



Annual Report  
**2016**



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

Stock code : 855

\* For identification purposes only



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive

Mr. Duan Chuan Liang (*Chairman*)  
Ms. Ding Bin  
Ms. Liu Yu Jie  
Mr. Li Zhong (appointed on 4 June 2015)

#### Non-executive

Mr. Zhao Hai Hu  
Mr. Zhou Wen Zhi  
Mr. Makoto Inoue  
Ms. Wang Xiaoqin (appointed on 9 June 2015)  
Mr. Chen Guo Ru (resigned on 4 June 2015)

#### Independent Non-executive

Ms. Liu Dong  
Mr. Chau Kam Wing  
Mr. Ong King Keung  
Mr. Siu Chi Ming (appointed on 24 March 2016)  
Ms. Huang Shao Yun (resigned on 24 March 2016)

### AUDIT COMMITTEE

Mr. Chau Kam Wing (*Chairman of committee*)  
Ms. Liu Dong  
Mr. Ong King Keung  
Mr. Siu Chi Ming (appointed on 24 March 2016)  
Ms. Huang Shao Yun (resigned on 24 March 2016)

### REMUNERATION COMMITTEE

Mr. Chau Kam Wing (*Chairman of committee*)  
Ms. Liu Dong  
Mr. Ong King Keung  
Mr. Siu Chi Ming (appointed on 24 March 2016)  
Ms. Huang Shao Yun (resigned on 24 March 2016)

### NOMINATION COMMITTEE

Mr. Duan Chuan Liang (*Chairman of committee*)  
Mr. Chau Kam Wing  
Ms. Liu Dong  
Mr. Siu Chi Ming (appointed on 24 March 2016)  
Ms. Huang Shao Yun (resigned on 24 March 2016)

### COMPANY SECRETARY

Mr. Lie Chi Wing, FCCA, CPA, CFA

### AUTHORISED REPRESENTATIVES

Mr. Duan Chuan Liang  
Mr. Lie Chi Wing

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

### HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### LEGAL ADVISERS

As to Bermuda law  
Conyers Dill & Pearman

### AUDITOR

BDO Limited

### PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited  
Bank of China (Hong Kong) Limited  
China Merchants Bank  
Asian Development Bank

### WEBSITE

<http://www.chinawatergroup.com>

### STOCK CODE

855



## Chairman's Statement

I am pleased to present to the shareholders the annual results of China Water Affairs Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016.

The Group continued its effort to strengthen the management of its subsidiaries and expanded the operating capacity and investment scale in the existing sector. The Group had a remarkable growth in its core businesses of city water supply operation and construction and sewage treatment and drainage operation and construction for the year ended 31 March 2016. The combined revenue from city water supply operation and construction and sewage treatment and drainage operation and construction business amounted to HK\$3,632.3 million (2015: HK\$2,367.2 million), representing a significant increase of 53.4% as compared with the last corresponding year. The relevant combined segment profit amounted to HK\$1,454.9 million (2015: HK\$996.7 million), representing a significant increase of 46.0% as compared with the last corresponding year.

For the overall result of the year ended 31 March 2016, the Group recorded a revenue of HK\$4,032.9 million, representing a significant increase of 41.1% from HK\$2,858.6 million in last year. The Group recorded a gross profit of HK\$1,900.5 million representing a significant increase of 40.5% from HK\$1,352.5 million in last year. For the year under review, the Group recorded a profit for the year attributable to owners of the Company of HK\$551.8 million, representing a significant increase of 48.8% from HK\$370.9 million in last year. The basic earnings per share increased significantly by 39.8% to HK36.58 cents in current year.

In consideration of the satisfactory results, the board of directors (the "Board") has proposed to pay the equity shareholders of the Company a final dividend of HK5 cents per share. Together with the interim dividend of HK3 cents per share, the total dividends for the year will be HK8 cents per share (2015: HK7 cents per share).

The Group upholds its business vision of "Water-oriented, Kindness to Society" while striving for its goal of becoming the best operator of raw water, tap water, sewage treatment and related services in the People's Republic of China (the "PRC") and achieving satisfactory results. The Group sustained continuous growth in its water supply and sewage businesses, serving more than 8 million people in over 40 cities and counties in various provinces. China faces severe shortage of water resources which is further aggravated by accelerating urbanisation and economic growth. It is expected that the water sector has considerable room for growth. As economic growth and marketisation of the water sector continues, we believe that water tariff and usage still have ample room to grow.

On behalf of the Board, I hereby express my gratitude to all shareholders, investors, customers and business partners for their strong support to the Group. I would also like to thank the directors and the staff members of the Group for their endeavor and active contribution. We are confident of achieving successive good results in various aspects such as quality water supply, better utilisation of water resources and promotion of water pollution prevention and cure with an aim to reward our shareholders and contribute to the society.





## Chairman's Statement

### BUSINESS REVIEW

The Group's total revenue continuously increased from HK\$2,858.6 million for the year ended 31 March 2015 to HK\$4,032.9 million for the year ended 31 March 2016, representing a significant increase of 41.1%. The Group recorded a robust growth in its "Water" segment. For the year under review, the total revenue attributable to the "Water" segment amounted to HK\$3,632.3 million, which represented approximately 90.1% of the total revenue. For the corresponding year under review, the total revenue attributable to the "Water" segment amounted to HK\$2,367.2 million, which represented approximately 82.8% of the total revenue only. This represented a strong growth of "Water" segment revenue by 53.4%, which was mainly attributable to the successful strategy of the Group through procurement of more construction and installation work, increase in operating efficiency and tariff of the water supply and sewage treatment plants and various mergers and acquisition.

#### (i) Water Supply Business Analysis

City water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Hainan, Jiangsu, Jiangxi, Shenzhen, Guangdong, Beijing, Chongqing, Shandong, Shanxi and Heilongjiang.

For the year under review, the revenue from city water supply operation and construction amounted to HK\$3,293.3 million (2015: HK\$2,197.3 million), representing a significant increase of 49.9% as compared with the last corresponding year. The city water supply segment profit (including city water supply, water related installation works and meter installation) amounted to HK\$1,270.7 million (2015: HK\$941.1 million), representing a significant increase of 35.0% as compared with the last corresponding year. This was mainly because of procurement of more construction and installation work driven by the continuation of urban-rural integration and the promotion of the Public-Private Partnership model in the water sector and the additional contribution from the acquisition of Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and other new water projects during the year.

#### (ii) Sewage Treatment Business Analysis

Sewage treatment projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Shenzhen, Guangdong, Henan, Hebei, Hubei, Jiangsu, Jiangxi and Shaanxi.

For the year under review, the revenue from sewage treatment and drainage operation and construction business amounted to HK\$339.0 million (2015: HK\$169.9 million), representing a significant increase of 99.5% as compared with the last corresponding year. The sewage treatment and drainage segment profit (including sewage treatment and drainage operating and construction) amounted to HK\$184.1 million (2015: HK\$55.6 million), representing a significant increase of 231.1% as compared with the last corresponding year, which was mainly attributable to the additional contribution from the acquisition of Goldtrust Water Group and 惠州市銀龍實業有限公司 and its subsidiary during the year.

#### (iii) Property Business Analysis

The Group held various property development and investment projects which are mainly located in Beijing, Chongqing, Jiangxi, Hunan and Hubei provinces of China.

For the year under review, the revenue from the property business segment amounted to HK\$23.3 million (2015: HK\$114.0 million). The total property business segment profit amounted to HK\$44.1 million (2015: HK\$93.4 million), representing a decrease of 52.8% as compared with the last corresponding year, which was mainly because no sales of property projects were recorded and the fair value gain on investment properties decreased by HK\$88.8 million (2015: fair value gain of HK\$141.7 million) in current year.



## Chairman's Statement

### (iv) Concrete Business Analysis

Concrete projects of the Group are mainly located in Jiangxi and Hunan provinces of China.

For the year under review, the revenue from concrete business segment amounted to HK\$300.1 million (2015: HK\$305.0 million). The total concrete business segment profit amounted to HK\$52.1 million (2015: HK\$45.9 million), representing an increase of 13.5% as compared with the last corresponding year.

For the year under review, the overall increase in the Group's share of results of associates was mainly attributable to the disposal of entire interest in Jiu Rong Holdings Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2358), resulting in a gain of HK\$87.6 million. For the year under review, the Group also recorded a loss on share of results of China City Infrastructure Group Limited, whose ordinary shares are listed on the Stock Exchange (stock code: 2349), in an amount of HK\$73.7 million (2015: HK\$4.7 million).

### PROSPECTS

The water shortage issue in China has been impacting directly the sustainability of Chinese economy, as well as hindering the economic development and industry planning. While urbanization serves as a significant platform of Chinese economic growth, provision of safe drinking water remains one of the key concerns for future development. In this regard, the Chinese government has further intensified its support by policies to the industry and accelerated the implementation of relevant policies.

During the period under review, the State Council issued the "Guiding Opinions on the Promotion of the Public-Private Partnership Model in the Public Services Sectors", which is an essential document highlighting the importance of enhancement of both quantity and quality of public goods and services, the provision of which in the future shall drive Chinese economy to grow in a medium-to-high speed under the new normal. This may not only help resolving effectively the public's drinking water safety issue and satisfying the needs for economic growth with the social capital and operations, but also further eliminate boundaries that hinder the social capital entering the public sectors, and substantially expand the room for development of the social capital, especially the private capital.

The "Water Ten Plan" issued around the time further laid emphasis on maximising the effects of market mechanism and accelerating the tariff reform. The policy aiming at cancelling levies and imposing taxes on water resources will lay the foundation at the source for applying the market pricing mechanism on water tariff by legal means. As the water tariff reform and progressive water tariff system being implemented throughout the country, the profit growth and investment returns of the Company will be benefited in the future.

Recently, the National Development and Reform Commission, leading the other 11 departments, including the Ministry of Finance and the Legislative Affairs Office of the State Council, is accelerating the procedure of legislation on the Public-Private Partnership ("PPP"). In the performance assessment documents regarding the funds for urban pipeline network projects, the Ministry of Finance and Ministry of Housing and Urban-Rural Development have included the implementation of PPP into the performance assessment systems of both of the Underground Comprehensive Pipeline Pilot and the Sponge City Construction. This will cast a positive impact on the investments of private capital in heavy assets areas by the way of PPP model. As the PPP model is being continuously promoted throughout the country, the trend of the governments purchasing public services and encouraging the participation of social sectors shall be continued, which provides continuing development momentum and opportunities for the water industry.



## Chairman's Statement

2016 represents the onset of the Thirteenth Five-Year Plan. The Company will seize the development opportunities created by the favourable policies in China and react proactively to the new situation and new challenges. The Group will keep on optimising and implementing its industry planning. Our management centres in the north and south of China will be based in Beijing and Shenzhen respectively, to coordinate the water business development in the various region in China and foster the stable development of the water business under the current favourable policies. We will also accelerate the disposal of non-core assets, and concentrated on maximising the core businesses proactively, so as to finance mergers and acquisitions in the future. While strengthening internal management and enhancing operational efficiency, we are also strive to explore mergers and acquisitions and opportunities for other cooperations, with an aim of expanding businesses and optimising industry planning, so as to maximise the value of the Group's overall core business and enhance internal efficiency, and provide better returns to our shareholders.

### MAJOR ACQUISITIONS AND DISPOSALS

Details of the Group's acquisitions and disposals during the years ended 31 March 2016 and 2015 are set out in notes 40 and 41 to the financial statements respectively.

### CAPITAL RAISING

On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp and Ms. Lu Hai, that the Group conditionally acquired 100% of equity interests of Goldtrust Water Group and 9.7% of equity interest in Shenzhen Bus Group Co., Ltd. ("Shenzhen Bus Group") at the total cash consideration of US\$109,712,736. Goldtrust Water Group is principally engaged in water supply, sewage treatment and drainage and other water related businesses in the PRC and it holds 9.7% equity interest in Shenzhen Bus Group which is principally engaged in providing public bus transportation services in Shenzhen.

Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and allotted 29,207,457 new shares in the Company at HK\$4.458 per share as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group. The consideration shares were issued on 3 June 2015.

On 15 May 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC"), pursuant to which IFC conditionally subscribed 36,907,143 new shares of the Company at HK\$4.20 each. On 29 May 2015, the subscription was completed and raised gross proceeds of approximately HK\$155.0 million (before expenses) which will be used for general working capital and business development of the Group. All the relevant proceeds have been used for the Group's acquisition of Goldtrust Water Group.

### CONVERTIBLE BONDS

During the year ended 31 March 2016, the Company converted, at the request of bondholders, convertible bonds in principal amount of HK\$26,100,000 into ordinary shares at conversion price of HK\$2.88. After the completion of conversion, the outstanding principal amount of the convertible bonds of HK\$1,200,000 was fully repaid during the year ended 31 March 2016. The Group recognised a loss on redemption of the convertible bonds of HK\$33,000.



## Chairman's Statement

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group has total cash and deposits balances of approximately HK\$3,018.6 million (2015: HK\$1,830.7 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 59.8% (2015: 57.4%) as at 31 March 2016. The current ratio is 1.35 times (2015: 1.09 times) as at 31 March 2016. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations in full as they fall due in the foreseeable future.

### HUMAN RESOURCES

As at 31 March 2016, the Group has employed approximately 7,100 staff. Most of them stationed in the PRC and the remaining in Hong Kong. The remuneration package of the employees is determined by various factors including their merit, qualifications, competence, performance, the market condition, industry practice and applicable employment law.

### FOREIGN EXCHANGE RISK MANAGEMENT

Majority of the subsidiaries of the Company operates in the PRC with most of its transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings.

