offering material, and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular, or any offering material, are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken that would, or is intended to, permit a public offering of the Bonds, or the possession or distribution of this Offering Circular or any amendment or supplement thereto or any offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

The Joint Lead Managers may, from time to time, engage in transactions with and perform services for the Issuer or the Guarantor in the ordinary course of its business.

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, or distributes this Offering Circular or any other offering material relating to the Bonds. Persons who may come into possession of this Offering Circular are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application or advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction, except in circumstances which will result in compliance with any applicable laws and regulations and will not, save as disclosed in this Offering Circular, impose any obligations on the Issuer, the Guarantor or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any of their respective affiliates is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or their respective affiliate on behalf of the Issuer in such jurisdiction.

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 OCs 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 Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, such CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Joint Lead Managers 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 any MiFID II product governance language set out elsewhere in this Offering Circular.

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 any OCs 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 Issuer. 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 Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, 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 Joint Lead Manager(s) (if any) to categorise 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); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus orders should be sent to: omnibus_debt@morganstanley.com, CM_SYN_HK@cicc.com.cn, barclayssfcomnibusorders-debt@barclays.com and CNCBI_TMG_DCM_execution@cncbinternational.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 OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, 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 OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, 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 Joint Lead Managers 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 Joint Lead Manager 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 Joint Lead Managers 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 at the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as at 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 at 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 at 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 3 June 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 12 November 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

None of the Issuer, the Guarantor or the Joint Lead Managers makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers, the Issuer or the Guarantor that would permit a public offering of the Bonds and the CGIF Guarantee, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds and the CGIF Guarantee (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds and the CGIF Guarantee other than as contained in, or which is consistent with, this Offering Circular or any amendment or supplement to it.

United States

The Bonds and the CGIF Guarantee have not been and will not be registered under 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. Each Joint Lead Manager has represented that it and its affiliates have not offered or sold, and has agreed that it will not offer or sell, any Bonds and the CGIF Guarantee constituting part of its allotment within the United States, and any offers and sales will be made in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, none of the Joint Lead Managers, their respective affiliates or any persons acting on their behalf have engaged in, or will engage in, any directed selling efforts with respect to the Bonds and the CGIF Guarantee. Terms used in these paragraphs have the meanings given to them by Regulation S.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) Financial promotion: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) General compliance: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, 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.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds and the CGIF Guarantee, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds and the CGIF Guarantee which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

The PRC

Each Joint Lead Manager represents, warrants and agrees that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

The Cayman Islands

Each Joint Lead Manager represents, warrants and agrees that it has not made and will not make any invitation to the public in the Cayman Islands to subscribe for the Bonds.

Bermuda

Each Manager has represented, warranted and agreed that it has not offered or sold, and will not offer or sell, any Bonds to any person, firm or company regarded as a resident of Bermuda for exchange control purposes and will procure that any purchaser of the Bonds from it will comply with such restriction.

RATINGS

The Bonds are expected to be rated AA by S&P. A security rating is not a recommendation to purchase, hold or sell the Bonds 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 Bonds – Credit ratings may not reflect all risks and the ratings assigned to the Bonds 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 Bonds 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 Bonds 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 Circular. Approval in-principle granted by the SGX-ST for the listing of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

ASEAN+3 Multi-Currency Bond Issuance Framework

The Bonds are proposed to be issued under the AMBIF.

AMBIF is a policy initiative under the ABMI to create a nexus among domestic professional local currency bond markets in the region to help facilitate intraregional transactions through standardised bond and note issuance and investment processes.

AMBIF facilitates intraregional bond and note issuance and investment by creating common market practices; utilising a common document for submission, the Single Submission Form (the "**SSF**"); and highlighting transparent issuance procedures as documented in the implementation guidelines for each participating market, including Singapore.

AMBIF is expected to expand opportunities for issuers and investors: issuers can raise funds in local currencies in multiple locations in the region more easily, and investors can invest in local currency bonds more easily.

To be recognised as a bond or note issued under AMBIF (AMBIF Bond or Note), certain requirements ("**AMBIF Elements**") need to be satisfied as summarised in the table below. The use of the SSF is integral to AMBIF.

AMBIF Elements	Brief Description
Domestic Settlement	Bonds/notes are settled at a national central securities depository in ASEAN+3
Harmonised Submission Documents (Single Submission Form)	Common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information needs to be included.
Registration or profile listing at ASEAN+3 (Place of continuous disclosure)	Information on bonds/notes and issuer needs to be disclosed continuously in ASEAN+3. Registration or listing authority function is required to ensure continuous and quality disclosure.

AMBIF Elements	Brief Description
Currency	Bonds/notes are denominated in currencies normally issued in domestic bond markets of ASEAN+3
Scope of Issuer	Resident of ASEAN+3
Scope of Investors	Professional investors defined in accordance with applicable laws and regulations or market practice in each market in ASEAN+3

At this stage, the SSF, in conjunction with the AMBIF Implementation Guidelines, is accepted in seven jurisdictions in ASEAN+3: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; Thailand; and Cambodia. The region's other markets are expected to join as soon as they are ready.

The SSF, as the single and comprehensive issuance and disclosure document, has been modelled on the information memorandum used in international bond markets and its contents comply with the information and disclosure requirements of all participating markets, including those of Singapore.

The SSF has been recognised by the SGX-ST and the MAS to serve as issuance documentation for bonds and notes issued to exempted classes of investors. As such, the documents and/or material in connection with the offer or sale, or invitation for subscription or purchase, of such bonds and notes may not be circulated or distributed, nor may such bonds and notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA. For such bonds and notes to be listed on the SGX-ST, the application procedures and relevant listing requirements will need to be fulfiled by the relevant issuer of such bonds and notes.

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.

The SSF is a public document and was created and is maintained by the ASEAN+3 Bond Market Forum (ABMF), a public sector-private sector forum under the guidance of the Asian Development Bank, in conjunction with the AMBIF Documentation Recommendation Board (ADRB), a group of bond market participating institutions and professionals in ASEAN+3 that support and represent best market practices. The template for the SSF is available for download from the ADB website.

Authorisation

The issue of the Bonds was authorised by a resolution of the board of directors of the Issuer passed on 20 January 2025. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

NDRC Registration

The Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 25 October 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 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 Circular, neither the Issuer 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 Issuer is aware), which may have or have had, during the 12 months prior to the date of this Offering Circular, a significant adverse effect on the financial position or profitability of the Issuer or the Group.

Significant/Material Change

There has been no material adverse change in the financial or trading position or prospects of the Issuer and the Group since 31 March 2024.

Auditor

The Audited Financial Statements, which are included elsewhere in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in its report appearing herein.

Documents Available

For so long as any of the Bonds are outstanding, copies of the Trust Deed, the CGIF Guarantee and the Agency Agreement are available electronically via e-mail to Bondholders from the CMU Lodging and Paying Agent during normal business hours following prior written request and proof of holding and identity to the satisfaction of the CMU Lodging and Paying Agent and subject in the case of the Trust Deed and the CGIF Guarantee to the CMU Lodging and Paying Agent first having been provided with a copy of the same by the Issuer.

Dated 27 January 2025

GUARANTEE AGREEMENT

CREDIT GUARANTEE AND INVESTMENT FACILITY,
a trust fund of the Asian Development Bank

and

CITICORP INTERNATIONAL LIMITED
as trustee for and on behalf of all Bondholders

relating to
CNY1,000,000,000 3.45 per cent. guaranteed blue bonds issued by China Water Affairs Group Limited due 2030

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Schedules

Execution

THIS GUARANTEE (this Agreement) is dated 27 January 2025 and is made between:

(1) **CREDIT GUARANTEE AND INVESTMENT FACILITY**, a trust fund of the Asian Development Bank with its principal office in Manila, the Philippines, as guarantor (**CGIF**)

(2) **CITICORP INTERNATIONAL LIMITED**, in its capacity as the trustee for and on behalf of the holders of the Bonds (as defined below) (in this capacity, the "**Guaranteed Party**")

(each a **Party** and collectively the **Parties**).

BACKGROUND

(A) At the request of the Issuer, CGIF has agreed, subject to the terms and conditions of this Agreement, to issue a guarantee in favour of the Guaranteed Party in respect of the Bonds (as defined below).

(B) It is intended that this document takes effect as a deed notwithstanding the fact that a Party may only execute this document under hand.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 Definitions

In this Agreement:

"**Additional Accrued Interest**" means the amount of interest in respect of any Bond for the Additional Accrual Period at the Bond Interest Rate.

"**Additional Accrual Period**" means, where CGIF is required to pay any Guaranteed Amounts in respect of principal due on the Bond Maturity Date, the period from (and including) the Bond Maturity Date to (but excluding) the earlier of (1) the Guarantor Payment Date, and (2) the Non-Payment Event; or otherwise, on an acceleration of the redemption of the Bonds pursuant to Guaranteed Party Acceleration or CGIF Acceleration, the period from (and including) the immediately preceding Bond Interest Payment Date until the date of redemption upon such acceleration.

"**Agency Agreement**" has the meaning given to such term under the Bond Conditions.

"**Articles of Agreement**" means the articles of agreement of CGIF originally dated 11 May 2010 as amended on 27 November 2013, 31 May 2016, 23 May 2017, 31 May 2018, 16 May 2019, 1 August 2019 and 28 May 2024 (as may be further amended or supplemented from time to time).

"**Bond Certificates**" has the meaning given to the term "**Certificate**" under the Bond Conditions.

“**Bond Conditions**” has the meaning given to the term “**Conditions**” in the Trust Deed.

“**Bond Documents**” means (to the extent applicable) the Subscription Agreement, the Trust Deed (including the Bond Conditions), the Agency Agreement, the Offering Circular, the Single Submission Form and the Bond Certificates, in each case related to the issuance of the Bonds.

“**Bond Interest Payment Date**” has the meaning given to the term “**Interest Payment Date**” under the Bond Conditions.

“**Bond Interest Rate**” has the meaning given to the term “**Rate of Interest**” under the Bond Conditions.

“**Bond Maturity Date**” has the meaning given to the term “**Maturity Date**” under the Bond Conditions.

“**Bondholders**” has the meaning given to such term under the Bond Conditions.

“**Bonds**” means the CNY1,000,000,000 3.45 per cent. senior unsecured guaranteed blue bonds due 2030 to be issued by the Issuer.

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign currencies) in Manila, Bermuda, the Cayman Islands, the British Virgin Islands, New York, Singapore, the PRC and Hong Kong.

“**CGIF Assets**” means all property and assets of CGIF held in trust in accordance with the Articles of Agreement of CGIF and available from time to time to meet the liabilities of CGIF. For the avoidance of doubt, a CGIF Asset does not include any assets of the Asian Development Bank or any other contributors to CGIF.

“**CGIF Certificate**” means the certificate to be issued by CGIF to the Guaranteed Party certifying it has received (or waived receipt of) the documents and evidence set out in Schedule 1 (*Conditions Precedent*) to the Indemnity Agreement in form and substance satisfactory to CGIF, substantially in the form set out in Schedule 1 *(Form of CGIF Certificate)*.

“**CGIF Guarantee or this Guarantee**” means the guarantee provided by CGIF pursuant to, and subject to, the terms and conditions of this Agreement.

“**CMU Lodging and Paying Agent**” has the meaning given to such term in the Conditions.

“**CNY**” denotes the lawful currency of the People’s Republic of China in general circulation from time to time.

“**Condition**” means a condition of the Bond Conditions.

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

"**Guarantee Documents**" means this Agreement, the Indemnity Agreement, and any other document or agreement entered into between any of CGIF, the Obligors or the Guaranteed Party (as applicable) in connection with any of those documents.

"**Guarantee Term**" has the meaning given to it in Clause 2.2 (*Term of this Guarantee*).

"**Guaranteed Amount**" has the meaning given to it in Clause 2.1 (*Guarantee*).

"**Guarantor Default Interest Amount**" means any amount payable by CGIF pursuant to Clause 3.3 (*Guarantor Default Interest*).

"**Guarantor Default Rate**" means the Bond Interest Rate plus two per cent. (2%) per annum.

"**Guarantor Payment Date**" means the date of actual receipt by the Guaranteed Party in respect of a Guaranteed Amount.

"**Indemnity Agreement**" means the reimbursement and indemnity agreement dated on or about the date of this Agreement between CGIF, the Issuer and the other Obligors in connection with this Agreement.

"**Issue Date**" has the same meaning given to the term Issue Date under the Bond Conditions.

"**Issuer**" means China Water Affairs Group Limited (中國水務集團有限公司), an exempted company incorporated under the laws of the Cayman Islands and continued under the laws of Bermuda.

"**Managers**" means Morgan Stanley & Co. International PLC, China International Capital Corporation Hong Kong Securities Limited, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited and China CITIC Bank International Limited.

"**Missed Payment Event**" means the non-payment (not taking into account any grace period) of any Guaranteed Amount by the Issuer in accordance with the Bond Conditions, the Agency Agreement and the Trust Deed.

"**Non-Payment Event**" means the occurrence of an Event of Default (as defined under the Bond Conditions) 30 calendar days after the occurrence of a Missed Payment Event in accordance with condition 12(a)(i) (*Non-payment*) of the Bond Conditions.

"**Obligor**" means each of (i) the Issuer and the affiliates of the Issuer as set out in Schedule 2 (*List of Obligors*).

"**Offering Circular**" means the offering circular to be distributed by the Issuer in connection with the Bonds.

"**Paid Guaranteed Amount**" has the meaning given to it in Clause 4.1 (*Subrogation*).

"**Principal Amount**" means the outstanding principal amount in respect of the Bonds at any time.

"**Scheduled Interest**" means scheduled interest on the Bonds payable at the Bond Interest Rate on each Bond Interest Payment Date (excluding, for the avoidance of doubt, default interest).

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Single Submission Form**" means the single submission form (being the Common Document for Submission to Regulatory, Listing, and Registration Authorities, and Market Institutions for the Issuance of Notes under the ASEAN+3 Multi-Currency Bond Issuance Framework) prepared by the Issuer in connection with the issue of the Bonds, as the same may be amended or supplemented from time to time.

"**Subscription Agreement**" means the subscription agreement entered into between, among others, the Issuer, CGIF and the Managers on or about the date of this Agreement in relation to the issuance of the Bonds.

"**Subsidiary**" has the meaning given to such term under the Bond Conditions.

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest).

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under this Agreement.

"**Trust Deed**" means the trust deed entered into between, among others, the Issuer, the Guaranteed Party and CGIF on or about the date of this Agreement in relation to the Bonds.

"**Trustee Expenses**" means the remuneration, costs, charges, expenses and interests and claims for reimbursement and indemnification due and payable to the Guaranteed Party in accordance with the Trust Deed and the remuneration, costs, charges, expenses and interests and claims for reimbursement and indemnification due and payable to the agents named in the Agency Agreement relating to the Bonds in accordance with such Agency Agreement.

1.2 Construction

(a) In this Agreement, terms not defined herein have the meaning as set out in the Bond Conditions and/or Trust Deed and unless the contrary intention appears, a reference to:

(i) an "**amendment**" includes a supplement, novation, extension (whether of maturity or otherwise), restatement, re-enactment or replacement (however fundamental and whether or not more onerous) and "**amended**" will be construed accordingly;

(ii) "**assets**" includes present and future properties, revenues and rights of every description;

(iii) a "**Clause**", a "**Subclause**", a "**Paragraph**" or a "**Schedule**" is a reference to a clause, subclause of, or paragraph of, or a schedule to, this Agreement;

(iv) a currency is a reference to the lawful currency for the time being of the relevant country;

(v) a "**Bond Document**", "**Guarantee Document**" or other document or Security includes (without prejudice to any prohibition on or consent required for any amendments) any amendment to that Bond Document, Guarantee Document or other document or Security;

(vi) "**including**" means including without limitation, and includes and included shall be construed accordingly;

(vii) a provision of law is a reference to that provision as extended, applied, amended or re-enacted and includes any subordinate legislation;

(viii) a "**Party**" or any other person includes its successors in title, permitted assigns and permitted transferees;

(ix) a "**person**" includes any individual, company, corporation, unincorporated association or body (including a partnership, trust, fund, joint venture or consortium), government, state, agency, organisation or other entity whether or not having separate legal personality;

(x) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(xi) a "**successor**" shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of its jurisdiction of establishment, incorporation or domicile has assumed the rights and obligations of such party under this Agreement or to which, under such laws, such rights and obligations have been transferred;

(xii) a time of day is a reference to Manila time; and

(xiii) the "**winding up**", "**dissolution**" or "**administration**" of a company or corporation shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such company or corporation is established or incorporated or any jurisdiction in which such company or corporation carries on business including the seeking of liquidation, winding up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

(b) Unless the contrary intention appears, a reference to a "**month**" or "**months**" is a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month or the calendar month in which it is to end, except that:

(i) if the numerically corresponding day is not a Business Day, the period will end on the next Business Day in that month (if there is one) or the preceding Business Day (if there is not);

(ii) if there is no numerically corresponding day in that month, that period will end on the last Business Day in that month; and

(iii) notwithstanding subparagraph (i) above, a period which commences on the last Business Day of a month will end on the last Business Day in the next month or the calendar month in which it is to end, as appropriate.

(c) The headings in this Agreement are provided for convenience only and do not affect the construction or interpretation of any provision of this Agreement.

2 GUARANTEE

2.1 Guarantee

(a) Subject to the provisions of this Agreement, CGIF irrevocably and unconditionally guarantees to the Guaranteed Party the full and punctual payment of each Guaranteed Amount.

Subject to this Clause 2.1, in this Agreement, "**Guaranteed Amount**" means:

(i) any Principal Amount and any Scheduled Interest which is overdue and unpaid (whether in whole or in part) by the Issuer under the Bond Conditions and the Trust Deed;

(ii) any Additional Accrued Interest; and

(iii) any Trustee Expenses.

(b) For the avoidance of doubt, a Guaranteed Amount does not include any increased costs, tax related indemnity (but for the avoidance of doubt includes any additional amounts required to be paid to the Bondholders due to a tax deduction and the operation of condition 10 (*Taxation*) of the Bond Conditions

provided that the Guaranteed Amount will only include the original amount which would have been due from the Issuer if no tax deduction were required), default interest, fees, or any other amounts other than any Principal Amount, any Scheduled Interest, any Additional Accrued Interest and any Trustee Expenses payable by the Issuer to the Guaranteed Party or any Bondholders.

(c) If the Bonds become payable on an accelerated basis:

(i) as a result of the Guaranteed Party declaring the Bonds payable on an accelerated basis, CGIF shall pay any Guaranteed Amounts in accordance with clause 3.3 (*Acceleration*) of the Trust Deed; and/or

(ii) as a result of CGIF exercising its rights pursuant to condition 8(c) (*Redemption in the event of a CGIF Acceleration*) of the Bond Conditions,

CGIF shall pay any Guaranteed Amount in accordance with Clause 3.2 (*Payment of Guaranteed Amount*).

(d) Notwithstanding any other provision of this Agreement, CGIF shall have no obligation to pay any amounts pursuant to this Agreement where the relevant amount of principal or accrued but unpaid interest became payable under the Bond Conditions:

(i) on an accelerated basis at the instigation of the Issuer, including, without limitation, as a result of the Issuer's voluntary redemption of the Bonds (whether in full or in part) prior to the Bond Maturity Date; or

(ii) as a result of any purchase of the Bonds by the Issuer or any of its Subsidiaries (as defined in the Bond Conditions) pursuant to condition 8(e) (*Purchase*) of the Bond Conditions and held by the Issuer or any of its Subsidiaries.

2.2 Term of this Guarantee

(a) The CGIF Guarantee shall be effective as of the first date on which both (i) the Issue Date has taken place and (ii) CGIF has issued the CGIF Certificate.

(b) Subject to Clauses 2.8 (*Reinstatement*) and 10.2 (*Termination*), the CGIF Guarantee will expire on the earlier of:

(i) the date on which all Guaranteed Amounts have been paid, repaid or prepaid in full, or the payment obligations of the Issuer in respect of all Guaranteed Amounts have been otherwise discharged or released pursuant to the Bond Documents or any other arrangement between the Issuer and the Guaranteed Party; and

(ii) the date of full redemption, prescription or cancellation of the Bonds

(such period of effectiveness of the CGIF Guarantee being the **Guarantee Term**).

2.3 Continuing guarantee

The CGIF Guarantee is a continuing guarantee and will extend to the ultimate balance of all Guaranteed Amounts payable by the Issuer under the Bond Documents, regardless of any intermediate payment or discharge in whole or in part or where the payment of a Guaranteed Amount has been made but further Guaranteed Amounts are still due and payable or whether the Bonds are outstanding.

2.4 Guaranteed Amounts following amendments to the Bond Documents

If, without the prior written consent of CGIF, the Guaranteed Party concurs in any amendment, modification, variation, novation, waiver or termination of any term of a Bond Document, CGIF will irrevocably and unconditionally guarantee to the Guaranteed Party the Guaranteed Amount as per the terms of the Bond Documents and this Agreement in force as at the date of this Agreement or as amended in accordance with the prior written consent of CGIF from time to time.

2.5 Limited recourse

Notwithstanding any other provisions of this Agreement or any Bond Document, the recourse of the Guaranteed Party against CGIF under this Agreement and any Bond Document is limited solely to the CGIF Assets. The Guaranteed Party acknowledges and accepts that it only has recourse to the CGIF Assets and it has no recourse to any assets of Asian Development Bank or any other contributors to CGIF. Any obligation under this Agreement of CGIF shall not constitute an obligation of Asian Development Bank or any other contributors to CGIF.

2.6 No personal liability of Asian Development Bank or any other contributors to CGIF

Notwithstanding any other provisions of this Agreement or any Bond Document, neither the Asian Development Bank nor any other contributors to CGIF or the officers, employees or agents of the Asian Development Bank or any contributor to CGIF shall be subject to any personal liability whatsoever to any third party including the Guaranteed Party in connection with the operation of CGIF or under this Agreement, any Bond Document or any Guarantee Document. No action may be brought against Asian Development Bank as the trustee of CGIF or as contributor to CGIF or against any other contributors to CGIF or any of their respective officers, employees or agents by any third party including the Guaranteed Party in connection with this Agreement.

2.7 Waiver of defences

The obligations of CGIF under this Agreement will not be affected by and shall remain in force notwithstanding any act, omission, event or thing of any kind which, but for this provision, would reduce, release or prejudice any of its obligations under this Agreement. This includes, without limitation:

(a) any time, waiver or any other concession or consent granted to, or composition with, any person;

(b) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or Security over assets of, any person;

(c) any failure to realise the full value of any Security;

(d) any incapacity, or lack of power, authority or legal personality of any person;

(e) any termination, amendment, modification, variation, novation, replacement, supplement or superseding of or to a Bond Document or any other document or Security relating thereto, but subject to Clauses 2.4 (*Guaranteed Amounts following amendments to the Bond Documents*) and only if the prior written consent of CGIF has been obtained in accordance with Clause 8.1 (*No amendment to Bond Documents*) hereof;

(f) any unenforceability, illegality or, invalidity of any obligation of any person under any Bond Document or any other document or Security;

(g) any insolvency or similar proceedings affecting CGIF or the Issuer;

(h) any change in the taxation status of CGIF or the Issuer; or

(i) the replacement of the Guaranteed Party as trustee for and on behalf of the Bondholders.

2.8 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of the Issuer and/or CGIF or Security (if any) for those obligations or otherwise) is made by the Guaranteed Party in whole or in part in respect of a Guaranteed Amount on the basis of any payment, Security (if any) or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, then the liability of CGIF under Clauses 2 (*Guarantee*) and 3 (*Payment under this Guarantee*) will continue or be reinstated as if the discharge, release or arrangement had not occurred.

2.9 Additional Security

This Agreement is in addition to and is not in any way prejudiced by any other Security (to the extent applicable, if any) in respect of the Issuer's obligations under the Bond Documents now or subsequently held by the Guaranteed Party (or any trustee or agent on its behalf).

2.10 Pari Passu Ranking

Without limiting any other provision contained in this Agreement or any other Bond Documents, CGIF's payment obligations under this Agreement are direct, unconditional and general obligations of CGIF and rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law (if any).

3 PAYMENT UNDER THIS GUARANTEE

3.1 General

CGIF agrees that the Guaranteed Party is not required to proceed against, enforce any other rights or Security, or claim payment from any person before claiming from CGIF under this Agreement, irrespective of any law or any provision of any Bond Document to the contrary, provided that CGIF shall only be required to make payments to the Guaranteed Party in accordance with the terms of this Agreement and the Bond Conditions.

3.2 Payment of Guaranteed Amount

Subject to Clause 2.1 (*Guarantee*) of this Agreement, and clauses 3.2 (*Missed Payment Event*) and 3.3 (*Acceleration*) of the Trust Deed, if a Missed Payment Event has occurred and is continuing, CGIF shall pay the Guaranteed Amount relating to the Missed Payment Event to the Guaranteed Party or to its order within thirty (30) calendar days of such Missed Payment Event, or in the case of a CGIF Acceleration, within thirty (30) calendar days from the date of the CGIF Acceleration Notice.

3.3 Guarantor Default Interest

(a) Subject to paragraph (b) below, if CGIF fails to make a payment in accordance with Clause 3.2 (*Payment of Guaranteed Amount*), CGIF will pay interest on the overdue Guaranteed Amount (other than any Trustee Expenses) for the period from (and including) the date the relevant Non-Payment Event occurred to (but excluding) the Guarantor Payment Date at the Guarantor Default Rate.

(b) CGIF will pay interest on the overdue Trustee Expenses from the period from (and including) the date the relevant Non-Payment Event occurred to (but excluding) the Guarantor Payment Date at the rate of the Trustee's cost of funds, provided that the Trustee furnishes evidence as to its cost of funds to the reasonable satisfaction of CGIF.

4 SUBROGATION AND TRANSFERS

4.1 Subrogation

(a) Immediately upon the receipt by the Guaranteed Party under this Agreement of all or any part of the Guaranteed Amount in accordance with this Agreement (a "**Paid Guaranteed Amount**"), CGIF shall be subrogated to:

  (i) all of the rights, powers and remedies of the Guaranteed Party, on behalf of the Bondholders, and of the Bondholders themselves, in respect of the Bonds and each Bond Document (in each case, to the extent relating and proportionate to that Paid Guaranteed Amount), against any relevant person, including (and to the extent relating and proportionate to that Paid Guaranteed Amount) any rights or claims, whether accrued, contingent or otherwise; and

  (ii) all of the Guaranteed Party's privileges, rights and Security against the Issuer or with respect to the Bonds, in each case insofar as they extend to an amount equal to that Paid Guaranteed Amount.

(b) The Guaranteed Party shall use its reasonable endeavours to, at the written request and expense of CGIF, execute such instruments or documents and take such other actions as CGIF may require to give effect to, facilitate or evidence the subrogation referred to in this Clause 4 and to perfect the rights of CGIF to receive such amounts equal to the Paid Guaranteed Amount under the Bond Documents.

(c) For the avoidance of doubt, no Bondholder shall be obliged to transfer or assign any rights or any legal title in the Bonds, except to the extent that it has received payment of any amounts from CGIF in respect thereof.

4.2 Transfer

(a) Upon the receipt by the Guaranteed Party of a Paid Guaranteed Amount, the Guaranteed Party shall, to the extent available to it, at the written request and the expense of CGIF and in consideration of such payment:

(i) transfer and assign, free from any Security, to CGIF all its rights:

(A) under the Bond Documents; and

(B) in respect of any Security securing the Bonds or any other amounts payable under the Bond Documents (including any right, title and interest to any asset which has arisen as a result of enforcement of such Security),

insofar as those rights relate and are proportionate to that Paid Guaranteed Amount; and

(ii) execute such instruments or documents and take such other actions as necessary for CGIF to give effect to, facilitate or evidence the transfer and assignment referred to in this Clause 4 and to perfect the rights of CGIF to receive such amounts equal to the Paid Guaranteed Amount under the Bond Documents.

(b) The Guaranteed Party shall not do anything that could lessen or impair any of the rights referred to in subparagraph (a)(i) above, CGIF's rights of subrogation or any other right of CGIF to recover any Paid Guaranteed Amount, unless the Guaranteed Party is acting in accordance with the terms of the Trust Deed.

5 APPLICATION OF FUNDS AND RECOVERIES

5.1 Application of funds

Following payment by CGIF of any Paid Guaranteed Amount or payment by CGIF under this Agreement of all or any part of the Guarantor Default Interest Amount pursuant to the terms of this Agreement, the Guaranteed Party must hold such amounts on trust for itself and the Bondholders on the terms set out in the Trust Deed and must (as soon as practicable after receipt) apply them in or towards payment of the Guaranteed Amount(s) relating to such Paid Guaranteed Amount in accordance with the terms of the Trust Deed.

5.2 Recoveries

(a) After the occurrence of a Missed Payment Event, if the Guaranteed Party recovers any money or asset from the Issuer or any other person in respect of any Guaranteed Amount relating to that Missed Payment Event (a "**Recovered Amount**"), the Guaranteed Party must as soon as reasonably practicable (and in any case within ten (10) calendar days from the date of its receipt of such Recovered Amount) supply details of the recovery to CGIF and pay to CGIF (or any other person at the instruction of CGIF) an amount equal to any Paid Guaranteed Amount from such Recovered Amount.

(b) Following payment by CGIF of any Paid Guaranteed Amount, if CGIF discovers that the Guaranteed Party had no right to receive a payment of the relevant Guaranteed Amount (or any portion thereof) to which such Paid Guaranteed Amount relates, CGIF shall be entitled, upon notice to the Guaranteed Party, to recover from the Guaranteed Party the relevant payment (or the relevant portion thereof) to the extent that the Guaranteed Party still holds such amounts itself or to its order (and provided only that it has the ability to direct the payment of the relevant amounts).

(c) To the extent any part of a Guaranteed Amount has been recovered from any source (it being recognised that the Guaranteed Party is under no duty whatsoever to seek to recover from any such source), the Guaranteed Party may not seek to recover such amounts from CGIF under this Agreement.

6 TAXES

6.1 CGIF shall make all payments to be made by it under this Agreement without any Tax Deduction, unless a Tax Deduction is required by law. If a Tax Deduction is required by law to be made by CGIF, the amount of the payment due from CGIF under this Agreement shall be increased to an amount which (after making the relevant Tax Deduction) would result in the recipient receiving an amount equal to the payment which would have been due if no Tax Deduction had been required, except that no increased payment shall be payable by CGIF in respect of any Bond:

(a) held by a Bondholder which is liable to such taxes, duties, assessments or governmental charges in respect of payments made by CGIF by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Bond;

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than thirty (30) days after the Relevant Date except to the extent that the relevant Bondholder would have been entitled to such increased payment if it had surrendered the relevant Certificate on the last day of such period of thirty (30) days; or

(c) where the Bondholder or a beneficial owner of such Bond failed to comply, upon a written request addressed to the Bondholder, with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the jurisdiction imposing the tax, if such compliance is required by law or regulation or administrative practice as a condition to relief or exemption from withholding or deduction of the relevant taxes, duties, assessments or governmental charges.

For these purposes **Relevant Date** means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the CMU Lodging and Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

6.2 If CGIF is aware that it must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction), it must promptly notify the Guaranteed Party.

6.3 If CGIF is required to make a Tax Deduction, it must make the minimum Tax Deduction allowed by law and must make any payment required in connection with that Tax Deduction within the time allowed by law.

6.4 Nothing in this Clause 6 shall be considered to constitute a waiver of the privileges, immunities and exemptions applicable to CGIF pursuant to the Articles of Agreement.