### PLEDGE OF ASSETS

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 31 March 2016 were as follows:

- (a) pledge of water and sewage treatment revenue of certain subsidiaries;
- (b) charges over property, plant and equipment in which their aggregate carrying amounts as at 31 March 2016 was HK\$368,649,000 (2015: HK\$236,107,000);
- (c) charges over interests in land use rights in which their aggregate carrying amounts as at 31 March 2016 was HK\$197,157,000 (2015: HK\$111,848,000);
- (d) charges over investment properties in which their aggregate carrying amounts as at 31 March 2016 was HK\$196,783,000 (2015: HK\$420,091,000);
- (e) charges over other intangible assets in which their aggregate carrying amounts as at 31 March 2016 was HK\$69,617,000 (2015: HK\$65,229,000);
- (f) charges over the properties under development in which their aggregate carrying amounts as at 31 March 2016 was HK\$63,584,000 (2015: HK\$58,454,000);
- (g) charges over the interests in associates in which their aggregate carrying amounts as at 31 March 2016 was HK\$778,031,000 (2015: Nil);





## Chairman's Statement

- (h) charges over the available-for-sale financial assets and derivative financial assets in which their aggregate carrying amounts as at 31 March 2016 were HK\$206,162,000 and HK\$67,004,000 respectively (2015: Nil);
- (i) charges over the financial assets at fair value through profit or loss in which their aggregate carrying amounts as at 31 March 2015 was HK\$76,424,000; and
- (j) charges over the Group's bank deposits in amount of HK\$466,762,000 as at 31 March 2016 (2015: HK\$329,925,000).

### CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any material contingent liabilities (2015: Nil).

### ACKNOWLEDGEMENTS

Lastly, on behalf of the Board, I wish to express my gratitude to all shareholders, investors, and business partners for their continued trust and support. I would also like to thank the staff members of the Group for the valuable contribution they have made, with team spirit and dedication, to the Group's long-term development. I look forward to continuing working hand-in-hand with all of us for mutual advancement. With staff members at all levels of the Group going all out, we can certainly bring our potential into full play to achieve the Group's operation objectives and create shareholders' value.

**Duan Chuan Liang**

*Chairman*

Hong Kong, 27 June 2016



## Directors' and Senior Management Biographical Details

### DIRECTORS

#### Executive Directors

**Mr. Duan Chuan Liang**, aged 53, was graduated from the North China College of Water Conservancy and Hydro Power with a bachelor degree, major in irrigation and water conservancy works. Mr. Duan worked for The Ministry of Water Resources of the PRC for more than ten years. He was also the chairman and non-executive director of China City Infrastructure Group Limited, a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2349). He joined the Group in 2003.

**Ms. Ding Bin**, aged 40, has over 10 years of experience in financial management and tax planning. Ms. Ding was graduated from Zhengzhou University of Technology in finance and computing management. Ms. Ding is a Certified Public Accountant in the PRC and a member of the Chinese Institute of Certified Public Accountants. Ms. Ding joined the Group in 2007.

**Ms. Liu Yu Jie**, aged 51, was 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 Hong Kong stock exchange; led and completed merger and acquisition of three companies in Hong Kong and Singapore; assisted capital raising and management of large-scale industrial fund for investment in China; acted as executive directors of listed companies in Hong Kong and Singapore which engage in utilities and infrastructure investment. Currently, she is also the executive director of New Universe Environmental Group Limited, a company listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange (stock code: 8068). She joined the Group in 2014.

**Mr. Li Zhong**, aged 48, was graduated from the Beijing University of Chemical Technology with a major in Polymer Materials, and obtained a Master Degree in Business Administration from Saint Mary's University of Canada in 1997. He holds registered engineer certifications from both Mainland China and Canada, and has served in large State-owned enterprises, United States-based corporations and renowned global enterprises in Mainland China and Hong Kong for over 20 years. Since 2002, he has dedicated himself to urban public utilities with a focus on water affairs, as well as the investment, management and operation of infrastructure projects. Since 2004, he has been a director of Shenzhen Bus Group Co., Ltd.. Mr. Li also serves as a member of the Standing Committee of the All-China Youth Federation, a member of the Standing Committee of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference, the honorary chairman of the Hong Kong Volunteers Association. He joined the Group in 2015.

#### Non-executive Directors

**Mr. Zhao Hai Hu**, aged 61, was graduated from Zhejiang University with a master degree in Engineering. He was a general manager of an irrigation technology company which was engaged in the research and development of irrigation and hydroelectric technology. Mr. Zhao was primarily responsible for project management, research and development of irrigation and water supply. Mr. Zhao acted as an assistant to the head of North China College of Water Conservancy and Hydro Power. He was also the head of the infra-structure department and the head of the personnel department. Mr. Zhao has over 28 years' experience in engineering. He joined the Group in 2003.



## Directors' and Senior Management Biographical Details

**Mr. Zhou Wen Zhi**, aged 75, was graduated from Liaoning Agriculture University. He was the vice minister of The Ministry of Water Resources of the PRC from 1991 until his retirement in June 2001. Mr. Zhou has over 12 years' experience in the development and construction of the PRC water resources. He joined the Group in 2004.

**Mr. Makoto Inoue**, aged 63, was graduated from Chuo University in Japan with a Bachelor of Law in 1975. Mr. Makoto joined ORIX Corporation, a company listed on the Tokyo Stock Exchange, Osaka Securities Exchange and New York Stock Exchange, in 1975, where he is currently a director, representative executive officer, and the president and chief executive officer. He has over 40 years of experience in leasing and finance, investment banking, and alternative investment in a global context. Currently, he is also the non-executive director of Haichang Ocean Park Holdings Ltd. (formerly known as Haichang Holdings Ltd.) (stock code: 2255), a company listed on the main board of the Stock Exchange. He joined the Group in 2012.

**Ms. Wang Xiaoqin**, aged 43, was graduated from the Shenzhen University majoring in International Finance, and received a Master Degree in Business Administration from the University of Ballarat in Australia. She has held senior management position in finance and technology companies, and has extensive experience in such fields. She joined the Group in 2004.

### Independent Non-executive Directors

**Ms. Liu Dong**, aged 48, has been appointed as the independent non-executive director of the Company since 2007. She is also a member of the audit committee, remuneration committee and nomination committee of the Company. Ms. Liu was graduated from the Capital University of Economics and Business. Ms. Liu is currently the vice manager of the finance head quarter of the China Galaxy Securities Co. Ltd.

**Mr. Chau Kam Wing**, aged 53, has over 20 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 Degree in Business Administration 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), which are both listed on the main board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Ching Lee Holdings Limited (stock code: 8318), Eco-Tek Holdings Limited (stock code: 8169) and Zhejiang Chang'an Renheng Technology Co., Ltd. (stock code: 8139), which are listed on the GEM of the Stock Exchange. He joined the Group in 2007. He is also the chairman of the audit committee and remuneration committee and a member of the nomination committee of the Company.



## Directors' and Senior Management Biographical Details

**Mr. Ong King Keung**, aged 40, is the company secretary of a company whose shares are listed on the main board of the Stock Exchange. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He holds a bachelor's degree in Accountancy from The Hong Kong Polytechnic University and master degree in Corporate Finance from the City University of Hong Kong. He has ample of experiences in auditing, financial management and initial public offering. He was senior management of several listed companies. Mr. Ong is an independent non-executive director of China Candy Holdings Limited since February 2016, the shares of which are listed on the GEM of the Stock Exchange (stock code: 8182). Since December 2015, Mr. Ong is a non-executive director of Deson Construction International Holdings Limited ("Deson") (stock code: 8268), the shares of which are listed on the GEM of the Stock Exchange. He was an independent non-executive director of Deson from December 2014 to December 2015. Further, Mr. Ong was an independent non-executive director of China Environmental Energy Investment Limited, the shares of which are listed on the main board of the Stock Exchange (stock code: 986), during the period from March 2013 to August 2014. He joined the Group in 2007. He is also a member of the audit committee and remuneration committee of the Company.

**Mr. Siu Chi Ming**, aged 35, holds a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University. He is a member of the Association of Chartered Certified Accountants and an associate of Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators. Mr. Siu is the executive director and company secretary of Jiu Rong Holdings Limited, which is listed on the main board of the Stock Exchange (stock code: 2358). 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 reorganisation and a variety of fund raising exercises. Mr. Siu joined the Group in 2016. He is also a member of the audit committee, remuneration committee and nomination committee of the Company.

### SENIOR MANAGEMENT

**Mr. Lie Chi Wing, Aston**, aged 38, is the company secretary of the Company. He holds a Bachelor Degree 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 Carnival Group International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 996). He joined the Group in 2010.

**Mr. Liu Yong**, aged 47, is the general manager of the Group. Mr. Liu was graduated from the Southeast University in 1991, majoring in detection technology and instrument of the Department of Automatic Control. He studied water supply and drainage in the Southeast Jiao Tong University from 1993 to 1994 and was awarded the qualification of senior water supply and drainage engineer in 2004. He obtained the PRC Certified Asset Appraiser Qualification Certificate in 1997. Mr. Liu has over 15 years of senior management experience in water project design, water construction project management and water plant operation in water industry in China. He joined the Group in 2006.





## Corporate Governance Report

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of directors (the "Board") reviews its corporate governance system from time to time in order to meet the rising expectations of shareholders and comply with the increasingly tightened regulatory requirements.

During the year ended 31 March 2016, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), save and except for the deviations from code provisions A.2.1, A.4.2 and A.6.7.

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Duan Chuan Liang serves as the Chairman of the Company. The function of chief executive officer is collectively performed by the executive directors. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board continues to believe that this structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board has strong confidence in the executive directors and believes that this structure is beneficial to the business prospects of the Company.

Under code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to the Company's bye-laws, at each annual general meeting, one third of the directors shall retire from office by rotation provided that notwithstanding anything therein, the Chairman of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the role of the chairman provides the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the chairman of Board should not be subject to retirement by rotation.

Under code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Certain independent non-executive directors and non-executive directors were unable to attend the Company's annual general meeting held on 2 September 2015 due to their other business commitments.

The Company has formulated and adopted its corporate governance policy ("CG Policy") and it is the responsibility of the Board to perform the corporate governance duties. The CG Policy outlines certain essential corporate governance principles under the CG Code and intends to provide appropriate guidance on the effective application and promotion of corporate governance principles in the Company. The CG Policy is available on the website of the Company.



## Corporate Governance Report

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions of Directors. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code throughout the year ended 31 March 2016 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

### BOARD AND BOARD COMMITTEES

As at 31 March 2016, the Board consisted of twelve Directors: comprising four executive Directors, namely Mr. Duan Chuan Liang (Chairman), Ms. Ding Bin, Ms. Liu Yu Jie and Mr. Li Zhong; four non-executive Directors, Mr. Zhao Hai Hu, Mr. Zhou Wen Zhi, Mr. Makoto Inoue and Ms. Wang Xiaoqin; and four independent non-executive Directors, namely Ms. Liu Dong, Mr. Chau Kam Wing, Mr. Ong King Keung and Mr. Siu Chi Ming. Three of the independent non-executive Directors, namely Mr. Chau Kam Wing, Mr. Ong King Keung and Mr. Siu Chi Ming, have the professional accounting qualifications and expertise required by the Listing Rules. Accordingly, the Company complied with Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Board is principally responsible for formulating business strategies, and monitoring the performance of the business of the Group. The Board decides on corporate strategies, approves overall business plans, evaluates the Group's financial performance and management and reviews the financial and internal control system. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Directors are remunerated with reference to their respective duties and responsibility with the Company, the Company's performance and current market situation. The Board members have no financial, business, family or other material/relevant relationships with each other. Given the composition of the Board and the skills, knowledge and expertise of the Director, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company. Details of the experience and qualifications of Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management Biographical Details" in this annual report.

Each of the independent non-executive Directors has confirmed in writing his/her independence from the Company pursuant to rule 3.13 of the Listing Rules. On this basis, the Company considers all such Directors to be independent.

There was in place appropriate insurance cover in respect of legal action against the Directors arising out of corporate activities.



## Corporate Governance Report

The Board has established three board committees to strengthen its functions and corporate governance practices, namely, audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee"). The Audit Committee, the Nomination Committee and the Remuneration Committee perform their specific roles in accordance with their respective written terms of reference which are available on the website of the Company.

### **Audit Committee**

The Audit Committee comprises wholly independent non-executive Directors.

#### ***Members of the Audit Committee***

Mr. Chau Kam Wing (*Chairman*)  
Ms. Liu Dong  
Mr. Ong King Keung  
Mr. Siu Chi Ming

Main functions of the Audit Committee are:

- reviewing the accounting policies and supervising the Company's financial reporting process;
- monitoring the performance of both the internal and external auditors;
- reviewing and examining the effectiveness of risk management and internal control measures; and
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 March 2016, the Audit Committee held two meetings which included the review of the final results for the year ended 31 March 2015 and the interim accounts for the six months ended 30 September 2015 and the internal control system of the Group.

### **Remuneration Committee**

The Remuneration Committee comprises wholly independent non-executive Directors.

#### ***Members of the Remuneration Committee***

Mr. Chau Kam Wing (*Chairman*)  
Ms. Liu Dong  
Mr. Ong King Keung  
Mr. Siu Chi Ming

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.

For the year ended 31 March 2016, three meetings were held by the Remuneration Committee which reviewed the remuneration packages of the Directors and senior management and the grant of share options.



## Corporate Governance Report

### **Remuneration of Directors and Senior Management**

Particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 14 to the financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of senior management by band for the year ended 31 March 2016 is set out below:

	<b>Number of Individuals</b>
HK\$3,000,001 – HK\$3,500,000	1
HK\$4,000,001 – HK\$4,500,000	1

### **Nomination Committee**

The Nomination Committee comprises four members, amongst which one is executive Director and three are independent non-executive Directors.