7 PAYMENTS

7.1 Payment by CGIF and other Parties

(a) A payment by CGIF of a Paid Guaranteed Amount or a payment by CGIF under this Agreement of all or any part of the Guarantor Default Interest Amount in accordance with this Agreement will discharge the payment obligations of CGIF under this Agreement to the extent of such payment, whether or not such payment is properly applied by or on behalf of the Guaranteed Party.

(b) All payments to be made by a Party under this Agreement must be made on the due date for payment in immediately available funds to such account as the receiving Party may direct such account to be notified by the receiving Party to the other Party at least five (5) Business Days prior to the relevant due date for payment.

7.2 Currency

All payments to be made by a Party under this Agreement must be made in the currency in which the amounts are incurred in relation to costs, fees, expenses, liabilities and other indemnities.

7.3 Certificates and determinations

Any certification, determination or notification by a Party of a rate or amount made pursuant to the terms of this Agreement will be, in the absence of manifest error, conclusive evidence of the matters to which it relates.

7.4 Business Days

If a payment under this Agreement is due on a day which is not a Business Day, the due date for that payment will instead be the next day which is a Business Day. No party shall be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Business Day.

8 AMENDMENTS AND WAIVERS

8.1 No amendment to Bond Documents

The Guaranteed Party shall not, without the prior written consent of CGIF, concur in any amendment, modification, variation, novation, waiver or termination of any term of a Bond Document to which it is a party unless in accordance with clause 12.1 (*Waiver and Modification*) of the Trust Deed and condition 16(b) (*Modification and waiver*) of the Bond Conditions.

8.2 Amendments

Any term of this Agreement may be amended or waived with the written agreement of the Parties and the Issuer.

8.3 Waivers and remedies cumulative

(a) The rights and remedies of each Party under this Agreement:

(i) may be exercised as often as necessary;

(ii) are cumulative and not exclusive of its rights and remedies under the general law; and

(iii) may be waived only in writing and specifically.

(b) No delay in exercising or non-exercise by a Party of any right or remedy under this Agreement shall operate as a waiver of that right or remedy, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy other than where any rights (including, without limitation, the right to require payment of any Guaranteed Amount) are to be exercised in accordance with specified requirements under this Agreement.

9 ASSIGNMENT OR TRANSFER

No Party may assign or transfer any of its rights and obligations under this Agreement without the prior consent of the other Party except that:

(a) CGIF may assign or transfer any of its rights and benefits under this Agreement (including its right of subrogation) to any person without the prior written consent of the Guaranteed Party or any other person; and

(b) the Guaranteed Party may assign or transfer any of its rights and obligations under this Guarantee to any replacement trustee duly appointed in accordance with the Trust Deed.

10 TERMINATION

10.1 Except in relation to Clause 2.5 (*Limited recourse*), Clause 2.6 (*No personal liability of Asian Development Bank or any other contributors to CGIF*), Clause 4 (*Subrogation and Transfers*), Clause 16 (*Governing Law*), Clause 17 (*Dispute Resolution*) and Clause 18 (*ADB and CGIF Immunities*), all rights and obligations of each Party will cease and expire on the last day of the Guarantee Term.

10.2 Termination or expiry of this Guarantee pursuant to the terms of this Agreement is without prejudice to the rights of any Party which have accrued prior to such termination or expiry, whether arising under this Agreement, at law or otherwise.

11 SET-OFF

No Party may set off any obligation owed to it by the other Party under this Agreement against any obligation owed by it to that other Party.

12 SEVERABILITY

If a term of this Agreement is or becomes illegal, invalid or unenforceable in any respect under any jurisdiction, it shall not affect:

(a) the legality, validity or enforceability in that jurisdiction of any other term of this Agreement; or

(b) the legality, validity or enforceability in other jurisdictions of that or any other term of this Agreement.

13 COUNTERPARTS

This Agreement may be executed in any number of counterparts. This has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

14 NOTICES

14.1 In writing

(a) Any communication in connection with this Agreement must be in writing, with copy sent to the Issuer and the other Obligors, and, unless otherwise stated, may be given:

   (i) in person, by post or fax; or

   (ii) to the extent agreed by the Parties making and receiving communication, by email or other electronic communication.

(b) For the purpose of this Agreement, an electronic communication will be treated as being in writing.

(c) Unless it is agreed to the contrary, any consent or agreement required under this Agreement must be given in writing.

14.2 Contact details

(a) The contact details of CGIF for all notices in connection with this Agreement are:

Address:	Asian Development Bank Building, 6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Fax number:	+632-5322-7661
Email:	cwa.cnh@cgif-abmi.org
Attention:	CEO and Vice President, Operations

(b) The contact details of the Guaranteed Party for all notices in connection with this Agreement are:

Address:	Citicorp International Limited, 40/F, Champion Tower, 3 Garden Road, Central, Hong Kong
Fax number:	+852 3009 0294
Email:	agencytrust.tmg@citi.com
Attention:	Agency and Trust

(c) The contact details of the Issuer and the other Obligors for all notices in connection with this Agreement are:

Address:	Suite 6408, 64/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Fax number:	+852-2950-9642
Email:	zhaoning@chinawatergroup.com
Attention:	Adam Zhao Ning

(d) Any Party may change its contact details by giving five (5) Business Days' notice to the other Party.

(e) Where a Party nominates a particular department or officer to receive a communication, a communication will not be effective if it fails to specify that department or officer.

14.3 Effectiveness

(a) Except as provided below, any communication in connection with this Agreement will be deemed to be given as follows:

(i) if delivered in person, at the time of delivery;

(ii) if posted, five (5) Business Days after being deposited in the post, postage prepaid, in a correctly addressed envelope;

(iii) if by fax, when received in legible form; and

(iv) if by e-mail or any other electronic communication, when received in legible form.

(b) A communication given under paragraph (a) above but received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

(c) A communication to CGIF will only be effective on actual receipt by it.

14.4 English Language

(a) Any notice given in connection with this Agreement must be in English.

(b) Any other document provided in connection with this Agreement must be:

(i) in English; or

(ii) in the language of the jurisdiction in which the Bonds are issued, accompanied by a certified English translation. In this case, the English translation prevails unless the document is a statutory or other publicly available official document.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

Unless expressly provided to the contrary in a Guarantee Document, a person who is not a party to a Guarantee Document may not enforce any of its terms under the Contracts (Rights of Third Parties) Act 1999 and, notwithstanding any term of any Guarantee Document, no consent of any third party is required for any amendment (including any release or compromise of any liability) or termination of any Guarantee Document. Notwithstanding the foregoing, the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents may enforce Clauses 2.5 (*Limited recourse*), 2.6 (*No personal liability of Asian Development Bank or any other contributors to CGIF*), 17.2(h) (*Arbitration*) and 18 (*ADB and CGIF Immunities*) of this Agreement.

16 GOVERNING LAW

This Agreement and any non-contractual obligations arising out of or in connection with this Agreement shall be governed by, and shall be construed in accordance with, English law.

17 DISPUTE RESOLUTION

17.1 Governing law

This Clause 17 and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, English law.

17.2 Arbitration

(a) Any dispute, claim, difference or controversy arising out of, relating to, or having any connection with this Agreement (which includes this Clause 17.2) and any Guarantee Document other than this Agreement, including any dispute as to their existence, validity, interpretation, performance, breach or termination, or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (for the purpose of this Clause 17.2, a "**Dispute**"), shall be referred to and be finally resolved by arbitration administered by the Hong Kong International Arbitration Centre ("**HKIAC**") under the HKIAC Administered Arbitration Rules in force when the Notice of Arbitration is submitted (for the purpose of this Clause 17.2, the "**Rules**"), except as they are modified by the provisions of this Agreement.

(b) The Rules are incorporated by reference into this Clause 17.2 and capitalised terms used in this Clause 17.2 (which are not otherwise defined in this Agreement or any Guarantee Document) shall have the meaning given to them in the Rules.

(c) The number of arbitrators shall be three. The claimant(s) shall nominate one arbitrator. The respondent(s) shall nominate one arbitrator. The arbitrators nominated by the claimant(s) and the respondent(s) (for purposes of this Clause 17.2, the "***parties***") in accordance with the Rules shall jointly designate the third arbitrator who will act as the presiding arbitrator. If the third arbitrator is not chosen by the two arbitrators nominated by the parties within thirty (30) days of the date of the HKIAC's confirmation of the appointment of the later of the two party-nominated arbitrators, the third arbitrator shall be appointed by the HKIAC. Each arbitrator must (1) be an English-qualified lawyer with at least fifteen (15) years of post-qualification experience and have at least fifteen (15) years of experience acting as counsel or arbitrator in international commercial arbitrations; (2) have experience as counsel or arbitrator in at least one (1) arbitration under the HKIAC Administered Arbitration Rules with Hong Kong as the seat of arbitration, the International Chamber of Commerce (ICC) International court of Arbitration, the Singapore International Arbitration Centre, or other international commercial arbitration courts of similar reputation; and (3) have experience as counsel or arbitrator in disputes relating to the issuance of bonds or enforcement under bonds documents..

(d) The seat of arbitration shall be Hong Kong and all hearings shall take place in Hong Kong or by virtual means unless otherwise agreed by the parties or the arbitral tribunal in its absolute discretion decides that a different location will be appropriate.

(e) The language used in the arbitral proceedings shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation and in which case, the English translation shall prevail.

(f) Service of any Notice of Arbitration made pursuant to this Clause 17.2 shall be made in accordance with the Rules and at the addresses given for the sending of notices under this Agreement at Clause 14 (*Notices*).

(g) The arbitration award(s) rendered by the arbitral tribunal shall be final and binding on the parties. To the fullest extent permitted under any applicable law, the parties irrevocably exclude and agree not to exercise any right to refer points of law or to appeal to any court or other judicial authority.

(h) The arbitral tribunal and any emergency arbitrator appointed in accordance with the Rules shall not be authorized to order, and the Guaranteed Party agrees for itself that it shall not seek from the arbitral tribunal or any judicial Authority, and each Bondholder, by its holding of a Bond, will be deemed to acknowledge and accept that it, and the Guaranteed Party on its behalf, shall not seek from the arbitral tribunal or any judicial authority:

(i) any order of whatsoever nature against the Asian Development Bank and other contributors to CGIF, and any of their respective officers, employees or agents; or

(ii) any interim order to sell, attach, freeze or otherwise enforce against the CGIF Assets.

(i) The Rules shall not prohibit CGIF from disclosing any information relating to any arbitral proceedings and/or arbitral award arising out of this Clause 17.2 to the board of directors of CGIF (the "**CGIF Board**") as part of its approval process and portfolio administration, or to the Asian Development Bank or any other contributors to CGIF or any of their respective officers, employees, advisers, agents or representatives. The members of the CGIF Board may seek instructions from their constituents for the purpose of CGIF Board approval and portfolio administration and the Board documents and other relevant information may be distributed to any representatives of the relevant member countries of CGIF for the said purpose only, provided that such information and documents distributed by the CGIF Board insofar as they relate to any arbitral proceedings and/or arbitral award shall be clearly marked "CONFIDENTIAL".

18 ADB AND CGIF IMMUNITIES

Nothing in this Agreement, or any agreement, understanding or communication relating to this Agreement (whether before or after the date of this Agreement), shall constitute or be construed as an express or implied waiver, renunciation, exclusion or limitation of any of the immunities, privileges or exemptions accorded to the Asian Development Bank under the Agreement Establishing the Asian Development Bank, any other international convention or any applicable law, or accorded to CGIF under the Articles of Agreement.

THIS AGREEMENT has been executed as a deed by the Parties hereto and is intended to be and is hereby delivered on the date first above written.

SCHEDULE 1

FORM OF CGIF CERTIFICATE

To: Citicorp International Limited in its capacity as the trustee for and on behalf of the holders of the Bonds (as defined below) (in this capacity the "**Guaranteed Party**").

From: Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (**CGIF**)

Copy: China Water Affairs Group Limited (中國水務集團有限公司) (the "**Issuer**")

Date: —

Dear Sirs,

China Water Affairs Group Limited (中國水務集團有限公司) (the "Issuer") – Reimbursement and Indemnity Agreement dated 27 January 2025 (the "Indemnity Agreement") between the Issuer, the other Obligors named thereunder and CGIF in connection with the up to CNY1,000,000,000 3.45 per cent. guaranteed blue bonds issued by the Issuer (the "Bonds")

I refer to the Indemnity Agreement and the guarantee agreement dated 27 January 2025 between CGIF and the Guaranteed Party (the **Guarantee Agreement**).

I am a duly authorised officer of CGIF. I am authorised to give this certificate and certify that CGIF has received (or waived receipt of) all of the documents and evidence set out in Schedule 2 (*Conditions Precedent*) to the Indemnity Agreement in form and substance satisfactory to CGIF.

This also serves as notification to the Guaranteed Party in accordance with Clause 2.2 (*Term of this Guarantee*) of the Guarantee Agreement that the guarantee pursuant to the Guarantee Agreement is in effect, subject to the issuance of the Bonds, and to the Issuer that CGIF has no objection to the issuance of the Bonds.

This certificate, and any non-contractual obligations arising out of or in connection to it, should be governed by and construed in accordance with English law.

For

CREDIT GUARANTEE AND INVESTMENT FACILITY,
a trust fund of the Asian Development Bank

____
Name:
Title:

SCHEDULE 2

LIST OF OBLIGORS

	Obligors	Jurisdiction of incorporation	Registered Number
1.	Hong Kong Huasheng Water Affairs Investments Limited (香港華盛水務投資有限公司)	Hong Kong	37357274
2.	China Water Affairs Management Limited (中國水務管理有限公司)	Hong Kong	36912249
3.	China Water Resources Development Limited (中國水資源發展有限公司)	Hong Kong	37348201
4.	Hong Kong Water Affairs Investments Limited (香港水務投資有限公司)	Hong Kong	34908410
5.	Mitsumaru East Kit (Group) Limited	British Virgin Islands	580768
6.	China Mutual Investment Limited (華勤投資有限公司)	Hong Kong	58803751
7.	China Kolon Water Management Company Limited	Hong Kong	39120792
8.	Oceanup Investments Limited	British Virgin Islands	1388566
9.	Ming Hing Waterworks Engineering (PRC) Ltd. (明興中國水務有限公司)	British Virgin Islands	1388025
10.	Fortune Trend Holdings Limited (向裕集團有限公司)	Hong Kong	53255793
11.	Business Decade Limited	British Virgin Islands	1760746
12.	Jianhe Holdings Group Limited (建和控股集團有限公司)	Bermuda	49569
13.	New Prospect Global Limited	British Virgin Islands	1754702
14.	Legend Target Limited	Hong Kong	60923937
15.	China Water International Limited	British Virgin Islands	1773571
16.	Goldtrust Water Holdings Limited	Cayman Islands	224531

17.	GT Water Holdings Limited	Hong Kong	50760159
18.	Hang Da Holdings (HK) Limited (恒大集團(香港)有限公司)	Hong Kong	20096685
19.	China Water Investments Limited	British Virgin Islands	655464
20.	Cedar Energy Development Company Limited (易達能源發展有限公司)	Hong Kong	19575430
21.	New Prime Holdings Limited	British Virgin Islands	1609343
22.	Dragon Wealthy Corporation Limited	Hong Kong	72982670
23.	Broad Intelligence Group Limited	British Virgin Islands	2067509
24.	Silver Dragon Water Supply Group Limited	Bermuda	202100346

EXECUTION PAGE

CGIF

EXECUTED as a **DEED** by	)
CREDIT GUARANTEE AND	)
INVESTMENT FACILITY,	)
a trust fund of the Asian Development Bank	)
and **SIGNED** and **DELIVERED** as a **DEED**	)
on its behalf by	)

____

In the presence of:

Witness' signature:

....

Witness' name:

....

Witness' address:

....

....

....

THE GUARANTEED PARTY

CITICORP INTERNATIONAL LIMITED

By: ___________________________________

Name:

Title:

INDEX TO THE FINANCIAL STATEMENTS

The Audited Financial Statements of the Issuer for the years ended 31 March 2023 and 2024 below are extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 March 2023 together with the independent auditor's report as they appear in the 2023 annual report of the Group, and the audited consolidated financial statements of the Group as at and for the year ended 31 March 2024 together with the independent auditor's report as they appear in the 2024 annual report of the Group. The Guarantor Audited Financial Statements as at and for the years ended 31 December 2022 and 2023 are available at the following website page: https://www.cgif-abmi.org/investors/financial-statements/ and are incorporated by reference in this Offering Circular. They have not been specifically prepared for inclusion in this Offering Circular.

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

Audited Consolidated Financial Statements of the Issuer for the Year Ended 31 March 2023

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED
(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group"), which are set out on pages 50 to 164, comprise:

- the consolidated statement of financial position as at 31 March 2024;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting for the service concession arrangements
- Impairment assessments of goodwill and other intangible assets

Key Audit Matter	**How our audit addressed the Key Audit Matter**
1 Accounting for the service concession arrangements	

Refer to notes 2.15, 5, 21 and 28 to the consolidated financial statements
 	
(a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements ("HK(IFRIC) Int.12")
 	
The Group entered into a number of service concession arrangements with certain government authorities in the People's Republic of China (the "PRC") in respect of its water supply business.
 	
In preparing the consolidated financial statements for the year ended 31 March 2024, management has reassessed these service concession agreements as to whether the conditions under HK(IFRIC) Int.12 (i.e. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.) were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int.12.
	Our procedures in relation to management's accounting for the service concession arrangements included:
	
	• Evaluating whether the service concession arrangements of previously acquired or established entities continually fulfil the conditions under HK(IFRIC) Int.12 by inquiring the management and reviewing pertinent board meeting minutes;
	
	• Evaluating whether the service concession arrangements of newly acquired entities fulfil the conditions under HK(IFRIC) Int.12 by:
	
	    • Reading the concession agreements and other relevant documents, including legal opinions as applicable, of the Group's water supply and sewage treatment business; and
	
	    • Assessing the detailed analysis made by management on the terms of the service concession arrangements, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter

(b) Recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure

Revenue from construction services under the terms of the service concession agreements is estimated on a cost-plus basis with reference to a market rate of gross profit margin at the date of agreement applicable to similar construction services rendered in the PRC.

Management has engaged independent valuer, to determine the applicable gross profit margin, with reference to the gross profit margins of market comparable companies, which is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue relating to construction or upgrade services in connection with water supply infrastructure is considered high due to uncertainty of significant assumptions used.

We have identified the accounting for service concession arrangements as a key audit matter because of its financial significance to the consolidated financial statements. Determination of appropriate accounting for these service concession arrangements also requires use of significant judgements and estimates from management. Significant effort is required in auditing these areas.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure included:

- Understanding, evaluating and testing the internal controls over the generation of cost data of the construction or upgrade projects and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
- Comparing the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology;
- Comparing the estimated total construction costs and cost incurred to date to the latest budget approved by management;
- Checking the construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials consumption notes and labour cost records on a sample basis;
- Challenging the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the gross profit margin of the comparable companies prepared by the independent valuer;
- Evaluating the independent valuer's competence, capabilities and objectivity;
- Involving our in-house valuation specialist to assess the reasonableness of the gross profit margin by reference to the comparable companies;
- Testing the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; and
- Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements.

Based on the audit procedures performed, we found that the accounting treatments for the service concession arrangements made by management to be acceptable based on the available evidence.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
2 Impairment assessments of goodwill and other intangible assets	

Refer to notes 2.8, 2.9, 20 and 21 to the consolidated financial statements
 	
As at 31 March 2024, the carrying amounts of goodwill and other intangible assets amounted to HK$1,371.1 million and HK$31,847.2 million respectively.
 	
Goodwill is subject to impairment assessment at least annually or when there is an indication of impairment.
 	
Other intangible assets are subject to impairment assessments when there is an indication of impairment.
 	
The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations.
 	
The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2024, management considered whether there is an indication of impairment for the Group's other intangible assets with reference to the financial performance of the respective entities as compared to their business plans.
 	
Management determined the recoverable amounts of the cash-generating unit based on value-in–use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs and sewage charges, raw water, gas and electricity costs and discount rates, etc, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets is considered high due to uncertainty of significant assumptions used.
 	
Based on the results of the impairment assessments, management concluded that there was no impairment of the other intangible assets and goodwill as at 31 March 2024.
	We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:
	
	• Obtaining management' s analysis of the indications of impairment and understanding management's rationale for the analysis; and
	
	• Assessing management's analysis by comparing the financial performance of certain entities against their business plans.
	
	Our procedures in relation to management's impairment assessments of goodwill and other intangible assets included:
	
	• Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
	
	    • Understanding the internal controls over the impairment assessment of goodwill and other intangible assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
	
	    • Comparing the forecast against current year business results to assess if there is any inconsistency in the revenue and cost structure;
	
	    • Challenging the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
	
	    • Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
As the assessment of indication of impairment for other intangible assets and the value-in-use calculations for impairment assessments of goodwill and other intangible assets required the use of significant judgements and estimates by management, we considered it as a key audit matter.	• Challenging the reasonableness of the estimated value-in-use calculations and the discount rate applied; • Checking the mathematical accuracy of the value–in-use calculations; • Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments of goodwill and other intangible assets to be supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2024

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.

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.

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.

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).

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.

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.

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.

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.

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.

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.

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.

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

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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.

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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**

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.

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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

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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

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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

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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.

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)

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 **HK$'000**	2023 HK$'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 **HK$'000**	2023 HK$'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

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).

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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 **HK$'000**	2023 HK$'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.

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15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 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**

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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 **HK$'000**	2023 HK$'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.

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

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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.

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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

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
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19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	**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)).

20 GOODWILL

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

	2024 HK$'000	2023 HK$'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.

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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.

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

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21 OTHER INTANGIBLE ASSETS

	Concession rights to operate water supply		Concession rights to operate sewage treatment		Other operating rights		Total	
	2024 HK$'000	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'000	**2024 HK$'000**	2023 HK$'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.

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.

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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.

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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.

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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 **HK$'000**	2023 HK$'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.

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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

For the year ended 31 March 2024

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2024

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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For the year ended 31 March 2024

32 TRADE AND BILLS PAYABLES

	2024 **HK$'000**	2023 HK$'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 **HK$'000**	2023 HK$'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 **HK$'000**	2023 HK$'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

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For the year ended 31 March 2024

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

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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).

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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 HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Accelerated tax depreciation HK$'000	Expected credit loss HK$'000	Total HK$'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.

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38 SHARE CAPITAL

	Number of shares '000	Par value 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
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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

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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
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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).

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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

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 HK$'000	2023 HK$'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 HK$'000	2023 HK$'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.

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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

For the year ended 31 March 2024

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**

Notes to the Consolidated Financial Statements
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

For the year ended 31 March 2024

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 Direct	Indirect	Principal activities
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
GT Water Holdings Limited	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$100,545,366	100%	–	Investment holding
Hang Da Holdings (HK) Limited	Hong Kong	Ordinary shares of HK$10,000	–	100%	Investment holding
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

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
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 Direct	Indirect	Principal activities
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

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
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 Direct	Indirect	Principal activities
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
郏縣銀龍水務有限公司*	PRC	Registered capital of RMB100,000,000	–	80%	City water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK$51,000,000	–	70%	City water supply and water supply infrastructure
河南鹿邑銀龍供水有限公司^	PRC	Registered capital of 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 Direct	Indirect	Principal activities
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

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
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

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
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

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
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 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.
- (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.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED
(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group") which are set out on pages 50 to 162, comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting for the service concession arrangements
- Impairment assessments of other intangible assets and goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
1 Accounting for the service concession arrangements	

Refer to notes 2.15, 5, 21 and 28 to the consolidated financial statements
 	
(a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements ("HK(IFRIC) Int.12")
 	
The Group entered into a number of service concession arrangements with certain government authorities in the People's Republic of China (the "PRC") in respect of its water supply business.
 	
In preparing the consolidated financial statements for the year ended 31 March 2023, management has reassessed these service concession agreements as to whether the conditions (i.e. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.) under HK(IFRIC) Int.12 were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int.12.
	Our procedures in relation to management's accounting for the service concession arrangements included:
	
	• Evaluating whether the service concession arrangements of previously acquired or established entities continually fulfil the conditions under HK(IFRIC) Int.12 by inquiring the management and reviewing pertinent board meeting minutes;
	
	• Evaluating whether the service concession arrangements of newly established entities fulfil the conditions under HK(IFRIC) Int.12 by:
	
	  • Reading the concession agreements and other relevant documents, including legal opinions as applicable, of the Group's water supply business; and
	
	  • Assessing the detailed analysis made by management on the terms of the service concession arrangements, particularly with regard to whether the Group or the grantors control the residual interests in the water supply infrastructures at the end of the service concession period, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
(b) Recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure Revenue from construction services under the terms of the service concession agreements is estimated on a cost-plus basis with reference to a market rate of gross profit margin at the date of agreement applicable to similar construction services rendered in the PRC. The market rate of gross profit margin was determined based on the research and analysis performed by the management, with reference to the gross profit margins of market comparable companies and the management concluded that there was no significant change in the gross profit margin, which is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue relating to construction or upgrade services in connection with water supply infrastructure is considered high due to uncertainty of significant assumptions used. We have identified the accounting for service concession arrangements as a key audit matter because of its financial significance to the consolidated financial statements. Determination of appropriate accounting for these service concession arrangements also requires use of significant judgements and estimates from management. Significant effort is required in auditing these areas.	Our procedures in relation to management's recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure included: • Understanding, evaluating and testing the internal controls over the generation of cost data of the construction or upgrade projects and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors; • Comparing the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology; • Comparing the estimated total construction costs and cost incurred to date to the latest budget approved by management; • Checking the construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials consumption notes and labour cost records on a sample basis; • Challenging the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the disclosure of gross profit margin of the comparable companies; • Testing the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements. Based on the audit procedures performed, we found that the accounting treatments for the service concession arrangements made by management to be acceptable based on the available evidence.

Independent Auditor's Report

Key Audit Matter

2 Impairment assessments of other intangible assets and goodwill

Refer to notes 2.8, 2.9, 20 and 21 to the consolidated financial statements

As at 31 March 2023, the carrying amounts of other intangible assets and goodwill amounted to HK$29,123.0 million and HK$1,419.4 million respectively.

Other intangible assets are subject to impairment assessments when there is an indication of impairment. Goodwill is subject to impairment assessment at least annually or when there is an indication of impairment.

The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2023, management considered whether there is an indication of impairment for the Group's other intangible assets with reference to the financial performance of the respective entities as compared to their business plans.

The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations.

Management determined the recoverable amounts of the cash-generating unit based on value-in-use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs and sewage charges, raw water, gas and electricity costs and discount rates, etc, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of other intangible assets and goodwill is considered high due to uncertainty of significant assumptions used.

Based on the results of the impairment assessments, management concluded that there was no impairment of the other intangible assets and goodwill as at 31 March 2023.

How our audit addressed the Key Audit Matter

We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:

- Obtaining management's analysis of the indications of impairment and understanding management's rationale for the analysis; and
- Assessing management's analysis by comparing the financial performance of certain entities against their business plan.

Our procedures in relation to management's impairment assessments of other intangible assets and goodwill included:

- Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
  - Understanding the internal controls over the impairment assessment of other intangible assets and goodwill and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
  - Comparing the forecast against current year business result to assess if there is any inconsistency in the revenue and costs structure;
  - Challenging the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
  - Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
As the assessment of indication of impairment for other intangible assets, and the value-in-use calculations for impairment assessments of other intangible assets and goodwill required the use of significant judgements and estimates from management, we considered it as a key audit matter.	• Challenging the reasonableness of the estimated value-in-use calculations and the discount rate applied; • Checking the mathematical accuracy of the value-in-use calculations; • Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments for other intangible assets and goodwill to be supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2023

Consolidated Income Statement

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	6	**14,194,953**	12,949,828
Cost of sales		**(8,848,656)**	(7,987,628)
Gross profit		**5,346,297**	4,962,200
Other income, net	6	**427,090**	358,564
Selling and distribution costs		**(282,940)**	(290,403)
Administrative expenses		**(955,695)**	(881,058)
Expected credit loss on trade receivables	27	**(45,024)**	–
Operating profit	8	**4,489,728**	4,149,303
Finance costs	9	**(633,225)**	(468,076)
Share of results of associates	18	**162,792**	234,995
Profit before income tax		**4,019,295**	3,916,222
Income tax expense	10	**(930,950)**	(939,093)
Profit for the year		**3,088,345**	2,977,129
Profit for the year attributable to:			
Owners of the Company		**1,856,786**	1,893,573
Non-controlling interests		**1,231,559**	1,083,556
		3,088,345	2,977,129
Earnings per share for profit attributable to owners of the Company during the year	11	**HK$**	HK$
Basic		**1.14**	1.17
Diluted		**1.14**	1.16

The notes on pages 59 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**3,088,345**	2,977,129
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss:		
– Currency translation	**(1,683,743)**	1,255,382
– Recycling of currency translation differences upon disposal or deregistration of subsidiaries, net	**193**	344
Items that will not be reclassified to profit or loss:		
– Change in fair value of financial assets at fair value through other comprehensive income	**(57,024)**	4,445
– Share of other comprehensive income/(loss) of an associate	**32,348**	(21,600)
Other comprehensive (loss)/income for the year, net of tax	**(1,708,226)**	1,238,571
Total comprehensive income for the year	**1,380,119**	4,215,700
Total comprehensive income attributable to:		
Owners of the Company	**575,701**	2,830,857
Non-controlling interests	**804,418**	1,384,843
	1,380,119	4,215,700

The notes on pages 59 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	**2023 HK$'000**	2022 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment	15	**3,338,119**	3,372,755
Right-of-use assets	16	**1,302,999**	1,366,709
Investment properties	17	**1,362,198**	1,398,863
Investment in associates	18	**2,402,532**	2,743,534
Financial assets at fair value through other comprehensive income	19	**461,445**	396,688
Goodwill	20	**1,419,442**	1,476,185
Other intangible assets	21	**29,122,981**	26,503,555
Prepayments, deposits and other receivables	22	**721,660**	806,617
Contract assets	23	**1,358,496**	1,305,719
Receivables under service concession arrangements	28	**1,788,146**	1,194,902
		43,278,018	40,565,527
Current assets			
Properties under development	24	**1,235,634**	2,066,096
Properties held for sale	25	**1,133,738**	675,926
Inventories	26	**650,353**	831,658
Contract assets	23	**1,481,535**	879,691
Receivables under service concession arrangements	28	**122,833**	80,180
Trade and bills receivables	27	**1,954,038**	1,561,650
Financial assets at fair value through profit or loss	29	**653,320**	1,149,409
Amounts due from non-controlling equity holders of subsidiaries	35	**248,585**	203,054
Amounts due from associates	18	**271,744**	137,699
Prepayments, deposits and other receivables	22	**2,635,409**	2,384,381
Pledged deposits	30	**514,260**	506,350
Cash and cash equivalents	30	**6,984,821**	6,022,821
		17,886,270	16,498,915
Current liabilities			
Lease liabilities		**37,978**	36,805
Contract liabilities	31	**1,401,864**	1,231,997
Trade and bills payables	32	**5,403,857**	4,673,899
Accrued liabilities, deposits received and other payables	33	**3,131,649**	2,675,905
Amounts due to associates	18	**34,843**	50,190
Borrowings	34	**8,020,540**	7,692,095
Amounts due to non-controlling equity holders of subsidiaries	35	**120,523**	290,230
Provision for tax		**3,027,151**	2,597,264
		21,178,405	19,248,385
Net current liabilities		**(3,292,135)**	(2,749,470)
Total assets less current liabilities		**39,985,883**	37,816,057