#### **Members of the Nomination Committee**

Mr. Duan Chuan Liang (*Chairman*)  
 Mr. Chau Kam Wing  
 Ms. Liu Dong  
 Mr. Siu Chi Ming

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 relevant strategic business areas, to be the board members, and would recommend the Board on relevant matters relating to the appointment or re-appointment of Directors, if necessary. The Nomination Committee shall meet before the holding of each annual general meeting of the Company where the appointment of Directors of the Company will be considered. Additional meetings should be held as and when the work of the Nomination Committee demands.

For the year ended 31 March 2016, the Nomination Committee held two meetings to review the composition of the Board, to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors taking into account their experience and qualifications.





## Corporate Governance Report

The individual attendance record of the Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and general meetings attended by each Director during the year ended 31 March 2016 are set out in the following table.

	Note	Meetings attended/(held)				General meeting
		Board	Audit Committee	Remuneration Committee	Nomination Committee	
<i>Executive Directors</i>						
Mr. Duan Chuan Liang ( <i>Chairman</i> )		4/(4)	N/A	N/A	2/(2)	1/(1)
Ms. Ding Bin		4/(4)	N/A	N/A	N/A	0/(1)
Ms. Liu Yu Jie		4/(4)	N/A	N/A	N/A	0/(1)
Mr. Li Zhong	1	4/(4)	N/A	N/A	N/A	0/(1)
<i>Non-executive Directors</i>						
Mr. Zhao Hai Hu		0/(4)	N/A	N/A	N/A	0/(1)
Mr. Zhou Wen Zhi		0/(4)	N/A	N/A	N/A	0/(1)
Mr. Makoto Inoue		0/(4)	N/A	N/A	N/A	0/(1)
Ms. Wang Xiaoqin	2	4/(4)	N/A	N/A	N/A	0/(1)
Mr. Chen Guo Ru	3	N/A	N/A	N/A	N/A	N/A
<i>Independent Non-executive Directors</i>						
Ms. Liu Dong		1/(4)	0/(2)	1/(3)	0/(2)	0/(1)
Mr. Chau Kam Wing		4/(4)	2/(2)	3/(3)	2/(2)	1/(1)
Mr. Ong King Keung		4/(4)	2/(2)	3/(3)	N/A	1/(1)
Mr. Siu Chi Ming	4	N/A	N/A	N/A	N/A	N/A
Ms. Huang Shao Yun	5	3/(4)	1/(2)	3/(3)	2/(2)	0/(1)

*Notes:*

- Mr. Li Zhong is appointed as an executive director on 4 June 2015. His attendance is presented by reference to the number of relevant meetings held during his tenure.
- Ms. Wang Xiaoqin is appointed as a non-executive director on 9 June 2015. Her attendance is presented by reference to the number of relevant meetings held during her tenure.
- Mr. Chen Guo Ru resigned as a non-executive director on 4 June 2015. His attendance is presented by reference to the number of relevant meetings held during his tenure.
- Mr. Siu Chi Ming is appointed as an independent non-executive director on 24 March 2016. His attendance is presented by reference to the number of relevant meetings held during his tenure.
- Ms. Huang Shao Yun resigned as an independent non-executive director on 24 March 2016. Her attendance is presented by reference to the number of relevant meetings held during her tenure.



## Corporate Governance Report

The Board is provided with relevant materials in relation to the matters brought before the meetings. Reasonable notices of meetings are given to the Directors and the Directors are encouraged to propose new items as any other business for discussion at the meetings. The Director has separate access to the Company's senior management for information at all times and may seek independent professional advice at the Company's expenses, if necessary. Minutes are kept by the company secretary and are open for inspections by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable rules and regulations.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 March 2016, Mr. Duan Chuan Liang serves as the Chairman of the Company who is responsible for the leadership of the Board. The function of chief executive officer is collectively performed by the executive Directors, who are responsible for the day-to-day management of the Group's business.

### DIRECTORS COMMITMENTS AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 March 2016.

Every newly appointed Director receives an induction upon his/her appointment to ensure that he/she has a proper understanding of operations and business of the Group and is fully aware of responsibilities and obligations of being a Director. The Group provides continuing briefings and professional development to the Directors to update on the latest development in relation to the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

During the year ended 31 March 2016, all Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group including reading materials in relation to regulatory update and/or attending seminars to develop professional skills.

### COMPANY SECRETARY

Mr. Lie Chi Wing, Aston has been appointed as Company Secretary of the Company. He has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge during the year ended 31 March 2016.

### RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors are responsible for the preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Company and of the Group and the results and cash flow of the Group for the period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

A statement by the auditor about their reporting responsibilities is set out on page 27 of this annual report.



## Corporate Governance Report

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control system of the Group. The Group's system of risk management and internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives. During the year under review, the Board reviewed the overall effectiveness of the Group's system of risk management and internal control over financial, operational and compliance controls and risk management functions. The Board concluded that in general, the Group's risk management and internal control system is effective and adequate. The Board's review has considered the adequacy of resources, qualifications and experience of staff of the Company's internal audit and accounting and financial reporting function, and their training programmes and budget. Appropriate measures and actions have been taken during the year ended 31 March 2016 on areas where rooms for improvement were identified.

### AUDITOR'S REMUNERATION

The remuneration payable by the Company to its auditor, BDO Limited ("BDO"), for the year ended 31 March 2016 amounted to HK\$6,800,000 (2015: HK\$6,500,000). HK\$500,000 (2015: HK\$500,000) was paid for other non-audit services provided by BDO for the Company and its subsidiaries during the year ended 31 March 2016.

### SHAREHOLDERS' RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

The Company has set up and maintained various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information about the Company's financial results, corporate details and major events are disseminated through publication of announcements, circulars, interim and annual reports and press release. All published information is promptly uploaded to the Company's website at [www.chinawatergroup.com](http://www.chinawatergroup.com).

Under the clause 58 of the Company's Bye-laws, the Board, on the requisition of shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene a special general meeting to address specific issues of the Company. At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. The Company maintains contact with its shareholders through annual general meeting or other general meetings, and encourages shareholders to attend those meetings.

Shareholders can also submit enquiries to the management and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to [info@chinawatergroup.com](mailto:info@chinawatergroup.com) or making phone calls to our investor relations team at +852 3968 6666. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

During the year ended 31 March 2016, there had not been any changes in the Company's constitutional documents.



## Directors' Report

The Directors herein present their report and the audited financial statement of the Company and of the Group for the year ended 31 March 2016.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 49 to the financial statements. Save as disclosed in the financial statements, there were no other significant changes in the nature of the Group's principal activities during the year.

Business review and prospects of the Group are set out on pages 4 to 6.

### SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2016 is set out in note 8 to the financial statements.

### FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 176 of this annual report.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2016 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 29 to 173. The Directors recommended a final dividend of HK5 cents (2015: HK4 cents) per ordinary share, which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 2 September 2016 and will be payable on or about Friday, 14 October 2016 to the shareholders whose names appear on the register of members on Tuesday, 13 September 2016.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 9 September 2016 to Tuesday, 13 September 2016 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to the proposed final dividend for the year ended 31 March 2016, all transfers of shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 September 2016.

### KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future:

#### (i) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.



**(ii) Liquidity risk**

Liquidity risk is the potential that our Group will be unable to meet obligations of the loan agreements. Any failure to comply the terms and conditions of the loan agreements may constitute events of default. If an event of default occurs, the bank or syndicate of banks may declare any commitment under the loan agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand. The Group pays attention and monitor closely to ensure the compliance the terms and conditions of the loan agreements.

**(iii) Legal and regulatory compliance risk**

Our businesses success and operations could be impacted by the change of respective government laws and regulation in PRC. Any failure to anticipate the trend of regulatory changes or cope with relevant requirement may result in non-compliance of local laws or regulations, leading to not only financial loss but also reputational damage to the Group. In mitigation of relevant risks, the Group pays close attention to the relevant regulatory and legislative developments of the markets it operates and actively monitors and consults with regulators of the markets on changes which could impact on our businesses.

**ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental policies to ensure its projects meet the required standards and ethics in respect of environmental protection.

**COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As far as the Group is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the year and up to the date of this report. Any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

**PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES**

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 174.

**SHARE CAPITAL, SHARE OPTIONS, CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES**

Details of movements in the Company's share capital, share options, convertible bonds and derivative financial liabilities during the year are set out in notes 37, 38 and 34 to the financial statements, respectively.



## Directors' Report

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda where the Company continued registration as an exempted company which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 March 2016. Subsequent to the reporting date and up to the date of this annual report, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration (excluding expenses) HK\$
April 2016	1,002,000	3.84	3.37	3,648,000
May 2016	7,158,000	4.01	3.83	28,196,000

Subsequent to the reporting date and up to the date of this annual report, the Company repurchased a total of 8,160,000 ordinary shares of HK\$0.01 each in the capital of the Company at an aggregate price of approximately HK\$31,844,000. Those repurchased shares were not cancelled as at the date of this annual report.

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

### RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively. Details of the distributable reserves of the Company are set out in note 39 to the financial statements. The Company's reserves available for distribution to members at 31 March 2016 amounted to HK\$725,474,000 (2015: HK\$1,007,673,000) which comprised contributed surplus of HK\$800,392,000 (2015: HK\$924,988,000) and deficit of HK\$74,918,000 (2015: surplus of HK\$82,685,000).

### MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

### KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER PARTIES

The Group is of the view that it has been maintaining a good relationship with the following key stakeholders of the Group:

- employees and workers
- customers and suppliers
- governments
- bankers



## Directors' Report

### DIRECTORS

The Directors of the Company during the year and up to date of this report were as follows:

#### Executive Directors

Mr. Duan Chuan Liang (*Chairman*)  
Ms. Ding Bin  
Ms. Liu Yu Jie  
Mr. Li Zhong (appointed on 4 June 2015)

#### Non-executive Directors

Mr. Zhao Hai Hu  
Mr. Zhou Wen Zhi  
Mr. Makoto Inoue  
Ms. Wang Xiaoqin (appointed on 9 June 2015)  
Mr. Chen Guo Ru (resigned on 4 June 2015)

#### Independent Non-executive Directors

Ms. Liu Dong  
Mr. Chau Kam Wing  
Mr. Ong King Keung  
Mr. Siu Chi Ming (appointed on 24 March 2016)  
Ms. Huang Shao Yun (resigned on 24 March 2016)

In accordance with the Company's Bye-laws, Ms. Ding Bin, Mr. Zhou Wen Zhi, Mr. Ong King Keung and Mr. Siu Chi Ming will retire at the forthcoming annual general meeting and all of them being eligible, will offer themselves for re-election. Apart from Mr. Duan Chuan Liang, all the other Directors of the Company, including the independent non-executive Directors, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-laws.

### DIRECTORS' SERVICE CONTRACTS

As at 31 March 2016, except for Mr. Li Zhong whose service contract with the Company was effected on 4 June 2015, none of the Directors has entered into any service contracts with the Company or any other member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

### DIRECTORS' INTEREST IN CONTRACTS

Save as disclosed elsewhere in the financial statements, no Director had a material interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

### DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, to the best knowledge of the Directors, none of the Directors and their respective associates was considered to have any interests in the businesses which compete or were likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as Directors to represent the interests of the Company and/or the Group.



## Directors' Report

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong ("SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 & 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers to be notified to the Company and the Stock Exchange were as follows:

#### (a) Shares

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position	Short position	
Mr. Duan Chuan Liang (Note (i))	Corporate and personal	399,120,301	–	26.26%
Ms. Ding Bin	Personal	500,000	–	0.03%
Ms. Liu Yu Jie	Personal	3,354,000	–	0.22%
Mr. Li Zhong (Note (ii))	Personal	29,527,457	–	1.94%
Mr. Zhao Hai Hu	Personal	1,306,000	–	0.09%
Mr. Zhou Wen Zhi	Personal	870,000	–	0.06%
Ms. Wang Xiaoqin	Personal	6,660,000	–	0.44%

Notes:

- (i) These 399,120,301 shares consist of 218,044,301 shares held by Asset Full Resources Limited, which is wholly and beneficially owned by Mr. Duan Chuan Liang, and 181,076,000 shares held by Mr. Duan Chuan Liang personally.
- (ii) These 29,527,457 shares consist of 320,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.

#### (b) Underlying Shares

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in the Company
		Long position (Note)	Short position	
Mr. Duan Chuan Liang	Personal	70,000,000	–	4.61%
Ms. Ding Bin	Personal	5,000,000	–	0.33%
Ms. Liu Yu Jie	Personal	8,000,000	–	0.53%
Mr. Li Zhong	Personal	8,000,000	–	0.53%
Mr. Zhao Hai Hu	Personal	3,000,000	–	0.20%
Mr. Zhou Wen Zhi	Personal	1,000,000	–	0.07%
Ms. Wang Xiaoqin	Personal	2,000,000	–	0.13%

Note: Being options to acquire ordinary shares of the Company, and further details of which are set out in the section headed "Share Option Scheme" below.





## Directors' Report

### SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 38 to the financial statements. Pursuant to the share option scheme adopted by the Company on 7 September 2012, certain Directors were granted share options. As at 31 March 2016, the interests of the Directors of the Company in options to subscribe for shares in the capital of the Company under the share option scheme were as follows:

Name of Director	Date of grant	Number of share issuable upon exercise of options held as at 31 March 2016	Price per share to be paid on exercise of options HK\$	Approximate percentage of shareholding %
Mr. Duan Chuan Liang	3 October 2014	70,000,000	3.60	4.61%
Ms. Ding Bin	3 October 2014	5,000,000	3.50	0.33%
Ms. Liu Yu Jie	3 October 2014	8,000,000	3.50	0.53%
Mr. Li Zhong	9 September 2015	8,000,000	3.50	0.53%
Mr. Zhao Hai Hu	3 October 2014	3,000,000	3.50	0.20%
Mr. Zhou Wen Zhi	3 October 2014	1,000,000	3.50	0.07%
Ms. Wang Xiaoqin	3 October 2014	2,000,000	3.50	0.13%

Other than as disclosed in the sections headed "Directors' And Chief Executives Interests In Securities" and "Share Option Scheme" above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO including interests or short positions which the Directors and the chief executives were taken or deemed to have under the provisions of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

### DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SECURITIES

Save as disclosed in the sections headed "Directors' And Chief Executives' Interests In Securities" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's Directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.

### EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.



## EMOLUMENT POLICY

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are determined by reference to the Group's operating results, individual performance and comparable market statistics and recommended by the Remuneration Committee of the Company.

The Company adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in note 38 to the financial statements.

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2016, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/ Nature of interest	Number of shares			Approximate percentage of shareholding in the Company		
		Long position	Short position	Lending pool	Long position	Short position	Lending pool
Duan Chuan Liang (Note i)	Beneficial	399,120,301	-	-	26.26%	-	-
Asset Full Resources Limited (Note ii)	Beneficial	218,044,301	-	-	14.35%	-	-
ORIX Corporation	Beneficial	291,170,277	-	-	19.16%	-	-

*Note (i):* Long positions in the underlying shares at 31 March 2016 is disclosed in the section headed "Share Option Scheme".

*Note (ii):* 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, an executive Director and Chairman of the Company.

Save as disclosed above, as at 31 March 2016, so far as is known to any Director or chief executive of the Company, no person (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.



## Directors' Report

### PERMITTED INDEMNITY PROVISION

At no time during the year and up to the date of this report, no Directors and officers shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his or her office or in relation thereto.

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 March 2016.

### CONNECTED TRANSACTION

During the year, the Group has not entered into any significant connected transaction or continuing connected transaction which should be disclosed pursuant to the requirement under the Listing Rules.

### RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 47 to the financial statements.

### SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient public float throughout the year ended 31 March 2016.

### IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to 31 March 2016.

### CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 12 to 18.

### AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO Limited as auditor of the Company.

On behalf of the board

**Duan Chuan Liang**  
*Chairman*

Hong Kong, 27 June 2016



## Independent Auditor's Report



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### TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED

*(originally incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

We have audited the consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 173, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.





## Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BDO Limited**

*Certified Public Accountants*

### **Lam Hung Yun, Andrew**

Practising Certificate Number P04092

Hong Kong, 27 June 2016



## Consolidated Income Statement

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	7	<b>4,032,912</b>	2,858,624
Cost of sales		<b>(2,132,370)</b>	(1,506,140)
<b>Gross profit</b>		<b>1,900,542</b>	1,352,484
Other income	7	<b>300,661</b>	240,817
Selling and distribution costs		<b>(123,257)</b>	(113,500)
Administrative expenses		<b>(571,757)</b>	(473,487)
Other operating expenses		<b>(27,506)</b>	(5,341)
Equity-settled share options expenses		<b>(47,982)</b>	(34,251)
Fair value gain on investment properties		<b>52,900</b>	141,703
Fair value gain on financial assets at fair value through profit or loss		<b>8</b>	968
Change in fair value of derivative financial instruments		<b>(32,948)</b>	20,368
(Loss)/Gain on repurchase/redemption of convertible bonds		<b>(33)</b>	116
(Loss)/Gain on disposal of subsidiaries	41	<b>(1,488)</b>	6,874
<b>Profit from operation</b>	9	<b>1,449,140</b>	1,136,751
Finance costs	10	<b>(170,824)</b>	(117,403)
Share of results of associates		<b>29,517</b>	2,029
<b>Profit before income tax</b>		<b>1,307,833</b>	1,021,377
Income tax expense	11	<b>(304,867)</b>	(317,031)
<b>Profit for the year</b>		<b>1,002,966</b>	704,346
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>551,758</b>	370,858
Non-controlling interests		<b>451,208</b>	333,488
		<b>1,002,966</b>	704,346
<b>Earnings per share for profit attributable to owners of the Company during the year</b>	13	<b>HK cents</b>	HK cents
Basic		<b>36.58</b>	26.17
Diluted		<b>36.42</b>	26.17



## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Profit for the year</b>		<b>1,002,966</b>	704,346
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
– Change in fair value of available-for-sale financial assets	19	<b>6,823</b>	765
– Currency translation		<b>(175,672)</b>	(85,710)
– Share of other comprehensive income of associates		<b>(45,342)</b>	180
– Reclassification adjustment – Disposal of subsidiaries	41	<b>173</b>	1,003
<b>Other comprehensive income for the year, net of tax</b>		<b>(214,018)</b>	(83,762)
<b>Total comprehensive income for the year</b>		<b>788,948</b>	620,584
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>393,589</b>	327,064
Non-controlling interests		<b>395,359</b>	293,520
		<b>788,948</b>	620,584



## Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	6,715,770	5,995,282
Prepaid land lease payments	16	555,104	466,873
Investment properties	17	908,346	742,305
Interests in associates	18	1,333,517	1,363,334
Available-for-sale financial assets	19	226,767	163,875
Goodwill	20	663,668	239,212
Other intangible assets	21	763,973	175,729
Deposits and prepayments	22	145,790	269,759
Deferred tax assets	36	51,621	–
		<b>11,364,556</b>	<b>9,416,369</b>
<b>Current assets</b>			
Properties under development	23	523,551	432,695
Properties held for sale	24	273,302	242,945
Inventories	25	288,606	301,217
Trade and bills receivables	26	1,083,551	655,776
Amounts due from grantors for contract work	27	570,505	364,149
Financial assets at fair value through profit or loss	28	879	77,380
Due from non-controlling equity holders of subsidiaries	33	307,572	541,602
Due from associates	18	402,855	214,301
Prepayments, deposits and other receivables	22	970,239	925,290
Derivative financial assets	19(i)	67,004	99,952
Pledged deposits	29	466,762	329,925
Deposits and cash	29	2,551,836	1,500,748
		<b>7,506,662</b>	<b>5,685,980</b>
<b>Current liabilities</b>			
Trade and bills payables	30	855,236	486,361
Accrued liabilities, deposits received and other payables	31	1,781,646	1,648,225
Due to associates	18	49,772	95,158
Borrowings	32	2,155,788	2,347,068
Due to non-controlling equity holders of subsidiaries	33	190,382	211,562
Provision for tax		524,147	393,869
Convertible bonds	34	–	28,969
Derivative financial liabilities	34	–	2,987
		<b>5,556,971</b>	<b>5,214,199</b>
<b>Net current assets</b>		<b>1,949,691</b>	<b>471,781</b>
<b>Total assets less current liabilities</b>		<b>13,314,247</b>	<b>9,888,150</b>





# Consolidated Statement of Financial Position

As at 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current liabilities</b>			
Borrowings	32	5,076,242	3,024,468
Deposits received	31	192,415	107,451
Due to associates	18	11,951	–
Due to non-controlling equity holders of subsidiaries	33	17,073	–
Deferred government grants	35	99,809	78,701
Deferred tax liabilities	36	329,373	241,389
		<b>5,726,863</b>	<b>3,452,009</b>
<b>Net assets</b>		<b>7,587,384</b>	<b>6,436,141</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	37	15,199	14,447
Proposed final dividend	12	75,993	57,787
Reserves		4,512,932	3,851,192
		<b>4,604,124</b>	<b>3,923,426</b>
<b>Non-controlling interests</b>		<b>2,983,260</b>	<b>2,512,715</b>
<b>Total equity</b>		<b>7,587,384</b>	<b>6,436,141</b>

The consolidated financial statements on pages 29 to 173 were approved and authorised for issue by the board of directors on 27 June 2016 and are signed on its behalf by:

**Duan Chuan Liang**  
Director

**Ding Bin**  
Director



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

## Equity attributable to owners of the Company

	Share capital	Proposed final dividend	Share premium account	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Share options reserve	Other reserves	Available-for-sale financial assets revaluation reserve	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note 39(a))	(note 39(a))	(note 39(a))		(note 39(a))	(note 39(a))		(note 39(a))				
<b>Balance at 1 April 2014</b>	<b>14,049</b>	<b>42,147</b>	<b>306,427</b>	<b>2,507</b>	<b>1,025,836</b>	<b>388,349</b>	<b>14,416</b>	<b>(379,081)</b>	<b>10,300</b>	<b>195,137</b>	<b>1,910,344</b>	<b>3,530,431</b>	<b>2,165,697</b>	<b>5,696,128</b>
Share repurchase (note 37)	(52)	-	(12,999)	-	-	-	-	-	-	-	-	(13,051)	-	(13,051)
Share repurchase expenses	-	-	(56)	-	-	-	-	-	-	-	-	(56)	-	(56)
Share issued in respect of conversion of convertible bonds (note 34)	450	-	136,418	-	-	-	-	-	-	-	-	136,868	-	136,868
Arising from acquisition of subsidiaries (note 40)	-	-	-	-	-	-	-	-	-	-	-	-	129,186	129,186
Additional interests in subsidiaries acquired by the Group	-	-	-	-	-	-	-	(6,106)	-	-	-	(6,106)	(13,747)	(19,853)
Arising from deemed/partial disposal of subsidiaries (note 42)	-	-	-	-	-	-	-	(767)	-	-	-	(767)	8,753	7,986
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	12,303	12,303
Recognition of equity settled share options expenses (note 38)	-	-	-	-	-	-	34,251	-	-	-	-	34,251	-	34,251
Final dividend 2014 (note 12)	-	(42,147)	-	-	155	-	-	-	-	-	-	(41,992)	-	(41,992)
Interim dividend 2015 (note 12)	-	-	-	-	(43,216)	-	-	-	-	-	-	(43,216)	-	(43,216)
Disposal of a subsidiary (note 41)	-	-	-	-	-	-	-	-	-	-	-	-	1,243	1,243
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(84,240)	(84,240)
<b>Transactions with owners</b>	<b>398</b>	<b>(42,147)</b>	<b>123,363</b>	<b>-</b>	<b>(43,061)</b>	<b>-</b>	<b>34,251</b>	<b>(6,873)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,931</b>	<b>53,498</b>	<b>119,429</b>
<b>Proposed final dividend 2015 (note 12)</b>	<b>-</b>	<b>57,787</b>	<b>-</b>	<b>-</b>	<b>(57,787)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer to capital redemption reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer to statutory reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,771</b>	<b>(25,771)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit for the year	-	-	-	-	-	-	-	-	-	-	370,858	370,858	333,488	704,346
Other comprehensive income	-	-	-	-	-	-	-	-	765	-	-	765	-	765
- Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	(45,742)	(39,968)	(85,710)
- Currency translation	-	-	-	-	-	(45,742)	-	-	-	-	-	(45,742)	(39,968)	(85,710)
- Share of other comprehensive income of associates	-	-	-	-	-	180	-	-	-	-	-	180	-	180
- Reclassification adjustment - Disposal of subsidiaries	-	-	-	-	-	1,003	-	-	-	-	-	1,003	-	1,003
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,559)</b>	<b>-</b>	<b>-</b>	<b>765</b>	<b>-</b>	<b>370,858</b>	<b>327,064</b>	<b>293,520</b>	<b>620,584</b>
<b>Balance at 31 March 2015</b>	<b>14,447</b>	<b>57,787</b>	<b>429,790</b>	<b>2,559</b>	<b>924,988</b>	<b>343,790</b>	<b>48,667</b>	<b>(385,954)</b>	<b>11,065</b>	<b>220,908</b>	<b>2,255,379</b>	<b>3,923,426</b>	<b>2,512,715</b>	<b>6,436,141</b>



# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

Equity attributable to owners of the Company

	Share capital	Proposed final dividend	Share premium account	Capital redemption reserve	Contributed surplus	Exchange fluctuation reserve	Share options reserve	Other reserves	Available-for-sale financial assets revaluation reserve	Statutory reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(note 39(a))	(note 39(a))	(note 39(a))		(note 39(a))	(note 39(a))		(note 39(a))				
<b>Balance at 1 April 2015</b>	<b>14,447</b>	<b>57,787</b>	<b>429,790</b>	<b>2,559</b>	<b>924,988</b>	<b>343,790</b>	<b>48,667</b>	<b>(385,954)</b>	<b>11,065</b>	<b>220,908</b>	<b>2,255,379</b>	<b>3,923,426</b>	<b>2,512,715</b>	<b>6,436,141</b>
Subscription of new shares (note 37)	369	-	154,641	-	-	-	-	-	-	-	-	155,010	-	155,010
Shares issued in respect of conversion of convertible bonds (note 34)	91	-	30,512	-	-	-	-	-	-	-	-	30,603	-	30,603
Share issuance expenses	-	-	(5,527)	-	-	-	-	-	-	-	-	(5,527)	-	(5,527)
Arising from acquisition of subsidiaries (note 40)	292	-	123,840	-	-	-	-	-	-	-	-	124,132	159,266	283,398
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	(2,815)	-	-	-	(2,815)	34,056	31,241
Recognition of equity settled share options expenses (note 38)	-	-	-	-	-	-	47,982	-	-	-	-	47,982	-	47,982
Final dividend 2015 (note 12)	-	(57,787)	-	-	(3,007)	-	-	-	-	-	-	(60,794)	-	(60,794)
Interim dividend 2016 (note 12)	-	-	-	-	(45,596)	-	-	-	-	-	-	(45,596)	-	(45,596)
Disposal of a subsidiary (note 41)	-	-	-	-	-	-	-	-	-	-	-	-	(4,387)	(4,387)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(113,749)	(113,749)
<b>Transactions with owners</b>	<b>752</b>	<b>(57,787)</b>	<b>303,466</b>	<b>-</b>	<b>(48,603)</b>	<b>-</b>	<b>47,982</b>	<b>(2,815)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>242,995</b>	<b>75,186</b>	<b>318,181</b>
<b>Proposed final dividend 2016 (note 12)</b>	<b>-</b>	<b>75,993</b>	<b>-</b>	<b>-</b>	<b>(75,993)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer to statutory reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,348</b>	<b>(58,348)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Share of associates' reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,708</b>	<b>19,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,114</b>	<b>-</b>	<b>44,114</b>
Profit for the year	-	-	-	-	-	-	-	-	-	-	551,758	551,758	451,208	1,002,966
Other comprehensive income														
- Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	6,823	-	-	6,823	-	6,823
- Currency translation	-	-	-	-	-	(119,823)	-	-	-	-	-	(119,823)	(55,849)	(175,672)
- Share of other comprehensive income of associates	-	-	-	-	-	(45,342)	-	-	-	-	-	(45,342)	-	(45,342)
- Reclassification adjustment - Disposal of a subsidiary	-	-	-	-	-	173	-	-	-	-	-	173	-	173
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(164,992)</b>	<b>-</b>	<b>-</b>	<b>6,823</b>	<b>-</b>	<b>551,758</b>	<b>393,589</b>	<b>395,359</b>	<b>788,948</b>
<b>Balance at 31 March 2016</b>	<b>15,199</b>	<b>75,993</b>	<b>733,256</b>	<b>2,559</b>	<b>800,392</b>	<b>178,798</b>	<b>121,357</b>	<b>(369,363)</b>	<b>17,888</b>	<b>279,256</b>	<b>2,748,789</b>	<b>4,604,124</b>	<b>2,983,260</b>	<b>7,587,384</b>



## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>1,307,833</b>	1,021,377
Adjustments for:			
Finance costs	10	<b>170,824</b>	117,403
Share of results of associates		<b>(29,517)</b>	(2,029)
Interest income	7	<b>(98,445)</b>	(109,397)
Dividend income from financial assets	7	<b>(17,432)</b>	(15,427)
Amortisation of deferred government grants	7	<b>(5,217)</b>	(6,407)
Depreciation	9	<b>323,972</b>	282,649
Amortisation of prepaid land lease payments	9	<b>17,552</b>	16,226
Amortisation of other intangible assets	9	<b>9,105</b>	9,418
Amortisation of capitalised expenses		<b>19,186</b>	13,209
Loss on disposal of property, plant and equipment	9	<b>1,773</b>	840
Gain on disposal of prepaid land lease payments	9	<b>(30,728)</b>	–
Gain on early termination of a service concession arrangement		<b>(29,364)</b>	–
Property, plant and equipment written off	9	<b>9,811</b>	34
Provision/(Reversal of provision) of doubtful debts	9	<b>5,584</b>	(114)
Fair value gain on investment properties		<b>(52,900)</b>	(141,703)
Loss/(Gain) on disposal of subsidiaries		<b>1,488</b>	(6,874)
Inventories written off		–	9
Fair value gain on financial assets at fair value through profit or loss		<b>(8)</b>	(968)
Change in fair value of derivative financial instruments		<b>32,948</b>	(20,368)
Loss/(Gain) on repurchase/redemption of convertible bonds		<b>33</b>	(116)
Equity-settled share options expenses		<b>47,982</b>	34,251
Operating profit before working capital changes		<b>1,684,480</b>	1,192,013
Increase in properties under development		<b>(101,495)</b>	(126,884)
(Increase)/Decrease in properties held for sale, net		<b>(36,283)</b>	62,270
Decrease/(Increase) in inventories		<b>22,952</b>	(51,630)
Increase in trade and bills receivables		<b>(353,057)</b>	(83,871)
Increase in amounts due from grantors for contract work		<b>(31,370)</b>	(50,414)
Decrease/(Increase) in amounts due from non-controlling equity holders of subsidiaries		<b>217,518</b>	(190,039)
Increase in prepayments, deposits and other receivables		<b>(9,011)</b>	(284,587)
Increase/(Decrease) in trade and bills payables		<b>229,202</b>	(48,065)
(Decrease)/Increase in accrued liabilities, deposits received and other payables		<b>(128,886)</b>	147,388
Cash generated from operations		<b>1,494,050</b>	566,181
Interest paid for bank and other borrowings		<b>(170,755)</b>	(109,399)
Income taxes paid		<b>(160,212)</b>	(201,492)
<i>Net cash generated from operating activities</i>		<b>1,163,083</b>	255,290





## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from investing activities</b>			
Interest received		98,445	109,397
Dividend received		17,432	15,427
Purchase of property, plant and equipment		(670,428)	(780,592)
Proceeds from disposal of property, plant and equipment		35,231	35,192
Proceeds from disposal of prepaid land lease payments		33,637	–
Proceeds from early termination of a service concession arrangement		54,878	–
Land lease payments prepaid		(24,488)	(16,177)
Purchase of investment properties		(4,707)	(14,695)
Proceeds from disposal of investment properties		–	488
Proceeds from disposal of available-for-sale financial assets		34,764	–
Proceeds from disposal of an associate		190,909	8,750
Additions of water supply concession rights		(601,799)	(5,512)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	40	(601,219)	654
Disposal of subsidiaries (net of cash and cash equivalent disposed)	41	5,526	(194)
Investments in associates		(135,236)	(94,535)
Dividends received from associates		20,601	17,771
(Increase)/Decrease in amounts due from associates		(194,160)	34,968
Disposal/(Purchase) of financial assets at fair value through profit of loss		51	(75,113)
Increase in pledged deposits		(59,974)	(152,965)
Decrease/(Increase) in fixed deposit with original maturity period over three months		100,000	(100,000)
Deferred government grants received		23,332	1,100
<i>Net cash used in investing activities</i>		<b>(1,677,205)</b>	<b>(1,016,036)</b>



## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

Notes	2016 HK\$'000	2015 HK\$'000
<b>Cash flows from financing activities</b>		
Acquisition of non-controlling interests	–	(19,853)
Proceeds from partial disposal of subsidiaries	–	7,986
Proceeds from placing and subscription of new shares, net	<b>149,483</b>	–
Payment for repurchase of ordinary shares	–	(13,107)
Repurchase/Redemption of convertible bonds	<b>(1,441)</b>	(5,989)
Interest on convertible bonds	<b>(15)</b>	(4,040)
Repayment to non-controlling equity holders of subsidiaries of the Company	<b>(117,856)</b>	(96,068)
Injection by non-controlling equity holders of subsidiaries of the Company	<b>31,241</b>	12,303
Fund (repaid to)/advanced from associates	<b>(33,435)</b>	27,841
Drawdown of bank loans	<b>3,445,549</b>	1,160,322
Repayment of bank loans	<b>(1,989,614)</b>	(1,292,343)
Drawdown of other borrowings	<b>471,954</b>	966,571
Repayment of other borrowings	<b>(155,337)</b>	(99,767)
Dividend paid	<b>(106,390)</b>	(85,208)
	<b>1,694,139</b>	558,648
<i>Net cash generated from financing activities</i>		
	<b>1,180,017</b>	(202,098)
<b>Net increase/(decrease) in cash and cash equivalents</b>		
	<b>1,400,748</b>	1,590,125
<b>Cash and cash equivalents at beginning of year</b>		
<b>Effect of foreign exchange rates, net</b>	<b>(28,929)</b>	12,721
	<b>2,551,836</b>	1,400,748
<b>Cash and cash equivalents at end of year</b>		
	<b>2,551,836</b>	1,400,748
<b>Analysis of cash and cash equivalents</b>		
Deposits and cash	29 <b>2,551,836</b>	1,400,748



# Notes to the Financial Statements

For the year ended 31 March 2016

## 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 49 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

### 2.1 Adoption of new/revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2015:

HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle

The adoption of these amendments has no material impact on the Group's consolidated financial statements.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### 2.2 New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group’s consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 HKFRSs (Amendments)	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 16 and HKAS 38	Annual Improvements 2012-2014 Cycle <sup>1</sup>
Amendments to HKAS 27 HKFRS 9 (2014)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Financial Instruments <sup>2</sup>
HKFRS 15	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 16	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
	Revenue from Contracts with Customers <sup>2</sup>
	Leases <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> No mandatory effective date yet determined but is available for adoption

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

#### *Amendments to HKAS 1 – Disclosure Initiative*

The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments makes clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

#### *Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### 2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### *Amendments to HKAS 27 – Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

##### *HKFRS 9 (2014) – Financial Instruments*

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

##### *Amendments to HKFRS 10 and HKAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business, the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business, the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### 2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### *HKFRS 15 – Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

##### *HKFRS 16 – Leases*

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC) — Int 4 “Determining whether an Arrangement contain a Lease”, HK(SIC) — Int 15 “Operating Lease — Incentives” and HK(SIC) — Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor’s accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

#### 2.2 New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### *HKFRS 16 – Leases (Continued)*

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group’s accounting policies and financial statements.

#### 2.3 New Hong Kong Companies Ordinance, Cap. 622

The Group has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) relating to the disclosure of financial information with reference to the new Hong Kong Companies Ordinance, Cap. 622, in this financial year.

The directors consider that there is no impact on the Group’s financial position or performance, however the new Hong Kong Companies Ordinance, Cap. 622, impacts on the presentation and disclosures in the consolidated financial statements. For example, the statement of financial position of the Company is now presented in the notes to the financial statements rather than as a primary statement and related notes to the statement of financial position of the Company are generally no longer presented.

### 3 BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRSs”). These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules.

#### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values as explained in the accounting policies set out in note 4.

#### (c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The result of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represents a present ownership interest in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.1 Business combination and basis of consolidation (Continued)

Subsequent to acquisition, the carrying amount of non-controlling interest that represents a present ownership interest in the subsidiary is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

#### 4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### 4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

In consolidated financial statements, associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.4 Foreign currency

Transactions entered into by the consolidated entities in currencies other than the currency of the primary economic environment in which they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as exchange fluctuation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as exchange fluctuation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange fluctuation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange difference arising are recognised in the exchange fluctuation reserve.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of asset comprises its purchase price and the costs 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 costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on the following property, plant and equipment is calculated using the straight-line method to allocate their costs less their residual values over their estimated useful lives, as follows:

Buildings	50 years or over the lease term, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Plant and machinery	6 to 15 years
Water pipelines	10 to 20 years
Furniture, equipment and motor vehicles	5 years
Vessels	10 years

The assets' residual value, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Construction in progress represents buildings and water pipelines under construction and is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction work is completed and ready for use.

The gain or loss on disposal of an item of property, plant and equipment is the differences between the net sale proceeds and its carrying amounts and is recognised in profit or loss on disposal.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.6 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 4.18.

#### 4.7 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value, unless it is still in the course of construction or development at the reporting date and its fair value cannot be reliably determined at that time. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

For a transfer from owner-occupied property to investment property, the entity treats any difference at that date between the carrying amount of the property and its fair value in the same way as a revaluation surplus. The excess of the fair value of the property at the date of transfer over the carrying amount of the property is credited to other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the consolidated statement of profit or loss to the extent of the decrease previously charged to consolidated statement of profit or loss. The excess of the carrying amount of the property at the date of transfer over the fair value of the property is recognised in consolidated statement of profit or loss to the extent it exceeds the balance, if any, on the revaluation reserve relating to a previously revaluation of the same asset. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 4.3.

Goodwill represents the excess of the aggregate of the consideration transferred of a business combination, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired. The consideration transferred of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (note 4.21).

Where the net fair value of the identifiable assets and liabilities exceed the aggregate of the fair value of consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

#### 4.9 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 excluding Hong Kong (the "PRC"). These intangible assets are amortised on straight-line basis over the terms of operation ranging from 10 to 50 years. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment as described in note 4.21.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.10 Financial Instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

*Financial assets at fair value through profit or loss*

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which is managed and its performance evaluated on a fair value basis according to a documented management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

*Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.10 Financial Instruments (Continued)

(i) *Financial assets (Continued)*

*Available-for-sale financial assets*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; and
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

*For loans and receivables*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.10 Financial Instruments (Continued)

##### (ii) Impairment loss on financial assets (Continued)

###### *For available-for-sale financial assets*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

##### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

###### *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.10 Financial Instruments (Continued)

##### (iii) Financial liabilities (Continued)

##### *Financial liabilities at fair value through profit or loss (Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

##### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost including trade and bills payables, accrued liabilities and other payables, due to associates, due to non-controlling equity holders of subsidiaries, borrowings, and the debt element of convertible bonds issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### *Convertible bonds*

At initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with the Group's accounting policy on derivative financial instruments. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amount of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amount of both components is recognised in profit or loss.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.10 Financial Instruments (Continued)

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual right to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### 4.11 Properties under development

Properties held under development for future sale in the ordinary course of business are included in current assets and stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated selling expenses.

On completion, the properties are transferred to properties held for sale.

#### 4.12 Inventories and properties held for sale

Inventories and properties held for sale are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.13 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 (loan and receivable) 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 (loan and receivable) is accounted for in accordance with the policy set out for "Financial instruments" in note 4.10.

An intangible asset (concession right) 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 (concession right) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 4.9.

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 Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.13 Service concession arrangements (Continued)

##### *Construction or upgrade services*

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" in note 4.14.

##### *Operating services*

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 4.20.