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Borrowings	34	**15,607,292**	14,171,416
Lease liabilities		**343,121**	338,095
Contract liabilities	31	**317,692**	328,489
Amounts due to non-controlling equity holders of subsidiaries	35	**1,078,213**	958,665
Deferred government grants	36	**197,354**	222,246
Deferred tax liabilities	37	**1,270,077**	1,314,402
		18,813,749	17,333,313
Net assets		**21,172,134**	20,482,744
Equity			
Equity attributable to owners of the Company			
Share capital	38	**16,323**	16,323
Reserves	40	**12,976,831**	12,952,889
		12,993,154	12,969,212
Non-controlling interests		**8,178,980**	7,513,532
Total equity		**21,172,134**	20,482,744

The consolidated financial statements on pages 50 to 162 were approved and authorised for issue by the board of directors on 27 June 2023 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 59 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Equity attributable to owners of the Company														
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium HK$'000 (note 40)	Convertible bonds equity reserve HK$'000 (note 40)	Capital redemption reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 40)	Other reserves HK$'000 (note 40)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 40)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2021	**15,849**	**253,584**	**-**	**282,190**	**3,304**	**32,373**	**122,834**	**96,808**	**(231,083)**	**55,259**	**851,030**	**9,030,395**	**10,512,543**	**6,437,485**	**16,950,028**
Shares issued in respect of conversion of convertible bonds (note 38)	474	–	281,716	(282,190)	–	–	–	–	–	–	–	–	–	–	–
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	159,233	159,233
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	148,155	–	–	–	148,155	(188,345)	(40,190)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	40,097	40,097
Final dividend 2021 (note 12)	–	(253,584)	–	–	–	–	–	–	–	–	–	(7,587)	(261,171)	–	(261,171)
Interim dividend 2022 (note 12)	–	–	–	–	–	–	–	–	–	–	–	(261,172)	(261,172)	–	(261,172)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(319,781)	(319,781)
Transactions with owners	**474**	**(253,584)**	**281,716**	**(282,190)**	**-**	**-**	**-**	**-**	**148,155**	**-**	**-**	**(268,759)**	**(374,188)**	**(308,796)**	**(682,984)**
Proposed final dividend 2022 (note 12)	**-**	**293,818**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(293,818)**	**-**	**-**	**-**
Transfer to statutory reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**272,488**	**(272,488)**	**-**	**-**	**-**
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	1,893,573	1,893,573	1,083,556	2,977,129
Other comprehensive income/(loss)															
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	–	4,445	–	–	4,445	–	4,445
– Currency translation	–	–	–	–	–	–	954,095	–	–	–	–	–	954,095	301,287	1,255,382
– Share of other comprehensive income/(loss) of an associate	–	–	–	–	–	–	–	–	5,279	(26,879)	–	–	(21,600)	–	(21,600)
– Recycling of currency translation differences upon deregistration of a subsidiary	–	–	–	–	–	–	344	–	–	–	–	–	344	–	344
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**954,439**	**-**	**5,279**	**(22,434)**	**-**	**1,893,573**	**2,830,857**	**1,384,843**	**4,215,700**
Balance at 31 March 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**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	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**

The notes on pages 59 to 162 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from operating activities			
Profit before income tax		**4,019,295**	3,916,222
Adjustments for:			
Finance costs	9	**633,225**	468,076
Share of results of associates	18	**(162,792)**	(234,995)
Interest income	6	**(164,031)**	(123,373)
Dividend income from financial assets	6	**(9,109)**	(11,165)
Amortisation of deferred government grants		**(12,108)**	(10,470)
Loss/(gain) on disposal of property, plant and equipment, net	6	**276**	(190)
Gain on disposal of right-of-use assets	6	**–**	(1,751)
(Gain)/loss on disposal of other intangible assets, net	6	**(13,944)**	475
Loss on disposal of investment properties		**–**	547
(Gain)/loss on deregistration or disposal of subsidiaries, net	6	**(1,278)**	6,127
Loss on disposal or deregistration of financial assets at fair value through other comprehensive income		**4,116**	23
Depreciation of property, plant and equipment	8	**154,990**	148,304
Depreciation of right-of-use assets	8	**70,342**	73,006
Amortisation of other intangible assets	8	**797,251**	659,885
Property, plant and equipment written off	8	**1,193**	578
Trade receivables written off	8	**191**	1,730
Expected credit loss on trade receivables	8	**45,024**	–
Excess over the cost of business combination recognised in profit or loss		**–**	(4,953)
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		**(485,060)**	(472,205)
Operating profit before working capital changes		**4,877,581**	4,415,871
Increase in properties under development		**(224,852)**	(563,190)
Decrease in properties held for sale		**439,353**	371,555
Decrease in inventories		**132,648**	154,600
Increase in contract assets		**(1,166,072)**	(557,286)
Increase in receivables under service concession arrangements		**(325,638)**	(65,921)
Increase in trade and bills receivables		**(528,438)**	(403,159)
Increase in prepayments, deposits and other receivables		**(231,222)**	(243,500)
Increase in contract liabilities		**249,796**	79,065
Increase in trade and bills payables		**1,001,696**	711,536
Increase in accrued liabilities, deposits received and other payables		**343,775**	399,158
Cash generated from operations		**4,568,627**	4,298,729
Interest paid for bank and other loans		**(614,877)**	(448,824)
Interest paid on lease liabilities		**(18,348)**	(19,252)
Income taxes paid		**(468,936)**	(168,371)
Net cash generated from operating activities		**3,466,466**	3,662,282

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from investing activities			
Interest received		**164,031**	123,373
Dividend received from financial assets		**9,109**	11,165
Purchase of property, plant and equipment	15	**(321,410)**	(256,257)
Proceeds from disposal of property, plant and equipment		**1,326**	2,454
Purchase of right-of-use assets – land lease payments		**(16,981)**	(29,657)
Proceeds from disposal of right-of-use assets		**–**	2,771
Additions of investment properties	17	**(55,128)**	(164,484)
Proceeds from disposal of investment properties		**10,465**	19,947
Purchase of financial assets at fair value through other comprehensive income		**(104,342)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**13,954**	–
Purchase of financial assets at fair value through profit or loss		**–**	(71,481)
Proceeds from disposal of financial assets at fair value through profit or loss		**384,768**	–
Additions of water supply, sewage treatment concession and other operating rights		**(4,291,946)**	(3,764,452)
Proceeds from disposal of other intangible assets		**25,426**	187
Acquisition of subsidiaries (net of cash and cash equivalent acquired)		**–**	(89,920)
Disposal of subsidiaries (net of cash and cash equivalent disposed)		**490**	3,262
(Increase)/decrease in amounts due from non-controlling equity holders of subsidiaries		**(63,033)**	10,728
Investments in associates		**(175)**	(2,469)
Proceeds from disposal of associates		**357,925**	247
Dividends received from associates		**42,039**	20,592
(Increase)/decrease in amounts due from associates		**(141,913)**	91,541
Increase in other receivables		**(96,149)**	(143,145)
Deferred government grants received		**–**	2,725
(Increase)/decrease in pledged deposits		**(30,797)**	27,507
Net cash used in investing activities		**(4,112,341)**	(4,205,366)

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Cash flows from financing activities			
Acquisition of additional interests in subsidiaries		**(8,394)**	(117,065)
Proceeds from partial disposal of subsidiaries		**1,104**	141
Capital injection by non-controlling equity holders of subsidiaries		**146,040**	40,097
Advance from amounts due to non-controlling equity holders of subsidiaries		**29,427**	598,590
Dividend paid to non-controlling equity holders of subsidiaries		**(274,892)**	(319,781)
Repayment of amounts due to associates		**(9,840)**	(18,151)
Repayment of lease liabilities		**(37,591)**	(37,200)
Drawdown of bank loans		**10,771,387**	5,917,250
Repayment of bank loans		**(9,243,259)**	(3,007,885)
Drawdown of other loans		**1,099,144**	2,615,067
Repayment of other loans		**(312,643)**	(2,564,312)
Dividend paid		**(293,818)**	(522,343)
Net cash generated from financing activities		**1,866,665**	2,584,408
Net increase in cash and cash equivalents		**1,220,790**	2,041,324
Cash and cash equivalents at beginning of year		**6,022,821**	3,901,218
Effect of foreign exchange rates, net		**(258,790)**	80,279
Cash and cash equivalents at end of year	30	**6,984,821**	6,022,821

The notes on pages 59 to 162 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 27 June 2023.

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 2023, the Group's current liabilities exceeded its current assets by approximately HK$3,292,135,000. The directors of the Company have reviewed the Group's cash flow projection, which covers a period of not less than twelve months from 31 March 2023. The directors of the Company are of the view that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account of the forecast cash flows including the cashflow generated from operations, internal financial resources, available loan facilities and new loan facilities currently under negotiation. The Group had unused loan facilities of approximately HK$7,579.4 million as at 31 March 2023. The directors of the Company believe that the Group will be able to renew or extend its existing loan facilities to drawdown from the unused loan facilities when needed. The Group will also continue to seek new debt financing and bank borrowings at cost acceptable to the Group. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures

(a) Amended standards adopted by the Group

During the year, the Group adopted the following amended standards which are relevant to the Group's operation and are mandatory for the year ended 31 March 2023.

HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-Scope Amendments
Amendments to Annual Improvements Projects	Annual Improvements to HKFRSs 2018-2020

The above 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.

(b) New standards and amendments to standards that have been issued but are not effective for the financial year beginning on 1 April 2022 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 2023 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
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
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand	1 January 2024
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 2023

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 2023

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 2023

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 2023

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 investment in properties for long-term rental yields or for capital appreciation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

In the second half of the year ended 31 March 2023, the Group (1) renamed "City water supply operations and construction" segment to "City water supply" segment; (2) began separately presenting the provision of pipeline direct drinking water supply operations and construction, installation and maintenance services and other services under "Pipeline direct drinking water supply" segment; and (3) began separately presenting the provision of municipal public construction services by the Group's subsidiary which possesses grade 1 main contractor qualification under "Main contractor construction" segment. These changes are consistent with the chief operating decision-maker's view of the business. Prior year's corresponding segment information that was presented for comparative purpose has been restated.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments".

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies (Continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the interests of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	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).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

Changes in fair values are recorded in the consolidated income statement as "fair value gain on investment properties". Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, 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.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated income statement. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2023

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 2023

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 2023

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 2023

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 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset (receivable under service concession arrangements) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangements) is accounted for in accordance with the policy set out for "Financial investments and other financial assets" in note 2.11 to the consolidated financial statements.

An intangible asset (other intangible assets) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (other intangible assets) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2.9 to the consolidated financial statements.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements (Continued)

Construction or upgrade services

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over time by measuring the progress towards complete satisfaction of the service. Contract costs are recognised as expenses by measuring the progress towards complete satisfaction of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the input method to determine the appropriate amount to recognise in a given period. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

Revenue relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.24 to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 2.24 to the consolidated financial statements.

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 2023

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 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are recognised as a right-of-use assets and a corresponding liabilities at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs; and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2023

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 2023

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 where it is mainly earned from financial assets that are held for cash management purposes.

2.26 Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in "Other income, 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 2023

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 2023

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 investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.30 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

2.31 Contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2023

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) *Credit risk (Continued)*

- actual or expected significant changes in the operating results of the counterparty; and
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

The Group's cash and cash equivalents and pledged deposits are placed in reputable financial institutions with sound credit ratings assigned by international credit rating agencies. Management believes there is no significant credit risk of loss on such assets.

For receivables under service concession arrangements, the customers are primarily local governments or PRC state-owned entities and management considers the credit risk is not high.

The Group is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment allowance policies for trade and bills receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets.

To measure the expected credit losses, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and aging. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rate for trade and bills receivables a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over 12 months before 31 March 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusting to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the relevant industry in which it sells its goods or services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) *Credit risk (Continued)*

Impairment allowance policies for trade and bills receivables and contract assets (Continued)

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

As at 31 March 2022, expected loss rate of trade and bills receivables and contract assets is assessed to be low. The amount of loss allowance provision for trade and bills receivables and contract assets was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

As at 31 March 2023, expected loss rate of trade and bills receivables was determined as follows:

	Current	**1 to 90 days**	**91 to 180 days**	**Over 180 days**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Expected credit loss rate	0.1%	4.1%	6.5%	11.8%	
Trade and bill 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.

Impairment allowance policies for other financial assets at amortised cost

The other financial assets, which mainly comprise 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 2023, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The PRC subsidiaries of the Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB"), which are same as their functional currency.

Further, the Group has cash and cash equivalents and bank borrowings denominated in US$. Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

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

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises from bank deposits and borrowings which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would decrease/increase by approximately HK$161,288,000 (2022: HK$153,343,000) respectively.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represent management's assessment of a reasonably possible change in interest rate over the next twelve month period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(d) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Financial assets at FVPL and financial assets at FVOCI expose the Group to price risk.

The Group's investments in listed equity securities are primarily listed on the stock exchanges of Hong Kong.

Sensitivity analysis

If the price of FVPL had been increased/decreased by 10% at the end of the year and all other variables ware held constant, the Group's profit after income tax and equity would increase/decrease by approximately HK$65,332,000 (2022: HK$114,941,000) 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$46,145,000 (2022: HK$39,669,000) 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 2023

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 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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2022					
Lease liabilities	–	14,048	41,179	472,902	528,129
Trade and bills payables	3,021,579	460,579	1,191,741	–	4,673,899
Accrued liabilities and other payables	1,208,690	823,501	544,808	–	2,576,999
Amounts due to associates	21,875	25,782	2,533	–	50,190
Borrowings	48,439	576,979	7,263,008	18,108,779	25,997,205
Amounts due to non-controlling equity holders of subsidiaries	135,022	45,938	109,270	967,186	1,257,416
	4,435,605	1,946,827	9,152,539	19,548,867	35,083,838

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 2023

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 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**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2022, 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	4,444	–	392,244	396,688
Financial assets at fair value through profit or loss	–	–	1,149,409	1,149,409
	4,444	–	1,541,653	1,546,097

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

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

Information about Level 3 fair value measurement

Financial assets at FVOCI mainly comprise unlisted equity securities which were valued by the Group or APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using market approach to determine the fair value.