##### *Contractual obligations to restore the infrastructure to a specified level of serviceability*

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the sewage treatment infrastructures and water supply 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 sewage treatment infrastructures and water supply infrastructures are recognised and measured in accordance with the policy set out for "Provisions and contingent liabilities" in note 4.17.

#### 4.14 Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.15 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the asset.

#### 4.16 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, bank and cash balances comprise cash on hand and at banks/other financial institutions, including term deposits, which are not restricted as to use.

#### 4.17 Provision and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

##### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

##### *The Group as lessee*

The total rentals payable under the operating leases are recognised in profit or loss on straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

#### 4.19 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefits) to the extent they are incremental costs directly attributable to the equity transaction.

#### 4.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interests and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- (i) Sales of goods and properties are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods;
- (ii) Revenue from hotel services is recognised based on the period in which such services have been rendered;



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.20 Revenue recognition (Continued)

- (iii) Revenue arising from water supply is recognised based on water supplied as recorded by meters read during the year;
- (iv) Revenue from sewage treatment is recognised when services are rendered;
- (v) Water supply related installation and construction income is recognised when services are rendered;
- (vi) Revenue from long-term construction contracts is recognised by reference to the percentage of completion of the contract at the reporting date (note 4.14);
- (vii) Dividend is recognised when the right to receive payment is established;
- (viii) Finance income is recognised as it accrues using the effective interest method;
- (ix) Interest income is recognised on a time-proportion basis using the effective interest method;
- (x) Rental income receivable from operating lease is recognised in profit or loss on a straight-line basis over the periods covered by the lease term; and
- (xi) Income from financial guarantee (as the case may be, including assessment fee related to issuance of financial guarantee) is recognised over the contract period on a time apportionment basis.

#### 4.21 Impairment of non-financial assets

Goodwill arising on acquisition of subsidiaries, property, plant and equipment, prepaid land lease payments, other intangible assets and interests in subsidiaries and associates are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset or cash-generating unit.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.21 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal (if measurable) or value in use (if determinable), whichever is the higher.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other non-financial assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

#### 4.22 Employee benefits

##### (i) *Defined contribution retirement plan*

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.22 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.

#### 4.23 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 4.24 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.24 Income tax (Continued)

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entities; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 4.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors 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) "Water" segment, which is presented as "City water supply operation and construction" and "Sewage treatment and drainage operation and construction" segments, involves the provision of water supply, sewage treatment and drainage operation and construction services (including the transfer-operate-transfer ("TOT") and build-operate-transfer ("BOT") arrangements);



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.25 Segment reporting (Continued)

- (ii) "Property development and investment" segment involves development of properties for sale and investment in properties for capital appreciation; and
- (iii) "Concrete related products and services" segment involves production and sales of ready-mixed concrete and related services.

Information about other business activities and operating segments that are not reportable are combined and disclosed in "All other segments". "All other segments" includes other infrastructure construction and other business activities.

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 financial statements prepared under HKFRSs, except that fair value gain on financial assets at fair value through profit or loss, change in fair value of derivative financial instruments, gain/loss on disposal of subsidiaries, finance costs, share of results of associates, corporate income, corporate expense, income tax expense, gain/loss on repurchase/redemption of convertible bonds and equity-settled share options expenses are excluded from segment results.

Segment assets exclude corporate assets, available-for-sale financial assets, financial assets at fair value through profit or loss, derivative financial assets, interests in associates and deferred tax assets. Segment liabilities exclude items such as taxation, corporate borrowings and other corporate liabilities.

No asymmetrical allocations have been applied to reportable segments.

#### 4.26 Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.26 Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

#### 4.27 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract at the higher of: (i) the amount determined in accordance with the Group's accounting policy on "Provisions and contingent liabilities"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the Group's policy on "Revenue recognition".

Where the Group issued a financial guarantee, the contracted fee of the guarantee is initially recognised as deferred income. Where the contracted fee is received or receivable for the issuance of the guarantee, it is recognised in accordance with the Group's policies applicable to that category of asset. Where no such contracted fee is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of the corresponding liability.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 4.27 Financial guarantee contracts (Continued)

The contracted fee of the financial guarantee initially recognised as deferred income is amortised and recognised as revenue in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation in accordance with the Group's accounting policy on "Revenue recognition", where appropriate.

#### 4.28 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the share options reserves within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgments, 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 discussed below:

#### (i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and amortises prepaid land lease payments and the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 4.5, 4.6 and 4.9 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's management determines the allowance for irrecoverable receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. When the Group's management determines that there are indicators of significant financial difficulties of the debtors such as default or delinquency in payments, allowance for debtors are estimated. The management of the Group reassesses the estimations at the reporting date.

When the Group's management determines the debtors are uncollectible, they are written off against the allowance account for debtors.

#### (iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.21. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit 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)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial 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 cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### (v) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements 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'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels 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);
- Available-for-sale financial assets (note 19);
- Financial assets at fair value through profit or loss (note 28);
- Derivative financial assets (note 19(i)); and
- Derivative financial liabilities (note 34).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

#### (vi) Construction contracts

As explained in accounting policies stated in notes 4.14 and 4.20, revenue and profit recognition on an uncompleted project (including the Group's BOT arrangements) are dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### (vii) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgment 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, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment 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 4.13, 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.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### (x) Unlisted equity instruments

HKAS 39 precludes the Group from measuring equity instruments at fair value, if the fair value of investment in equity instruments that do not have a quoted market price in an active market is not reliably measurable. In making this judgment, the Group considers the following information:

- the variability in the range of reasonable fair value estimates is significant for that instrument; or
- the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

#### (xi) Provision for inventories

In determining the amount of allowance required for obsolete and slow-moving inventories, the Group would evaluate ageing analysis of inventories and compare the carrying value of inventories to their respective net realisable value. A considerable amount of judgement is required in determining such allowance. If conditions which have impact on the net realisable value of inventories deteriorate, additional allowances may be required.

### 6. SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC on a BOT or TOT basis in respect of its water supply and sewage treatment businesses. These service concession arrangements generally involve the Group as an operator (i) constructing water supply and sewage treatment infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 10 to 50 years (2015: 10 to 30 years) (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all 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.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 6. SERVICE CONCESSION ARRANGEMENTS (Continued)

As at 31 March 2016, the Group had forty-four service concession arrangements (2015: twelve) 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:

Name of subsidiary as operator	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity per day (m <sup>3</sup> )	Service Concession Period
鉛山縣中水環保有限公司 ("Yanshan Sewage")	PRC	鉛山縣建設局	BOT	18,000	February 2009 – February 2039
萬年縣中水環保有限公司 ("Wannian Sewage")	PRC	萬年市人民政府	BOT	15,000	December 2008 – December 2037
分宜中水環保有限公司 ("Fenyi Sewage")	PRC	分宜縣建設局	BOT	30,000	March 2008 – December 2040
荊州中水環保有限公司 ("Jingzhou Sewage")	PRC	荊州市建設委員會	TOT	100,000	December 2006 – December 2031
天津正坤水處理有限公司 ("Tianjin Zhengkun")	PRC	天津市武清區人民政府	BOT	20,000	December 2010 – November 2030
天津重科水處理有限公司 ("Tianjin Zhongke")	PRC	天津市武清區人民政府	BOT	30,000	June 2013 – June 2023
邯鄲市峰峰錦晟污水處理有限公司 ("Handan Fengfeng Jinsheng")	PRC	河北省邯鄲市峰峰礦區城市管理局	BOT	20,000	October 2012 – September 2032
邯鄲成晟水務有限公司 ("Handan Chengsheng")	PRC	河北省邯鄲市峰峰礦區城市管理局	BOT	33,000	September 2007 – August 2029
北京同晟水淨化有限公司 ("Beijing Tongsheng")	PRC	北京市順義區人民政府	BOT	20,000	December 2006 – December 2031
鹿邑新晟中水環保有限公司 ("Luyi Xinsheng")	PRC	鹿邑縣住房和城鄉建設局	BOT	10,000	November 2014 – November 2044
高安新晟中水環保有限公司 ("Gaoan Xinsheng")	PRC	江西高安工業園區管理委員會	BOT	10,000	October 2015 – October 2045
寶雞市金信安水務有限公司 ("Baoji Goldtrust")	PRC	寶雞市城市建設局	TOT	120,000	July 2009 – July 2035
寶雞市陳倉金信安水務有限公司 ("Baoji Chencang")	PRC	寶雞市陳倉區人民政府	TOT	50,000	October 2009 – October 2039





## Notes to the Financial Statements

For the year ended 31 March 2016

### 6. SERVICE CONCESSION ARRANGEMENTS (Continued)

Name of subsidiary as operator	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity per day (m <sup>3</sup> )	Service Concession Period
鉛山縣銀龍水務有限公司 ("Yanshan Water")	PRC	鉛山縣建設局	BOT and TOT	40,000	June 2007 – June 2037
江西黃崗山水務發展有限公司 ("Huanggangshan Water")	PRC	鉛山縣人民政府	BOT	130,000	March 2015 – February 2045
運城市空港開發區弘益 供水有限公司 ("Yuncheng Water")	PRC	山西省運城空港經濟 開發區管理委員會	BOT	55,000	July 2015 – July 2045

Note:

The above table lists the service concession arrangements of the Group 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 all other service concession arrangements would, in the opinion of the directors of the Company, result in particulars of excessive length.

The service concession arrangement entered into by 天津世昇水治理有限公司 ("Tianjian Shisheng"), a subsidiary of the Group, and the PRC government authority was terminated during the year ended 31 March 2016 and compensation of HK\$54,878,000 was received from the government authority and net income of HK\$29,364,000 was credited to the profit or loss for the year ended 31 March 2016.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 7. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in notes 1 and 49 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:

	2016 HK\$'000	2015 HK\$'000
<b>Revenue:</b>		
Sales of goods	354,079	385,637
Sales of properties	–	91,270
Water supply operation services	1,447,242	1,248,381
Water supply related installation	1,179,321	808,180
Water supply construction services – intangible assets	588,900	5,512
Sewage treatment and drainage operation services	279,027	91,765
Sewage treatment construction services – financial assets	26,312	65,760
Sewage treatment construction services – intangible assets	12,899	–
Hotel and rental income	28,875	28,100
Finance income	20,741	12,402
Income from financial guarantee service	14,645	29,157
Others	80,871	92,460
Total	<u>4,032,912</u>	<u>2,858,624</u>
<b>Other income:</b>		
Interest income	98,445	109,397
Government grants and subsidies #	67,291	71,253
Amortisation of deferred government grants	5,217	6,407
Gain on disposal of prepaid land lease payments	30,728	–
Dividend income from financial assets	17,432	15,427
Compensation for early termination of a service concession arrangement	29,364	–
Miscellaneous income	52,184	38,333
Total	<u>300,661</u>	<u>240,817</u>

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



# Notes to the Financial Statements

For the year ended 31 March 2016

## 8. SEGMENT INFORMATION

The executive directors have identified the Group's four product and service lines as reportable segments as further described in note 4.25.

These segments are monitored and strategic decisions are made on the basis of adjusted segment operating result.

### For the year ended 31 March 2016

	City water supply operation and construction HK\$'000	Sewage treatment and drainage operation and construction HK\$'000	Property development and investment HK\$'000	Concrete related products and services HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
<b>Revenue</b>							
From external customers	3,293,314	338,979	23,296	300,102	77,221	-	4,032,912
From inter-segment	2,764	36	-	399	22,694	(25,893)	-
<b>Segment revenue</b>	<u>3,296,078</u>	<u>339,015</u>	<u>23,296</u>	<u>300,501</u>	<u>99,915</u>	<u>(25,893)</u>	<u>4,032,912</u>
<b>Segment profit</b>	<u>1,270,724</u>	<u>184,148</u>	<u>44,076</u>	<u>52,101</u>	<u>8,369</u>	<u>-</u>	<u>1,559,418</u>
Unallocated corporate income							118,013
Unallocated corporate expense							(145,848)
Equity-settled share options expenses							(47,982)
Loss on disposal of a subsidiary							(1,488)
Fair value gain on financial assets at fair value through profit or loss							8
Change in fair value of derivative financial instruments							(32,948)
Loss on repurchase/redemption of convertible bonds							(33)
Finance costs							(170,824)
Share of results of associates	20,460	246	(76,444)	-	85,255	-	29,517
Profit before income tax							1,307,833
Income tax expense							(304,867)
Profit for the year							<u>1,002,966</u>
<b>Other segment information</b>							
Additions of investment properties	-	-	4,707	-	-	-	4,707
Additions to other non-current segment assets	1,162,170	36,271	79,258	5,262	13,754	-	1,296,715
Amortisation of deferred government grants	(4,742)	(433)	-	-	(42)	-	(5,217)
Amortisation of other intangible assets	2,764	6,341	-	-	-	-	9,105
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	303,144	8,569	8,730	7,655	13,426	-	341,524
Property, plant and equipment written off	7,840	-	-	-	1,971	-	9,811
Loss on disposal of property, plant and equipment	631	104	-	158	880	-	1,773
Gain on disposal of prepaid land lease payments	(30,728)	-	-	-	-	-	(30,728)
Fair value gain on investment properties	-	-	(52,900)	-	-	-	(52,900)
Provision/(Reversal of provision) of doubtful debts	5,611	-	-	-	(27)	-	5,584