Financial assets at FVPL comprise equity investments for unlisted exchangeable bonds and wealth management products and structured deposits issued by various licensed banks in the PRC. The unlisted exchangeable bonds were valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using option pricing model to determine the fair value. As for wealth management products and structured deposits issued by various licensed banks in the PRC, the Group used income approach of discounted cash flows to determine the fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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	2023 HK$'000	2022 HK$'000	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted exchangeable bonds	**182,390**	240,890	Option pricing model	Volatility	40.1% (2022: 38.0%)	The higher of volatility, the lower of fair value
Unlisted equity securities	**373,289**	392,244	Market approach	Enterprise value to sales multiple	1.2 to 11.7 times (2022: 1.7 to 6.5 times)	The higher of sales multiple, the higher of fair value
Wealth management products and structured deposits issued by various licensed banks	**470,930**	908,519	Income approach	Expected return rate	1.6% to 5.0% (2022: 1.1% to 5.3%)	The higher of expected return rate, the higher of fair value

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

	2023 HK$'000	2022 HK$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	**392,244**	369,101
Changes in fair value recognised in other comprehensive income	**(3,488)**	3,704
Acquisition of subsidiaries	**–**	1,234
Additions	**25,594**	–
Disposed/deregistration	**(18,256)**	(23)
Exchange realignment	**(22,805)**	18,228
At end of the financial year	**373,289**	392,244
Financial assets at fair value through profit or loss:		
At beginning of the financial year	**1,149,409**	1,035,098
Net (disposal)/purchase and changes in fair value of financial assets at fair value through profit or loss	**(496,089)**	114,311
At end of the financial year	**653,320**	1,149,409

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

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

	2023 HK$'000	2022 HK$'000
At amortised cost		
– Trade and bills receivables	**1,954,038**	1,561,650
– Contract assets	**2,840,031**	2,185,410
– Receivables under service concession agreements	**1,910,979**	1,275,082
– Other receivables	**2,569,299**	2,424,982
– Amounts due from associates	**271,744**	137,699
– Amounts due from non-controlling equity holders of subsidiaries	**248,585**	203,054
	9,794,676	7,787,877
– Cash and cash equivalents and pledged deposits	**7,499,081**	6,529,171
	17,293,757	14,317,048
At fair value		
– Financial assets at fair value through other comprehensive income	**461,445**	396,688
– Financial assets at fair value through profit or loss	**653,320**	1,149,409
	18,408,522	15,863,145

Financial liabilities

	2023 HK$'000	2022 HK$'000
At amortised cost		
– Lease liabilities	**381,099**	374,900
– Contract liabilities	**1,719,556**	1,560,486
– Trade and bills payables	**5,403,857**	4,673,899
– Accrued liabilities and other payables	**3,034,165**	2,576,999
– Amounts due to associates	**34,843**	50,190
– Borrowings	**23,627,832**	21,863,511
– Amounts due to non-controlling equity holders of subsidiaries	**1,198,736**	1,248,895
	35,400,088	32,348,880

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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:

	2023 **HK$'000**	2022 HK$'000
Capital		
Total equity	**21,172,134**	20,482,744
Overall financing		
Borrowings	**23,627,832**	21,863,511
Amounts due to associates	**19,767**	23,761
Amounts due to non-controlling equity holders of subsidiaries	**132,675**	124,617
	23,780,274	22,011,889
Capital-to-overall financing ratio	**0.89 times**	0.93 times

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2023

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 2023

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

(ix) Service concession arrangements

The Group uses judgement to assess whether an agreement and the relevant assets fall into the scope of HK(IFRIC) – Int 12 in particular whether the Group or the grantors control the residual interest in the infrastructure at the end of service concession period. As explained in note 2.15 to the consolidated financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future income generated from these infrastructure over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition.

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.15 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2023, 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 – 120,000	20 to 30 years

During the year, the Group recognised water supply construction service income of HK$4,517,619,000 (2022: HK$4,398,538,000), sewage treatment construction service income of HK$872,310,000 (2022: HK$630,636,000) and finance income of HK$45,534,000 (2022: HK$51,541,000) 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 2023

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:

	2023 HK$'000	2022 HK$'000
Revenue:		
Point in time		
City water supply operations	**3,353,844**	3,361,094
Pipeline direct drinking water supply operations	**170,061**	107,884
Sales of goods	**797,202**	650,329
Sales of properties	**515,992**	494,521
Others	**258,719**	265,427
	5,095,818	4,879,255
Overtime		
City water supply installation and maintenance services	**1,920,108**	2,055,252
Pipeline direct drinking water supply installation and maintenance services	**112,767**	57,691
City water supply construction services	**4,166,600**	4,035,515
Pipeline direct drinking water supply construction services	**1,025,994**	492,195
Sewage treatment and drainage operations services	**399,921**	389,109
Sewage treatment and water environmental renovation construction services	**1,187,560**	771,421
Hotel and rental income	**104,049**	104,467
Finance income	**45,534**	51,541
Handling income	**38,824**	41,257
Others	**97,778**	72,125
	9,099,135	8,070,573
Total	**14,194,953**	12,949,828
Other income, net:		
Interest income	**164,031**	123,373
Government grants and subsidies (note)	**222,947**	191,441
Amortisation of deferred government grants	**12,108**	35,495
Dividend income from financial assets	**9,109**	11,165
Gain/(loss) on disposal of other intangible assets, net	**13,944**	(475)
Gain/(loss) on deregistration or disposal of subsidiaries, net	**1,278**	(6,127)
(Loss)/gain on disposal of property, plant and equipment, net	**(276)**	190
Gain on disposal of right-of-use assets	**–**	1,751
Miscellaneous income, net	**3,949**	1,751
Total	**427,090**	358,564

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 2023

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 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 2023

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022

	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	9,316,250	693,715	1,200,041	389,314	531,729	818,779	–	12,949,828
From inter-segment	130,675	6,681	–	1,879,023	–	–	(2,016,379)	–
Segment revenue	9,446,925	700,396	1,200,041	2,268,337	531,729	818,779	(2,016,379)	12,949,828
Segment profit/(loss)	3,147,879	164,800	409,770	408,136	118,260	(45,209)	–	4,203,636
Unallocated corporate income								144,342
Unallocated corporate expense								(198,675)
Finance costs								(468,076)
Share of results of associates	80,262	(190)	147,765	–	–	7,158	–	234,995
Profit before income tax								3,916,222
Income tax expense								(939,093)
Profit for the year								2,977,129
Other segment information								
Additions of investment properties	–	–	–	–	164,484	–	–	164,484
Additions to other non-current segment assets	3,803,918	556,013	69,614	873	1,453	119,687	–	4,551,558
Amortisation of deferred government grants	32,774	–	2,721	–	–	–	–	35,495
Amortisation of other intangible assets	(644,999)	(870)	(6,721)	–	–	(7,295)	–	(659,885)
Depreciation of property, plant and equipment and right-of-use assets	(107,830)	(6,779)	(26,763)	(686)	(9,643)	(69,609)	–	(221,310)
Property, plant and equipment written off	(316)	–	(255)	(1)	–	(6)	–	(578)
Trade receivables written off	(1,730)	–	–	–	–	–	–	(1,730)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022 (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	30,292,087	1,336,365	4,153,763	1,500,689	4,517,570	3,428,472	45,228,946
Other financial assets							1,546,097
Investment in associates	592,142	4,639	2,074,994	–	–	71,759	2,743,534
Other corporate assets							7,545,865
							57,064,442
Segment liabilities	5,357,411	255,855	74,120	2,827,790	1,409,840	305,498	10,230,514
Deferred tax liabilities							1,314,402
Provision for tax							2,597,264
Other corporate liabilities							22,439,518
							36,581,698

For the years ended 31 March 2023 and 2022, 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 2023

8 OPERATING PROFIT

Profit from operation is arrived at after charging/(crediting) the following:

	2023 HK$'000	2022 HK$'000
Cost of consumables and raw materials	**3,815,174**	3,491,608
Subcontracting costs	**1,571,289**	1,228,491
Cost of utilities used	**439,876**	415,497
Cost of raw water and water resources	**401,494**	427,658
Depreciation of property, plant and equipment	**154,990**	148,304
Depreciation of right-of-use assets	**70,342**	73,006
Amortisation of other intangible assets	**797,251**	659,885
Trade receivables written off	**191**	1,730
Expected credit loss on trade receivables	**45,024**	–
Short-term lease and low-value assets lease expenses in respect of:		
– leasehold land and buildings	**5,553**	7,964
– other property, plant and equipment	**1,099**	4,494
Auditors' remuneration		
– Audit services	**9,280**	8,780
– Non-audit services	**1,400**	2,800
Staff costs (including directors' emoluments – note 13(a)):		
– Direct labour costs	**331,899**	423,382
– Salaries and wages	**492,719**	561,931
– Pension scheme contribution	**188,108**	196,228
– Other staff costs	**74,946**	89,595
	1,087,672	1,271,136
Property, plant and equipment written off	**1,193**	578
Net foreign exchange loss	**46,776**	1,753

9 FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank loans	**891,433**	638,225
Interest on other loans	**245,227**	227,778
Interest on amounts due to non-controlling equity holders of subsidiaries	**5,832**	5,781
Interest on lease liabilities	**18,348**	19,252
Total borrowing costs	**1,160,840**	891,036
Less: interest capitalised included in property, plant and equipment, investment properties, other intangible assets and properties under development (note)	**(527,615)**	(422,960)
	633,225	468,076

Note: The borrowing costs have been capitalised at rates of 5.8% for the year ended 31 March 2023 (2022: 3.9%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

10 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2023 HK$'000	2022 HK$'000
Current income tax:			
– the PRC	(b)	**887,866**	790,441
Deferred tax (note 37)		**43,084**	148,652
Total income tax expense		**930,950**	939,093

(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% (2022: 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% (2022: 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:

	2023 HK$'000	2022 HK$'000
Profit before income tax	**4,019,295**	3,916,222
Less: Share of results of associates	**(162,792)**	(234,995)
	3,856,503	3,681,227
Tax calculated at PRC corporate income tax rate of 25% (2022: 25%)	**964,126**	920,307
Tax effect of non-taxable items	**(78,773)**	(95,070)
Tax effect of non-deductible items	**240,447**	199,282
Tax concession	**(199,218)**	(98,104)
Others	**4,368**	12,678
Income tax expense	**930,950**	939,093

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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$1,856,786,000 (2022: HK$1,893,573,000) and the weighted average of 1,632,322,000 (2022: 1,617,642,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluting ordinary shares during the year ended 31 March 2023.

For the year ended 31 March 2022, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,893,573,000 and after adjustments to reflect the effect of deemed exercise or conversion of convertible bonds, which was the adjusted weighted average of 1,632,322,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,617,642,000 used in basic earnings per share calculation and adjusted for the effect of deemed exercise or conversion of convertible bonds existing during the year of 14,680,000 ordinary shares.

12 DIVIDENDS

(a) Dividends attributable to the year

	2023 **HK$'000**	2022 HK$'000
Interim dividend of HK$0.16 (2022: HK$0.16) per ordinary share	**261,172**	261,172
Proposed final dividend of HK$0.18 (2022: HK$0.18) per ordinary share	**293,818**	293,818
	554,990	554,990

The final dividends proposed after the reporting date for the year ended 31 March 2023 and 2022 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

	2023 **HK$'000**	2022 HK$'000
Final dividend in respect of the previous financial year of HK$0.18 (2022: HK$0.16) per ordinary share	**293,818**	253,584
Adjustment to the final dividend (note)	**–**	7,587
	293,818	261,171

Note: The adjustment was made due to shares issued prior to the record date of the final dividends and, therefore, the related shares ranked for this dividend payment.

(c) Dividends recognised as distributions during the year ended 31 March 2023 amounted to HK$554,990,000 (2022: HK$522,343,000) or HK$0.34 (2022: HK$0.32) per ordinary share.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 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 2023

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 2022:

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	20	22,038
Ms. Ding Bin	–	480	1,000	–	18	531	2,029
Ms. Liu Yu Jie	–	2,400	2,000	–	18	–	4,418
Mr. Li Zhong	–	1,289	1,400	–	18	1,396	4,103
Mr. Duan Jerry Linnan	–	240	1,000	–	18	960	2,218
Non-executive directors							
Mr. Zhao Hai Hu	–	120	–	–	–	629	749
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	1,100	–	18	1,169	3,487
Mr. Zhou Wen Zhi (retired with effect from 3 September 2021)	–	51	–	–	–	–	51
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	300	–	–	–	–	–	300
Ms. Zhou Nan	300	–	–	–	–	–	300
Mr. Chan Wai Cheung Admiral	300	–	–	–	–	–	300
Total	1,548	15,840	18,500	–	108	4,705	40,701

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 (2022: 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 (2022: 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 (2022: 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 (2022: Nil).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included three directors (2022: four directors), details of whose emoluments have been disclosed in note 13(a) to the consolidated financial statements above. The emoluments paid to the remaining two individuals (2022: one individual) during the year are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and other benefits	**7,461**	2,975
Retirement scheme contribution	**106**	87
	7,567	3,062

The emoluments fell within the following bands

	2023	2022
HK$3,000,001 to HK$3,500,000	**–**	1
HK$3,500,001 to HK$4,000,000	**2**	–

During the years ended 31 March 2023 and 2022, 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 2023 and 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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 2021						
Cost	1,901,293	45,316	750,297	306,241	363,980	3,367,127
Accumulated depreciation	(122,013)	(28,126)	(150,052)	(204,299)	–	(504,490)
Net carrying amount	1,779,280	17,190	600,245	101,942	363,980	2,862,637
Year ended 31 March 2022						
Opening net carrying amount	1,779,280	17,190	600,245	101,942	363,980	2,862,637
Additions	358	–	52,443	35,730	167,726	256,257
Acquisition of subsidiaries	22,189	–	87,646	1,411	16,907	128,153
Disposals	(498)	–	(988)	(778)	–	(2,264)
Disposal of subsidiaries	–	–	(2)	(40)	–	(42)
Written off	(67)	–	(241)	(270)	–	(578)
Transfers	31,658	–	44,839	154	(76,651)	–
Transfer from properties held for sale (note 25)	133,760	–	–	–	–	133,760
Depreciation	(70,018)	–	(47,743)	(30,543)	–	(148,304)
Exchange realignment	89,061	1,203	29,925	5,477	17,470	143,136
Closing net carrying amount	1,985,723	18,393	766,124	113,083	489,432	3,372,755
At 31 March 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**

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2023, the property, plant and equipment with a net carrying amount of HK$1,236,005,000 (2022: HK$133,528,000) were pledged to secure loan facilities granted to the Group (note 34(i)(d)).

Depreciation charge for the year ended 31 March 2023 amounted to HK$119,696,000 (2022: HK$109,395,000) has been included in cost of sales in the consolidated income statement.

16 RIGHT-OF-USE ASSETS

	2023 **HK$'000**	2022 HK$'000
Leasehold land and land use right	**1,094,071**	1,178,881
Buildings	**208,928**	187,828
	1,302,999	1,366,709

As at 31 March 2023, it was included in the leasehold land and land use right with a net carrying amount of HK$96,659,000 (2022: HK$70,857,000) for which the Group is still in the process of obtaining the land use rights certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these land. As confirmed by the Group's legal advisors in previous year and based on the Group's assessment for the year ended 31 March 2023, there is no legal impediment for the Group to obtain these land use rights certificates.

As at 31 March 2023, the leasehold land and land use right with a net carrying amount of HK$356,458,000 (2022: HK$380,064,000) 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 in average.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Additions to the leasehold land and land use right during the year ended 31 March 2023 were HK$16,981,000 (2022: HK$53,121,000).

During the year ended 31 March 2023, total cash outflow for leases of HK$37,591,000 (2022: HK$37,200,000) was included in net cash generated from financing activities.

Depreciation charge for the year ended 31 March 2023 amounted to HK$35,564,000 (2022: HK$35,773,000) 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$6,652,000 (2022: HK$12,458,000) have been included in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17 INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
At fair value		
Opening net carrying amount	**1,398,863**	1,195,821
Additions	**55,128**	164,484
Disposal	**(10,465)**	(20,494)
Exchange realignment	**(81,328)**	59,052
Closing net carrying amount	**1,362,198**	1,398,863

As at 31 March 2023, the investment properties with a carrying amount of HK$1,207,807,000 (2022: HK$1,305,190,000) were pledged to secure loan facilities granted to the Group (note 34(i)(f)).

Investment properties were revalued on 31 March 2023 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

Residential properties and leasehold land located in the PRC are held within a business model that the Group sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. Valuations were based on market evidence of recent transaction prices for similar properties and adjusted for the differences.

Industrial properties under development located in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use.

The fair value of investment properties is a level 3 recurring fair value measurement.

Fair value is determined by applying the direct comparison approach by making reference to the comparable sales transactions as available in the markets, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

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$476,744 (2022: HK$493,827)	The higher of market price, the higher of fair value
		Income capitalisation method	Market unit rents per square meter per month	HK$244 to HK$293 (2022: HK$254 to HK$305)	The higher of market price, the higher of fair value
			Market yield	4.8% (2022: 5.0%)	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$96,310 to HK$111,491 (2022: HK$102,972 to HK$120,623)	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$500 to HK$508 (2022: HK$515 to HK$674)	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 2023

18 INVESTMENT IN ASSOCIATES

	2023	2022
	HK$'000	HK$'000
Share of net assets	**2,319,181**	2,601,869
Goodwill	**83,351**	141,665
	2,402,532	2,743,534

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2023 and 2022 except for the amount due to an associate with carrying amount of HK$19,767,000 (2022: HK$23,761,000) which bore interest rate at 5.0% (2022: ranged from 5.0% to 8.0%) per annum and repayable within one year (2022: repayable within one year).

As at 31 March 2023, the Group owned 28.46% (2022: 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 2023, the market price per share of Kangda International was HK$0.53 (2022: HK$0.70). 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 2022 and 2021 have been used. There were no material transactions carried out by Kangda International from 1 January 2023 to 31 March 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Summary of consolidated statement of financial position:		
Current assets	**7,017,843**	6,644,470
Non-current assets	**15,035,355**	15,925,169
Current liabilities	**(6,347,022)**	(6,873,407)
Non-current liabilities	**(9,031,050)**	(9,020,157)
	6,675,126	6,676,075
Less: Non-controlling interests of Kangda International's subsidiaries	**(159,504)**	(169,895)
Closing net assets	**6,515,622**	6,506,180
Group's share in %	**28.46%**	28.46%
Reconciliation to carrying amount:		
Opening carrying values as 1 April	**1,851,659**	1,646,907
Share of profit for the year	**77,993**	145,024
Share of other comprehensive income/(loss) for the year	**32,348**	(26,879)
Share of other reserves	**–**	5,279
Exchange realignment	**(107,654)**	81,328
Closing carrying values as 31 March	**1,854,346**	1,851,659

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries (Continued)

	For the year ended 31 December 2022 HK$'000	For the year ended 31 December 2021 HK$'000
Year ended 31 December		
Summary of consolidated statement of profit or loss and other comprehensive income:		
Revenue	**3,368,127**	3,603,652
Net profit for the year	**274,045**	509,570
Other comprehensive income/(loss) for the year	**113,663**	(94,444)
Total comprehensive income for the year	**387,708**	415,126

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:

	2023 HK$'000	2022 HK$'000
Carrying values	**548,186**	891,875
Profit before income tax	**40,318**	88,673
Other comprehensive income	**–**	–
Total comprehensive income	**40,318**	88,673

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

As at 31 March 2023 and 2022, the Group has other commitments relating to its investments in the associate as set out in note 42(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	**2023 HK$'000**	2022 HK$'000
Listed equity securities in Hong Kong	HK$	**2,104**	4,444
Unlisted equity securities outside Hong Kong	RMB	**373,289**	392,244
Listed debentures outside Hong Kong	USD	**86,052**	–
		461,445	396,688

(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.

	2023 HK$'000	2022 HK$'000
Change in fair value of financial assets at fair value through other comprehensive income	**(57,024)**	4,445
Dividend income from financial assets (note 6)	**9,109**	11,165

(iii) Non-current assets pledged as security

As at 31 March 2023, the financial assets at fair value through other comprehensive income with carrying amount of HK$243,023,000 (2022: HK$261,728,000) 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 2023

20 GOODWILL

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

	2023 HK$'000	2022 HK$'000
At 1 April		
Gross carrying amount	**1,476,185**	1,409,125
Accumulated impairment	**–**	–
Net carrying amount	**1,476,185**	1,409,125
Opening net carrying amount	**1,476,185**	1,409,125
Acquisition of subsidiaries	**–**	30,567
Disposal of a subsidiary	**–**	(7,997)
Exchange realignment	**(56,743)**	44,490
Closing net carrying amount	**1,419,442**	1,476,185
At 31 March		
Gross carrying amount	**1,419,442**	1,476,185
Accumulated impairment	**–**	–
Net carrying amount	**1,419,442**	1,476,185

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 2023

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 2023	**854,911**	**74,698**	**289,192**	**200,641**	**1,419,442**
Carrying amount at 31 March 2022	895,813	79,309	288,037	213,026	1,476,185

The recoverable amounts are determined based on value-in-use calculations. These calculations use pre- tax cash flow projections of the underlying operation covering the remaining years till the end of their respective service concessions periods.

The key assumptions used for the value-in-use calculations include forecast future business growth, city water, pipeline direct drinking water and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession period. Pre-tax discount rates of 10% to 13% are adopted on 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. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2023.

For sensitivity analysis, had there been a 2% reduction of future business growth rate, a 1% reduction of average city water or pipeline direct drinking water tariff or sewage charges, a 2% increase in operating costs or a 2% increase in discount rate in the value-in-use calculations each in isolation, no significant impairment loss of goodwill is resulted.

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For the year ended 31 March 2023

21 OTHER INTANGIBLE ASSETS

	Concession rights to operate water supply		Concession rights to operate sewage treatment		Other operating rights		Total	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
At beginning of the year								
Cost	**30,184,250**	24,546,479	**235,682**	217,175	**173,210**	165,059	**30,593,142**	24,928,713
Accumulated amortisation	**(4,062,297)**	(3,261,102)	**(7,629)**	(866)	**(19,661)**	(11,784)	**(4,089,587)**	(3,273,752)
Net carrying amount	**26,121,953**	21,285,377	**228,053**	216,309	**153,549**	153,275	**26,503,555**	21,654,961
For the year ended								
Opening net carrying amount	**26,121,953**	21,285,377	**228,053**	216,309	**153,549**	153,275	**26,503,555**	21,654,961
Additions	**4,746,225**	4,228,877	**8,578**	7,780	**22,203**	–	**4,777,006**	4,236,657
Capital injection	**–**	94,892	**–**	–	**–**	–	**–**	94,892
Acquisition of subsidiaries	**–**	117,290	**–**	–	**–**	–	**–**	117,290
Disposals	**(17,162)**	(4,683)	**–**	–	**–**	–	**(17,162)**	(4,683)
Amortisation	**(772,447)**	(645,869)	**(14,099)**	(6,721)	**(10,705)**	(7,295)	**(797,251)**	(659,885)
Exchange realignment	**(1,329,326)**	1,046,069	**(8,750)**	10,685	**(5,091)**	7,569	**(1,343,167)**	1,064,323
Closing net carrying amount	**28,749,243**	26,121,953	**213,782**	228,053	**159,956**	153,549	**29,122,981**	26,503,555
At 31 March								
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

As at 31 March 2023, the other intangible assets with a net carrying amount of HK$2,240,307,000 (2022: HK$2,091,205,000) were pledged to secure loan facilities granted to the Group (note 34(i)(g)).

Amortisation of HK$797,251,000 (2022: HK$659,885,000) has been included in cost of sales in the consolidated income statement.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2023** **HK$'000**	2022 HK$'000
Non-current			
Prepayments	(i)	**363,672**	363,678
Other receivables		**357,988**	442,939
		721,660	806,617
Current			
Prepayments		**424,098**	402,338
Other receivables	(ii)	**2,211,311**	1,982,043
		2,635,409	2,384,381

Notes:

(i) As at 31 March 2023 and 2022, 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 2023 and 2022, except for the receivables of aggregate carrying amount of approximately HK$435,220,000 (2022: HK$381,368,000) which bore interest rates ranged from 5.0% to 8.0% (2022: 5.0% to 8.0%) per annum and were receivable within one year (2022: 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 2023

23 CONTRACT ASSETS

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

	Notes	**2023 HK$'000**	2022 HK$'000
Non-current			
Relating to service concession arrangements	(i)	**1,358,496**	1,305,719
Current			
Relating to water supply and water environmental renovation construction businesses	(ii)	**1,481,535**	879,691
		2,840,031	2,185,410

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$1,358,496,000 (2022: HK$1,305,719,000) will be reclassified as receivables under service concession arrangements after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to 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$1,481,535,000 (2022: HK$879,691,000) 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

	2023	2022
	HK$'000	HK$'000
At cost		
Opening net carrying amount	**2,066,096**	1,826,463
Additions	**224,852**	563,190
Transfer to properties held for sale (note 25)	**(935,166)**	(413,782)
Exchange realignment	**(120,148)**	90,225
Closing net carrying amount	**1,235,634**	2,066,096

The amount of properties under development are expected to be recovered after more than one year is HK$982,707,000 (2022: HK$1,383,120,000). The remaining balance is expected to be recovered within one year.

25 PROPERTIES HELD FOR SALE

	2023	2022
	HK$'000	HK$'000
At cost		
Opening net carrying amount	**675,926**	732,617
Additions	**–**	9,892
Transfer from properties under development (note 24)	**935,166**	413,782
Transfer to property, plant and equipment (note 15)	**–**	(133,760)
Sales for the year	**(439,353)**	(381,447)
Exchange realignment	**(38,001)**	34,842
Closing net carrying amount	**1,133,738**	675,926

As at 31 March 2023, the properties held for sale with carrying amount of approximately HK$78,568,000 (2022: HK$83,418,000) were pledged to secure loan facilities granted to the Group (note 34(i)(h)).

The amount of properties held for sale are expected to be recovered after more than one year is HK$319,245,000 (2022: HK$270,885,000). The remaining balance is expected to be recovered within one year.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

26 INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials and supplies	**367,304**	397,264
Work-in-progress	**242,616**	401,014
Finished goods	**40,433**	33,380
	650,353	831,658

27 TRADE AND BILLS RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables – gross	**2,002,647**	1,557,186
Less: loss allowance	**(51,023)**	(6,370)
Trade receivables – net	**1,951,624**	1,550,816
Bills receivables	**2,414**	10,834
	1,954,038	1,561,650

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:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**1,072,772**	877,487
91 to 180 days	**171,504**	150,260
Over 180 days	**709,762**	533,903
	1,954,038	1,561,650

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 2022, no provision for expected credit loss on trade and bills receivables was recognised in consolidated income statement in relation to impaired financial assets. During the year ended 31 March 2023, expected credit loss of 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:

	2023	2022
	HK$'000	HK$'000
Opening carrying amount	**6,370**	6,070
Loss allowance during the year (note 8)	**45,024**	–
Exchange realignment	**(371)**	300
Closing carrying amount	**51,023**	6,370

To measure the expected credit losses which are included in the balance of provision for impairment, trade receivables have been grouped based on shared credit risk characteristics and due dated of invoices. The expected loss rates are based on the payment profiles of sales over 12 months before 31 March 2023 or 31 March 2022 respectively and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusting to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the relevant industry in which it sells its goods or services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The directors of the Company consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

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 bear interest at rate of 3.96% to 6.62% (2022: 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 2023, the receivables under service concession arrangements with a carrying amount of HK$152,024,000 (2022: HK$Nil) 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	**2023** **HK$'000**	2022 HK$'000
Unlisted exchangeable bonds in Hong Kong	(i)	**182,390**	240,890
Wealth management products and structured deposits issued by licensed banks	(ii)	**470,930**	908,519
		653,320	1,149,409

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 1.6% to 5.0% (2022: 1.1% to 5.3%).

Notes to the Consolidated Financial Statements

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30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023	2022
	HK$'000	HK$'000
Cash at banks/other financial institutions and in hand	**6,984,821**	6,022,821
Deposits	**514,260**	506,350
	7,499,081	6,529,171
Deposits pledged for loan facilities (note 34(i)(i))	**(104,628)**	(112,685)
Deposits pledged for bills payables (note 32)	**(344,431)**	(357,960)
Other pledged deposits	**(65,201)**	(35,705)
	(514,260)	(506,350)
Cash and cash equivalents	**6,984,821**	6,022,821

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 2023, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$5,968,347,000 (2022: HK$5,240,576,000), 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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

31 CONTRACT LIABILITIES

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

	2023 HK$'000	2022 HK$'000
Non-current		
Receipt in advance from customers for water supply installation and maintenance business	**317,692**	328,489
Current		
Receipt in advance from customers for water supply operations business	**335,788**	308,216
Receipt in advance from customers for water supply construction, installation and maintenance and water environmental renovation construction businesses	**409,537**	288,639
Receipt in advance from customers for property development and investment businesses	**656,539**	635,142
	1,401,864	1,231,997

(i) Revenue recognised in relation to contract liabilities

For the year ended 31 March 2023, the carried-forward contract liabilities amounted to HK$978,310,000 (2022: HK$757,746,000) was recognised in 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 2023, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was HK$455,702,000 (2022: HK$493,752,000).

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.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

32 TRADE AND BILLS PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**4,978,616**	4,224,125
Bills payables	**425,241**	449,774
	5,403,857	4,673,899

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:

	2023 HK$'000	2022 HK$'000
0 to 90 days	**3,085,013**	2,467,503
91 to 180 days	**874,970**	791,483
Over 180 days	**1,443,874**	1,414,913
	5,403,857	4,673,899

As at 31 March 2023, the bills payables of HK$425,241,000 (2022: HK$449,774,000) were secured by the pledged bank deposits of HK$344,431,000 (2022: HK$357,960,000) (note 30).

33 ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Accrued liabilities	**472,607**	494,415
Deposits received	**97,484**	98,906
Other payables (note)	**2,561,558**	2,082,584
	3,131,649	2,675,905

Note: Other payables mainly included various municipal service charges received on behalf of certain government authorities in the PRC of HK$591,709,000 (2022: HK$565,400,000) and payables for other PRC tax surcharges and construction costs, and payables for the Company's interim dividend of HK$261,172,000 (2022: HK$Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

34 BORROWINGS

	Notes	Original currency	2023 HK$'000	2022 HK$'000
Current				
Bank loans – unsecured	(ii)	RMB	**1,634,471**	1,072,349
Bank loans – secured	(i), (ii)	RMB	**1,768,887**	1,641,831
Bank loans – unsecured	(ii)	USD	**3,755,498**	4,397,332
Bank loans – unsecured	(ii)	HK$	**375,000**	350,000
Other loans – unsecured	(iii)	RMB	**5,814**	–
Other loans – secured	(i), (iii)	RMB	**339,369**	82,874
Other loans – secured	(i), (iii)	USD	**91,764**	91,764
Government loans – unsecured	(iv)	RMB	**49,737**	55,945
			8,020,540	7,692,095
Non-current				
Bank loans – unsecured	(ii)	RMB	**1,195,935**	1,001,053
Bank loans – secured	(i), (ii)	RMB	**5,974,722**	5,207,093
Bank loans – unsecured	(ii)	USD	**3,987,942**	3,954,243
Bank loans – unsecured	(ii)	HK$	**388,709**	447,875
Other loans – unsecured	(iii)	RMB	**83,132**	94,436
Other loans – unsecured	(iii)	USD	**2,645,393**	2,624,201
Other loans – secured	(i), (iii)	RMB	**847,385**	209,267
Other loans – secured	(i), (iii)	USD	**443,832**	532,796
Government loans – unsecured	(iv)	RMB	**40,242**	100,452
			15,607,292	14,171,416
			23,627,832	21,863,511

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

34 BORROWINGS (Continued)

	2023 HK$'000	2022 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year	**7,533,856**	7,461,512
In the second year	**1,740,045**	4,245,131
In the third to fifth years, inclusive	**4,789,935**	3,501,571
Beyond five years	**5,017,328**	2,863,562
	19,081,164	18,071,776
Other loans repayable:		
Within one year	**436,947**	174,638
In the second year	**325,005**	173,872
In the third to fifth years, inclusive	**3,463,313**	3,071,100
Beyond five years	**231,424**	215,728
	4,456,689	3,635,338
Government loans repayable:		
Within one year	**49,737**	55,945
In the second year	**20,030**	22,444
In the third to fifth years, inclusive	**20,212**	47,144
Beyond five years	**–**	30,864
	89,979	156,397

Notes to the Consolidated Financial Statements

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34 BORROWINGS (Continued)

Notes:

(i) The borrowings at 31 March 2023 and 2022 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 2023 was HK$1,236,005,000 (2022: HK$133,528,000) (note 15);

(e) charges over right-of-use assets in which their aggregate carrying amount as at 31 March 2023 was HK$356,458,000 (2022: HK$380,064,000) (note 16);

(f) charges over investment properties in which their aggregate carrying amount as at 31 March 2023 was HK$1,207,807,000 (2022: HK$1,305,190,000) (note 17);

(g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2023 was HK$2,240,307,000 (2022: HK$2,091,205,000) (note 21);

(h) charges over properties held for sale in which their aggregate carrying amount as at 31 March 2023 was HK$78,568,000 (2022: HK$83,418,000) (note 25);

(i) charges over the bank deposits in amount of HK$104,628,000 as at 31 March 2023 (2022: HK$112,685,000) (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 2023 was HK$243,023,000 (2022: HK$261,728,000) (note 19(iii)); and

(k) charges over receivables under services concession arrangements in which their aggregate carrying amount as at 31 March 2023 was HK$152,024,000 (2022: HK$Nil) (note 28).

(ii) The effective interest rates of the bank loans ranged from 1.2% to 7.8% (2022: 1.2% to 9.2%) per annum at 31 March 2023.

(iii) The effective interest rates of the other loans ranged from 3.0% to 9.7% (2022: 3.1% to 9.7%) per annum at 31 March 2023.

(iv) The effective interest rates of the government loans ranged from 1.2% to 5.9% (2022: 1.2% to 5.0%) per annum at 31 March 2023.

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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$11,924,000 (2022: HK$40,543,000) as at 31 March 2023 which bore interest rate at 7.0% (2022: ranged from 4.3% to 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$120,751,000 (2022: HK$84,074,000) as at 31 March 2023 which bore interest rate ranged from 1.2% to 5.7% (2022: 1.2% to 5.7%) per annum and was repayable over one year.

36 DEFERRED GOVERNMENT GRANTS

	2023 **HK$'000**	2022 HK$'000
Opening carrying amount	**222,246**	243,127
Additions	**–**	2,725
Amortisation (note 6)	**(12,108)**	(35,495)
Exchange realignment	**(12,784)**	11,889
Closing carrying amount	**197,354**	222,246

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

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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 HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Revaluation of properties HK$'000	Accelerated tax depreciation HK$'000	Others HK$'000	Total HK$'000
At 1 April 2021	674,521	150,521	224,324	50,020	–	1,099,386
Charged to profit or loss (note 10)	148,652	–	–	–	–	148,652
Acquisition of subsidiaries	–	18,320	–	–	–	18,320
Exchange realignment	29,064	6,932	9,578	2,470	–	48,044
At 31 March 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**

At 31 March 2023, the Group has unused tax losses of HK$677,482,000 (2022: HK$486,171,000) 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 2023, the deferred tax liabilities of HK$182,336,000 (2022: HK$152,202,000) for the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries have not been recognised, because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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38 SHARE CAPITAL

	Number of shares '000	Par value HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2022 and 2023	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2021	1,584,903	15,849
Shares issued in respect of conversion of convertible bonds (note)	47,419	474
At 31 March 2022 and 2023	**1,632,322**	**16,323**

Note: During the year ended 31 March 2022, approximately 47,419,000 shares were issued in respect of conversion of convertible bonds at HK$7.62 per ordinary share of the Company (note 40).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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.

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 2023 and 2022, no share option is granted and exercised under the Scheme.

Notes to the Consolidated Financial Statements

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40 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 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.

Convertible bonds equity reserve

On 1 April 2020, the Company entered into a subscription agreement with Baring Private Equity Asia V Holding (5) Limited ("BPEA") (the "Proposed Subscription") pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million (the "Exchangeable Bonds"). The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company ("Conversion Share") at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share (the "Convertible Bonds"). The Exchangeable Bonds will initially entitle the holder thereof to exchange for 344,129,996 ordinary shares of Kangda International (subject to adjustment). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

On initial recognition, the Convertible Bonds were presented in equity as convertible bonds equity reserve and the Exchangeable Bonds were presented in financial assets at fair value through profit or loss (note 29).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

40 RESERVES (Continued)

On 12 July 2021, the conversion price of Convertible Bonds was adjusted to HK$7.62 per ordinary share of the Company (the "Adjusted Conversion Price") as a result of the payment of the final dividend of HK$0.16 per ordinary share of the Company for the year ended 31 March 2020 and the interim dividend of HK$0.15 per ordinary share of the Company for the year ended 31 March 2021 by the Company. Based on the Adjusted Conversion Price, the maximum number of ordinary shares of the Company to be issued by the Company upon full conversion of the Convertible Bonds will be increased from 44,886,521 ordinary shares of the Company to 47,419,487 ordinary shares of the Company. On 22 July 2021, the Company converted, at requested by BPEA, the Convertible Bonds in principal amount of HK$361,336,000 into ordinary shares of the Company at Adjusted Conversion Price of HK$7.62. After the completion of conversion, the Convertible Bonds was fully exercised and 47,419,487 ordinary shares of the Company were issued during the year ended 31 March 2022.

41 DEREGISTRATION OR DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2023, the Group deregistered or disposed several subsidiaries and recognised a net gain on deregistration or disposal of approximately HK$1,278,000 (2022: net loss HK$6,127,000).

42 COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2023 **HK$'000**	2022 HK$'000
Contracted, but not provided for		
– Other intangible assets	**353,918**	450,807
– Property, plant and equipment	**7,209**	10,873
	361,127	461,680

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

42 COMMITMENTS AND GUARANTEES (Continued)

(b) Operating lease arrangement

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to twenty years (2022: one to ten years) in average. Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

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

	2023	2022
	HK$'000	HK$'000
Within one year	**22,844**	24,196
In the second to fifth years, inclusive	**24,646**	38,754
After five years	**5,116**	507
	52,606	63,457

(c) As at 31 March 2023, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK$5,498,000 (2022: HK$70,004,000).

(d) As at 31 March 2023, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK$18,951,000 (2022: HK$9,209,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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:

	2023 HK$'000	2022 HK$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	**53,229**	49,581
– Retirement scheme contribution	**638**	628
	53,867	50,209

(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:

	2023 HK$'000	2022 HK$'000
Sales to an associate	**247,352**	79,466

The Group provided construction services of approximately HK$247,352,000 (2022: HK$79,466,000) 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 2023

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	Amounts due to non-controlling equity holders of subsidiaries	Lease liabilities	Borrowings
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2021	64,772	600,213	359,579	18,428,873
Changes from financing cash flows	(18,151)	598,590	(37,200)	2,960,120
Increase arising from acquisition of subsidiaries	370	37,171	5,912	65,843
New leases	–	–	28,987	–
Exchange differences	3,199	12,921	17,622	408,675
As 31 March 2022 and 1 April 2022	50,190	1,248,895	374,900	21,863,511
Changes from financing cash flow	(9,840)	29,427	(37,591)	2,314,629
New leases	–	–	65,180	–
Exchange differences	(5,507)	(79,586)	(21,390)	(550,308)
At 31 March 2023	**34,843**	**1,198,736**	**381,099**	**23,627,832**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2023 HK$'000	2022 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		**409**	560
Investment in subsidiaries		**4,706,049**	4,228,146
Investment in an associate		**–**	187,245
Financial assets at fair value through other comprehensive income		**88,157**	4,444
Amount due from a subsidiary		**3,089,244**	–
		7,883,859	4,420,395
Current assets			
Financial assets at fair value through profit or loss		**182,390**	240,890
Amounts due from subsidiaries		**7,354,248**	9,147,977
Amount due from an associate		**–**	44,524
Prepayments, deposits and other receivables		**5,440**	23,187
Pledged deposits		**93,000**	112,685
Cash and cash equivalents		**1,509,253**	1,158,371
		9,144,331	10,727,634
Current liabilities			
Amounts due to subsidiaries		**6,834,049**	195,336
Accrued liabilities, deposits received and other payables		**405,538**	152,053
Borrowings		**4,135,596**	4,839,098
		11,375,183	5,186,487
Net current (liabilities)/assets		**(2,230,852)**	5,541,147
Total assets less current liabilities		**5,653,007**	9,961,542
Non-current liabilities			
Borrowings		**3,477,934**	7,559,115
Deferred government grants		**2,370**	2,370
		3,480,304	7,561,485
Net assets		**2,172,703**	2,400,057
Equity			
Share capital	38	**16,323**	16,323
Reserves	45(b)	**2,156,380**	2,383,734
Total equity		**2,172,703**	2,400,057

Approved and authorised for issue by the board of directors on 27 June 2023 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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	Convertible bonds equity reserve HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Share options reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1 April 2021	**253,584**	**–**	**282,190**	**32,373**	**3,304**	**(51,297)**	**96,808**	**(689)**	**487,164**	**1,103,437**
Share issued in respect of conversion of convertible bonds (note 38)	–	281,716	(282,190)	–	–	–	–	–	–	(474)
Final dividend 2021 (note 12)	(253,584)	–	–	–	–	–	–	–	(7,587)	(261,171)
Interim dividend 2022 (note 12)	–	–	–	–	–	–	–	–	(261,172)	(261,172)
Transactions with owners	**(253,584)**	**281,716**	**(282,190)**	**–**	**–**	**–**	**–**	**–**	**(268,759)**	**(522,817)**
Proposed final dividend 2022 (note 12)	**293,818**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(293,818)**	**–**
Profit for the year	–	–	–	–	–	–	–	–	1,803,377	1,803,377
Other comprehensive (loss)/income										
– Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	–	–	741	–	–	–	741
– Currency translation	–	–	–	–	–	–	–	(1,004)	–	(1,004)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**741**	**–**	**(1,004)**	**1,803,377**	**1,803,114**
Balance at 31 March 2022	**293,818**	**281,716**	**–**	**32,373**	**3,304**	**(50,556)**	**96,808**	**(1,693)**	**1,727,964**	**2,383,734**

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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$'000	Share premium HK$'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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45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

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

The 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.

Convertible bonds equity reserve

On 1 April 2020, the Company entered into a subscription agreement with BPEA pursuant to which the Company conditionally agreed to subscribe for, and BPEA conditionally agreed to issue, the exchangeable bonds for a consideration of approximately HK$361.3 million. The consideration shall be satisfied by the Company issuing the convertible bonds to BPEA to convert into up to 44,886,521 ordinary shares of the Company at the initial conversion price (subject to adjustment) of HK$8.05 per Conversion Share. The Exchangeable Bonds will initially entitle the holder thereof to exchange for 344,129,996 ordinary shares of Kangda International (subject to adjustment). BPEA conditionally agreed to subscribe for the Convertible Bonds of the Company in an aggregate principal amount of approximately HK$361.3 million.

The Proposed Subscription was completed on 8 May 2020 and the Convertible Bonds and the Exchangeable Bonds were issued on 8 May 2020 accordingly.

On initial recognition, the Convertible Bonds were presented in equity as convertible bonds equity reserve and the Exchangeable Bonds were presented in financial assets at fair value through profit or loss (note 29).

On 12 July 2021, the conversion price of Convertible Bonds was adjusted to HK$7.62 per ordinary share of the Company (the "Adjusted Conversion Price") as a result of the payment of the final dividend of HK$0.16 per ordinary share of the Company for the year ended 31 March 2020 and the interim dividend of HK$0.15 per ordinary share of the Company for the year ended 31 March 2021 by the Company. Based on the Adjusted Conversion Price, the maximum number of ordinary shares of the Company to be issued by the Company upon full conversion of the Convertible Bonds will be increased from 44,886,521 ordinary shares of the Company to 47,419,487 ordinary shares of the Company. On 22 July 2021, the Company converted, at requested by BPEA, the Convertible Bonds in principal amount of HK$361,336,000 into ordinary shares of the Company at Adjusted Conversion Price of HK$7.62. After the completion of conversion, the Convertible Bonds was fully exercised and 47,419,487 ordinary shares of the Company were issued during the year ended 31 March 2022.

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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 2023 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

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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
Silver Dragon Water Supply Group Limited	Bermuda/ Hong Kong	10,007 ordinary shares of HK$0.01 each (2022: 10,000 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
銀龍水務投資有限公司#	PRC	Registered capital of RMB2,000,000,000	– (2022: 100%)	100% (2022: –)	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
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	–	93.45%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	93.45%	Investment holding
北京銀龍康興實業發展有限公司#	PRC	Registered capital of RMB500,000,000 (2022: RMB50,000,000)	–	100%	Investment holding
北京銀龍元泰實業發展有限公司^	PRC	Registered capital of RMB500,000,000 (2022: RMB50,000,000)	–	100%	Investment holding
北京銀龍興盛實業發展有限公司^	PRC	Registered capital of RMB300,000,000 (2022: RMB30,000,000)	–	100%	Investment holding

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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
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 (2022: US$2,580,000)	–	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 RMB290,000,000 (2022: RMB150,000,000)	– (2022: 60%)	60% (2022: –)	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	– (2022: 55%)	55% (2022: –)	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

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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
重慶市永川區僑立水務有限公司#	PRC	Registered capital of RMB200,000,000	– (2022: 100%)	100% (2022: –)	City water supply and water supply infrastructure
重慶墊江水務有限公司*	PRC	Registered capital of RMB250,000,000	56%	–	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB133,000,000	– (2022: 60%)	60% (2022: –)	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

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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
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	– (2022: 20%)	70% (2022: 50%)	City water supply and water supply infrastructure
惠州大亞灣溢源淨水有限公司^	PRC	Registered capital of RMB248,612,103	–	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 2023

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	
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 (2022: RMB50,000,000)	–	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 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 (2022: RMB14,000,000)	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司^	PRC	Registered capital of RMB100,000,000 (2022: RMB14,000,000)	–	100%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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
獲嘉縣新水水務有限公司#	PRC	Registered capital of RMB100,000,000 (2022: RMB50,000,000)	–	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
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 (2022: RMB62,308,750)	– (2022: 30%)	60% (2022: 30%)	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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	– (2022: 26%)	51% (2022: 25%)	City water supply and water supply infrastructure
萍鄉市春雨水業有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	City water supply and water supply infrastructure
懷化銀龍水務有限公司*	PRC	Registered capital of RMB50,104,000 (2022: RMB30,000,000)	– (2022: 30%)	86.55% (2022: 56.55%)	City water supply and water supply infrastructure
懷化沅辰水務有限公司*	PRC	Registered capital of RMB76,581,697	–	65%	City water supply and water supply infrastructure
九江彭澤銀龍水務有限公司*	PRC	Registered capital of RMB102,734,375	– (2022: 49%)	60% (2022: 11%)	City water supply and water supply infrastructure
運城銀龍水務有限公司*	PRC	Registered capital of RMB85,964,273	–	51%	City water supply and water supply infrastructure
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 2023

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 (2022: RMB75,000,000)	– (2022: 66.67%)	100% (2022: 33.33%)	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB99,500,000	–	60%	City water supply and water supply infrastructure
肇義市銀龍源盛水務有限公司*	PRC	Registered capital of RMB300,000,000	–	65% (2022: 60%)	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 (2022: RMB103,100,000)	–	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
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 (2022: RMB20,000,000)	–	51%	Direct drinking water operation and construction

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

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	–	74.76%	Municipal public construction
寶雞市金信安水務有限公司^	PRC	Registered capital of RMB42,680,000	–	93.45%	Sewage treatment
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	93.45%	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400	–	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	–	93.45%	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB18,000,000	–	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	–	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	–	93.45%	Sewage treatment operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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
天津重科水處理有限公司^	PRC	Registered capital of RMB14,000,000	–	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	–	93.45%	Sewage treatment operation and construction
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	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	–	93.45%	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB6,000,000	–	93.45%	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	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 RMB433,270,000	15%	60.74%	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	93.45%	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB16,000,000	–	93.45%	Sewage treatment
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000	–	93.45%	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB20,000,000 (2022: RMB15,000,000)	–	65.42%	Sewage treatment

Notes to the Consolidated Financial Statements
For the year ended 31 March 2023

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
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	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	–	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
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	–	93.1%	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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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
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 2023

46 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 2023 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	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
中原水務集團有限公司	PRC	RMB500,000,000	29%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement

47 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2023.

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