## Notes to the Financial Statements

For the year ended 31 March 2016

### 8. SEGMENT INFORMATION (Continued) For the year ended 31 March 2016 (Continued)

	City water supply operation and construction HK\$'000	Sewage treatment and drainage operation and construction HK\$'000	Property development and investment HK\$'000	Concrete related products and services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Segment assets</b>	9,707,512	1,059,555	1,766,614	293,768	902,348	13,729,797
Other financial assets						294,650
Interests in associates	329,660	9,238	868,177	–	126,442	1,333,517
Deferred tax assets						51,621
Other corporate assets						3,461,633
						<u>18,871,218</u>
<b>Segment liabilities</b>	2,494,241	116,288	120,337	87,549	122,589	2,941,004
Deferred tax liabilities						329,373
Provision for tax						524,147
Other corporate liabilities						7,489,310
						<u>11,283,834</u>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2015

	City water supply operation and construction HK\$'000	Sewage treatment and drainage operation and construction HK\$'000	Property development and investment HK\$'000	Concrete related products and services HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
<b>Revenue</b>							
From external customers	2,197,263	169,927	114,008	305,037	72,389	-	2,858,624
From inter-segment	46,971	-	-	443	18,091	(65,505)	-
<b>Segment revenue</b>	<u>2,244,234</u>	<u>169,927</u>	<u>114,008</u>	<u>305,480</u>	<u>90,480</u>	<u>(65,505)</u>	<u>2,858,624</u>
<b>Segment profit</b>	<u>941,104</u>	<u>55,568</u>	<u>93,423</u>	<u>45,850</u>	<u>13,790</u>	<u>-</u>	<u>1,149,735</u>
Unallocated corporate income							124,409
Unallocated corporate expense							(131,468)
Equity-settled share options expenses							(34,251)
Gain on disposal of subsidiaries							6,874
Fair value gain on financial assets at fair value through profit or loss							968
Change in fair value of derivative financial instruments							20,368
Gain on repurchase/redemption of convertible bonds							116
Finance costs							(117,403)
Share of results of associates	16,746	-	(17,646)	-	2,929	-	2,029
Profit before income tax							1,021,377
Income tax expense							(317,031)
Profit for the year							<u>704,346</u>
<b>Other segment information</b>							
Additions of investment properties	5,483	-	9,212	-	-	-	14,695
Additions to other non-current segment assets	684,849	3,290	1,694	16,483	90,453	-	796,769
Amortisation of deferred government grants	(6,148)	(259)	-	-	-	-	(6,407)
Amortisation of other intangible assets	2,918	6,500	-	-	-	-	9,418
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	260,672	556	16,600	6,037	15,010	-	298,875
Property, plant and equipment written off	34	-	-	-	-	-	34
Loss/(Gain) on disposal of property, plant and equipment	500	-	-	(14)	354	-	840
Fair value gain on investment properties	(35,962)	-	(105,741)	-	-	-	(141,703)
Reversal of provision of doubtful debts	(114)	-	-	-	-	-	(114)





## Notes to the Financial Statements

For the year ended 31 March 2016

### 8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2015 (Continued)

	City water supply operation and construction HK\$'000	Sewage treatment and drainage operation and construction HK\$'000	Property development and investment HK\$'000	Concrete related products and services HK\$'000	All other segments HK\$'000	Total HK\$'000
<b>Segment assets</b>	7,529,800	611,623	1,592,765	359,011	884,519	10,977,718
Other financial assets						341,207
Interests in associates	191,327	–	942,666	–	229,341	1,363,334
Other corporate assets						2,420,090
						<u>15,102,349</u>
<b>Segment liabilities</b>	1,993,473	20,282	138,133	124,651	235,680	2,512,219
Deferred tax liabilities						241,389
Provision for tax						393,869
Other corporate liabilities						5,518,731
						<u>8,666,208</u>

For the years ended 31 March 2016 and 2015, the Group did not depend on any single customers under each of the segments.

The Group's revenue from external customers and its non-current assets by geographical areas are not presented as the geographical segments other than the PRC are less than 10% of the aggregate amount of all segments.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 9. PROFIT FROM OPERATION

Profit from operation is arrived at after charging/(crediting):

	2016 HK\$'000	2015 HK\$'000
Cost of inventories sold	2,132,370	1,506,140
Depreciation	323,972	282,649
Amortisation of prepaid land lease payments	17,552	16,226
Amortisation of other intangible assets	9,105	9,418
Operating leases in respect of		
– leasehold land and buildings	27,973	20,560
– other property, plant and equipment	33,429	32,464
Outgoings in respect of investment properties that generated rental income	–	234
Auditors' remuneration	6,800	6,500
Staff costs (including directors' emoluments – note 14(a)):		
Salaries and wages	474,868	388,869
Pension scheme contribution	81,259	57,131
Equity-settled share options expenses	47,982	34,251
	<b>604,109</b>	<b>480,251</b>
Loss on disposal of property, plant and equipment	1,773	840
Gain on disposal of prepaid land lease payments	(30,728)	–
Property, plant and equipment written off	9,811	34
Provision/(Reversal of provision) of doubtful debts	5,584	(114)
Net foreign exchange loss/(gain)	5,878	(7,772)

### 10. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank loans	208,646	202,781
Interest on other borrowings	119,944	44,285
Interest on convertible bonds	69	8,004
Total borrowing costs	<b>328,659</b>	<b>255,070</b>
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development (note)	<b>(157,835)</b>	<b>(137,667)</b>
	<b>170,824</b>	<b>117,403</b>

Note: The borrowing costs have been capitalised at rates ranging from 3.39% to 6.94% (2015: 3.17% to 7.85%).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 11. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	2016 HK\$'000	2015 HK\$'000
Current		
– PRC	<b>289,532</b>	255,521
Deferred tax (note 36)	<b>15,335</b>	61,510
Total income tax expense	<b>304,867</b>	317,031

No Hong Kong profits tax has been provided for the year ended 31 March 2016 as the Group did not derive any assessable profit arising in Hong Kong (2015: Nil). Income tax expense for other jurisdictions is calculated at the rates of taxation prevailing in the relevant jurisdictions.

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2016 HK\$'000	2015 HK\$'000
Profit before income tax	<b>1,307,833</b>	1,021,377
Tax at applicable rate of 16.5% (2015: 16.5%)	<b>215,792</b>	168,527
Tax effect of non-taxable items	<b>(27,339)</b>	(14,809)
Tax effect of non-deductible items	<b>47,399</b>	42,405
Tax concession	<b>(12,635)</b>	(17,450)
Others	<b>14,771</b>	55,381
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>66,879</b>	82,977
Income tax expense	<b>304,867</b>	317,031



## Notes to the Financial Statements

For the year ended 31 March 2016

### 12. DIVIDENDS

#### (a) Dividends attributable to the year

	2016 HK\$'000	2015 HK\$'000
Proposed final dividend – HK\$0.05 (2015: HK\$0.04) per ordinary share	75,993	57,787
Interim dividend – HK\$0.03 (2015: HK\$0.03) per ordinary share	45,596	43,216
	<u>121,589</u>	<u>101,003</u>

The final dividends proposed after the reporting date for the year ended 31 March 2016 and 2015 have not been recognised as a liability at the reporting date, but reflected as an appropriation of contributed surplus for the year ended 31 March 2016 and 2015 respectively. 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

	2016 HK\$'000	2015 HK\$'000
Final dividend in respect of the previous financial year of HK\$0.04 (2015: HK\$0.03) per ordinary share	57,787	42,147
Adjustment to the final dividend (note)	3,007	(155)
	<u>60,794</u>	<u>41,992</u>

Note: The adjustment was made due to shares issued/repurchased prior to the record date of the final dividend and, therefore, the related shares rank for this dividend payment.

#### (c) Dividends recognised as distributions during the year ended 31 March 2016 amounted to HK\$106,390,000 (2015: HK\$85,208,000) or HK\$0.07 per ordinary share (2015: HK\$0.06 per ordinary share).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 13. 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\$551,758,000 (2015: HK\$370,858,000) and the weighted average of approximately 1,508,489,000 (2015: 1,416,870,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$551,860,000, after the adjustment to reflect the effect of conversion of convertible bonds which is HK\$102,000, and on the weighted average of 1,515,214,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,508,489,000 used in basic earnings per share calculation and adjusted for the effect of share options existing during the year of 6,424,000 shares and the effect of conversion of convertible bonds existing during the year of 301,000 shares.

Diluted earnings per share for the year ended 31 March 2015 are the same as the basic earnings per share because the impacts of the potential dilutive ordinary shares outstanding are anti-dilutive.





# Notes to the Financial Statements

For the year ended 31 March 2016

## 14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

### (a) Directors' emoluments

	Directors' fees HK'000	Salaries, allowances and benefits in kind HK'000	Bonuses HK'000	Retirement scheme contribution HK\$'000	Equity-settled share options expenses HK\$'000	Total HK\$'000
<b>2016</b>						
<b>Executive directors</b>						
Mr. Duan Chuan Liang	-	10,000	10,000	78	23,133	43,211
Ms. Ding Bin	-	523	-	66	1,739	2,328
Ms. Liu Yu Jie	-	2,292	2,000	18	2,782	7,092
Mr. Li Zhong (appointed with effect from 4 June 2015)	-	1,778	611	56	2,485	4,930
<b>Non-executive directors</b>						
Mr. Zhao Hai Hu	-	693	-	12	1,043	1,748
Mr. Zhou Wen Zhi	-	120	-	-	348	468
Mr. Makoto Inone	-	60	-	-	-	60
Ms. Wang Xiaoqin (appointed with effect from 9 June 2015)	-	775	-	72	696	1,543
Mr. Chen Guo Ru (resigned with effect from 4 June 2015)	-	32	-	-	174	206
<b>Independent non-executive directors</b>						
Mr. Chau Kam Wing	348	-	-	-	-	348
Mr. Ong King Keung	300	-	-	-	-	300
Ms. Liu Dong	66	-	-	-	-	66
Mr. Siu Chi Ming (appointed with effect from 24 March 2016)	6	-	-	-	-	6
Ms. Huang Shao Yun (resigned with effect from 24 March 2016)	24	-	-	-	-	24
	<u>744</u>	<u>16,273</u>	<u>12,611</u>	<u>302</u>	<u>32,400</u>	<u>62,330</u>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

	Directors' fees HK'000	Salaries, allowances and benefits in kind HK'000	Bonuses HK'000	Retirement scheme contribution HK\$'000	Equity-settled share options expenses HK\$'000	Total HK\$'000
2015						
<b>Executive directors</b>						
Mr. Duan Chuan Liang	-	10,000	17,000	29	17,355	44,384
Ms. Ding Bin	-	380	-	52	1,305	1,737
Ms. Liu Yu Jie (appointed with effect from 10 September 2014)	-	1,556	-	11	2,087	3,654
<b>Non-executive directors</b>						
Mr. Chen Guo Ru	-	180	-	-	130	310
Mr. Zhao Hai Hu	-	604	-	12	783	1,399
Mr. Zhou Wen Zhi	-	120	-	-	261	381
Mr. Makoto Inone	-	60	-	-	-	60
<b>Independent non-executive directors</b>						
Ms. Huang Shao Yun	24	-	-	-	-	24
Mr. Chau Kam Wing	348	-	-	-	-	348
Mr. Ong King Keung	300	-	-	-	-	300
Ms. Liu Dong	72	-	-	-	-	72
	<u>744</u>	<u>12,900</u>	<u>17,000</u>	<u>104</u>	<u>21,921</u>	<u>52,669</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

#### (b) Five highest paid individuals

The five highest paid individuals in the Group during the year included three directors (2015: three directors), details of whose emoluments have been disclosed in note (a) above. The emoluments paid to the remaining individuals during the year are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries, allowances and other benefits	3,428	2,838
Retirement scheme contribution	107	101
Equity-settled share options expenses	4,173	3,131
	<u>7,708</u>	<u>6,070</u>

The emoluments fell within the following bands:

	2016	2015
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	1
HK\$3,500,001 to HK\$4,000,000	–	–
HK\$4,000,001 to HK\$4,500,000	1	–
	<u>1</u>	<u>–</u>

During the years ended 31 March 2016 and 2015, 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.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 15. PROPERTY, PLANT AND EQUIPMENT

#### Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Water pipelines HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>At 1 April 2014</b>								
Cost	1,401,940	59,860	812,419	3,087,421	174,013	23,959	1,160,810	6,720,422
Accumulated depreciation	(227,682)	(26,012)	(287,264)	(652,484)	(87,053)	(14,817)	-	(1,295,312)
<b>Net carrying amount</b>	<b>1,174,258</b>	<b>33,848</b>	<b>525,155</b>	<b>2,434,937</b>	<b>86,960</b>	<b>9,142</b>	<b>1,160,810</b>	<b>5,425,110</b>
<b>Year ended 31 March 2015</b>								
Opening net carrying amount	1,174,258	33,848	525,155	2,434,937	86,960	9,142	1,160,810	5,425,110
Additions	21,528	4,268	17,670	109,003	22,606	5,817	599,700	780,592
Acquisition of subsidiaries (note 40)	63,084	-	4,941	92,364	1,044	-	10,013	171,446
Disposals	(10,313)	-	(3,495)	(20,633)	(1,530)	-	(61)	(36,032)
Written off	-	-	(34)	-	-	-	-	(34)
Transfers	166,795	241	23,943	128,157	9,382	-	(328,518)	-
Transfer to investment properties (note 17)	(566)	-	-	-	-	-	-	(566)
Transfer from properties under development (note 23)	6,649	-	-	-	-	-	-	6,649
Depreciation	(50,032)	(10,026)	(56,818)	(140,892)	(22,310)	(2,571)	-	(282,649)
Exchange realignment	(14,678)	(423)	(6,563)	(30,596)	(1,059)	(82)	(15,833)	(69,234)
<b>Closing net carrying amount</b>	<b>1,356,725</b>	<b>27,908</b>	<b>504,799</b>	<b>2,572,340</b>	<b>95,093</b>	<b>12,306</b>	<b>1,426,111</b>	<b>5,995,282</b>
<b>At 31 March 2015 and 1 April 2015</b>								
Cost	1,630,791	63,306	837,509	3,355,306	194,184	29,477	1,426,111	7,536,684
Accumulated depreciation	(274,066)	(35,398)	(332,710)	(782,966)	(99,091)	(17,171)	-	(1,541,402)
<b>Net carrying amount</b>	<b>1,356,725</b>	<b>27,908</b>	<b>504,799</b>	<b>2,572,340</b>	<b>95,093</b>	<b>12,306</b>	<b>1,426,111</b>	<b>5,995,282</b>
<b>Year ended 31 March 2016</b>								
Opening net carrying amount	1,356,725	27,908	504,799	2,572,340	95,093	12,306	1,426,111	5,995,282
Additions	19,522	256	18,387	300,252	19,011	1,323	311,677	670,428
Acquisition of subsidiaries (note 40)	181,469	17,694	47,691	202,681	10,358	-	240,881	700,774
Disposals	(29,130)	(735)	(2,454)	(1,220)	(3,465)	-	-	(37,004)
Disposal of a subsidiary (note 41)	-	-	-	-	(21,950)	-	(5,500)	(27,450)
Written off	(1,631)	(2,187)	(473)	(4,898)	(622)	-	-	(9,811)
Transfers	190,400	-	1,297	232,441	15	-	(424,153)	-
Transfer to investment properties (note 17)	(25,271)	-	-	-	-	-	(57,851)	(83,122)
Depreciation	(63,170)	(5,589)	(60,425)	(171,707)	(20,329)	(2,752)	-	(323,972)
Exchange realignment	(37,190)	(709)	(13,415)	(69,104)	(2,516)	(297)	(46,124)	(169,355)
<b>Closing net carrying amount</b>	<b>1,591,724</b>	<b>36,638</b>	<b>495,407</b>	<b>3,060,785</b>	<b>75,595</b>	<b>10,580</b>	<b>1,445,041</b>	<b>6,715,770</b>
<b>At 31 March 2016</b>								
Cost	1,967,604	70,297	941,412	4,070,234	193,753	30,081	1,445,041	8,718,422
Accumulated depreciation	(375,880)	(33,659)	(446,005)	(1,009,449)	(118,158)	(19,501)	-	(2,002,652)
<b>Net carrying amount</b>	<b>1,591,724</b>	<b>36,638</b>	<b>495,407</b>	<b>3,060,785</b>	<b>75,595</b>	<b>10,580</b>	<b>1,445,041</b>	<b>6,715,770</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 March 2016, the Group's property, plant and equipment with a net carrying amount of HK\$368,649,000 (2015: HK\$236,107,000) were pledged to secure banking facilities granted to the Group (note 32(i)(c)).

### 16. PREPAID LAND LEASE PAYMENTS

	2016 HK\$'000	2015 HK\$'000
<b>At beginning of the year</b>		
Cost	532,451	622,452
Accumulated amortisation	(65,578)	(72,893)
<b>Net carrying amount</b>	<b>466,873</b>	549,559
<b>For the year ended</b>		
Opening net carrying amount	466,873	549,559
Additions	24,488	16,177
Acquisition of subsidiaries (note 40)	143,182	21,750
Disposal	(2,909)	–
Disposal of a subsidiary (note 41)	(2,912)	–
Transfer from properties under development (note 23)	–	8,795
Transfer to investment properties (note 17)	(43,418)	(106,356)
Amortisation	(17,552)	(16,226)
Exchange realignment	(12,648)	(6,826)
<b>Net carrying amount</b>	<b>555,104</b>	466,873
<b>At end of the year</b>		
Cost	636,659	532,451
Accumulated amortisation	(81,555)	(65,578)
<b>Net carrying amount</b>	<b>555,104</b>	466,873





## Notes to the Financial Statements

For the year ended 31 March 2016

### 16. PREPAID LAND LEASE PAYMENTS (Continued)

As at 31 March 2016, the Group's prepaid land lease payments included certain land use rights with a net carrying amount of HK\$81,395,000 (2015: HK\$95,562,000) 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, there is no legal impediment for the Group to obtain these land use rights certificates.

As at 31 March 2016, the Group's prepaid land lease payments with a net carrying amount of HK\$197,157,000 (2015: HK\$111,848,000) were pledged to secure banking facilities granted to the Group (note 32(i)(d)).

### 17. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
<b>Carrying amount at beginning of the year</b>	<b>742,305</b>	485,515
Additions	<b>4,707</b>	14,695
Transfer from property, plant and equipment (note 15)	<b>83,122</b>	566
Transfer from prepaid land lease payments (note 16)	<b>43,418</b>	106,356
Disposals	–	(488)
Fair value gain	<b>52,900</b>	141,703
Exchange realignment	<b>(18,106)</b>	(6,042)
<b>Carrying amount at end of the year</b>	<b>908,346</b>	742,305

As at 31 March 2016, the investment properties included certain land use rights with a carrying amount of HK\$15,032,000 (2015: HK\$15,408,000) for which the Group is still in the process of obtaining the property ownership certificates and respective land use rights certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these investment properties. As confirmed by the Group's legal advisors, there is no legal impediment for the Group to obtain these property ownership certificates and respective land use rights certificates.

As at 31 March 2016, the Group's investment properties with a carrying amount of HK\$80,365,000 (2015: HK\$300,762,000) were pledged to secure banking facilities granted to the Group (note 32(i)(e)). Besides, the Group's investment properties with a net carrying amount of HK\$116,418,000 (2015: HK\$119,329,000) were pledged to secure banking facilities granted to a non-controlling shareholder of a subsidiary of the Group.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 17. INVESTMENT PROPERTIES (Continued)

Investment properties were revalued on 31 March 2016 by RHL Appraisal Limited (2015: RHL Appraisal Limited), independent firm of professional valuers in an open market basis and on the assumption 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.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below.

	2016 HK\$'000	2015 HK\$'000
Opening balance (level 3 recurring fair value)	742,305	485,515
Additions	4,707	14,695
Transfer from property, plant and equipment (note 15)	83,122	566
Transfer from prepaid land lease payments (note 16)	43,418	106,356
Disposals	–	(488)
Fair value gain	52,900	141,703
Exchange realignment	(18,106)	(6,042)
Closing balance (level 3 recurring fair value)	<u>908,346</u>	<u>742,305</u>
Change in unrealised gains or losses for the year included in profit or loss for assets held at 31 March	<u>52,900</u>	<u>141,703</u>

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 Financial Statements

For the year ended 31 March 2016

### 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 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\$11,077	The higher the price, the higher the fair value
Residential properties located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK\$48,272 to HK\$56,055 (2015: HK\$45,908 to HK\$54,688)	The higher the price, the higher the fair value
Leasehold land located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK\$448 to HK\$1,008 (2015: HK\$541 to HK\$687)	The higher the price, the higher the fair value

There were no changes to the valuation techniques during the year.

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 18. INTERESTS IN ASSOCIATES

	2016 HK\$'000	2015 HK\$'000
Share of net assets	1,092,866	1,151,548
Goodwill	240,651	211,786
	<u>1,333,517</u>	<u>1,363,334</u>
Market value of listed shares	<u>517,658</u>	<u>771,300</u>

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2016 and 2015 except for as follows:

#### As at 31 March 2016

- (a) The amounts due from associates with carrying amount of HK\$231,347,000 which bore interest rate ranged from 3.65% to 24% per annum.
- (b) The amounts due from associates with carrying amount of HK\$10,082,000 which bore interest rate at 8% per annum and are repayable within one year.
- (c) The amount due to an associate with carrying amount of HK\$21,951,000 which bore interest rate at 6.35% per annum and was repayable within one year.
- (d) The amount due to an associate with carrying amount of HK\$11,951,000 which bore interest rate at 4.51% per annum and was repayable from 16 July 2017 to 15 August 2017.

#### As at 31 March 2015

- (a) The amounts due from associates with carrying amount of HK\$30,938,000 which bore interest rate ranged from 7.2% to 10% per annum.
- (b) The amounts due from associates with carrying amount of HK\$ HK\$92,601,000 which bore interest rate ranged from 8% to 10% per annum and were repayable within one year.
- (c) The amount due to an associate with carrying amount of HK\$37,500,000 which bore interest rate at 6% per annum.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 18. INTERESTS IN ASSOCIATES (Continued)

Set out below are the associates of the Group as at 31 March 2016 which, in the opinion of the directors, are material to the Group.

Name	Place of establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company	Group's effective interest held/ profit sharing	Principal activities
China City Infrastructure Group Limited ("China City Infrastructure")*	Cayman Islands/PRC	Issued capital of 2,044,594,861 shares of HK\$ 0.1 each	Direct 23.66% (2015: 23.16%) Indirect 19.25% (2015: 19.25%)	42.91% (2015: 42.41%)	Natural gas business, property investment, property development, hotel business and property management
廣東增城自來水有限公司 ("Guangdong Zengcheng")^	PRC	Registered capital of RMB167,500,000	Direct 40.82%	40.82%	Water supply and water supply infrastructure
梧州粵海江河水務有限公司 ("Wuzhou Yuehai")	PRC	Registered capital of RMB110,000,000	Indirect 49%	49%	Water supply
杭州梁運儲運有限公司 ("Hangzhou Cargo")	PRC	Registered capital of RMB155,100,000	Indirect 49%	49%	Warehousing and storage

\* China City Infrastructure is listed on the Stock Exchange (Stock code: 2349) and became an associate of the Group on 25 October 2010. In the opinion of the directors, to give details of the subsidiaries of China City Infrastructure would result in particulars of excessive length. During the year, the Group acquired additional 0.50% equity interest of China City Infrastructure and the Group's interest in China City Infrastructure has been increased from 42.41% to 42.91%.

^ Associate acquired by the Group during the year ended 31 March 2016.

During the year ended 31 March 2016, the Group disposed of its investment in Jiu Rong Holdings Limited ("Jiu Rong") which is listed on the Stock Exchange (Stock code: 2358). Gain on disposal of HK\$91,874,000 was credited to the profit or loss and included in the share of results of associates.

As at 31 March 2016, the Group's interests in associates with carrying amount of approximately HK\$778,031,000 (2015: Nil) were pledged to secure banking facilities granted to the Group (note 32(i)(ii)).

All of the above associates are accounted for using the equity method in the consolidated financial statements. The financial statements of the above associates are coterminous with those of the Group, except for China City Infrastructure which has a financial year ending 31 December. There were no material transactions carried out by China City Infrastructure from 1 January 2016 to 31 March 2016.





# Notes to the Financial Statements

For the year ended 31 March 2016

## 18. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information, adjusted to reflect adjustments made by the Group when using equity method, in relation to the material associates of the Group are presented below:

	China City Infrastructure		Guangdong Zengcheng		Hangzhou Cargo		Wuzhou Yuehai		Jiu Rong	
	2015 HK\$'000	2014 HK\$'000	2016 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>As at 31 December/31 March</b>										
Current assets	2,504,301	2,339,853	117,715	134,257	137,613	62,923	65,568	-	-	259,201
Non-current assets	3,130,331	3,450,341	332,409	612,677	629,566	171,187	184,670	-	-	36,399
Current liabilities	(2,461,675)	(2,077,749)	(56,700)	(345,618)	(355,830)	(38,371)	(47,383)	-	-	(105,383)
Non-current liabilities	(1,318,660)	(1,545,930)	(134,018)	(164,569)	(169,297)	-	-	-	-	(1,659)
Net assets	1,854,297	2,166,515	259,406	236,747	242,052	195,739	202,855	-	-	188,558
Less: Non-controlling interests	(105,041)	(240,217)	-	-	-	-	-	-	-	(2,266)
Net assets attributable to shareholders of the associates	1,749,256	1,926,298	259,406	236,747	242,052	195,739	202,855	-	-	186,292
Net assets excluding goodwill	1,529,943	1,751,693	259,406	236,747	242,052	195,739	202,855	-	-	169,875
Reconciliation to the Group's interest in the associates:										
Proportion of the Group's ownership	42.91%	42.41%	40.82%	49.00%	49.00%	49.00%	49.00%	N/A	N/A	26.32%
Group's share of net assets of the associate, excluding goodwill	656,499	742,893	105,890	116,006	118,605	95,912	99,399	-	-	44,711
Goodwill on acquisition	118,736	118,736	88,958	-	-	1,119	1,119	-	-	59,297
Other reconciliation items	2,796	(12,176)	1,149	3,737	3,481	(854)	(848)	-	-	-
Carrying amount of the investments	778,031	849,453	195,997	119,743	122,086	96,177	99,670	-	-	104,008
Included in above accounts are:										
- Cash and cash equivalents	89,846	449,500	39,738	22	182	37,561	41,925	-	-	55,741
- Current financial liabilities (excluding trade and other payables)	1,654,862	1,117,625	-	238,376	326,005	1,727	31,266	-	-	9,644
- Non-current liabilities (excluding other payables and provisions)	891,455	1,141,270	131,341	91,464	143,750	-	-	-	-	-
<b>Year ended 31 December/31 March</b>										
Revenue	481,935	232,170	153,879	-	-	77,826	81,853	99,942	-	277,745
Profit/(loss) from operation	(182,047)	44,988	21,124	(4,781)	(5,947)	9,306	16,861	(20,534)	-	15,310
Other comprehensive income	(109,506)	825	-	-	-	-	-	8	-	(784)
Total comprehensive income	(291,553)	45,813	21,124	(4,781)	(5,947)	9,306	16,861	(20,526)	-	14,526
Dividends received from associates	-	-	2,791	-	-	5,622	6,535	-	-	-
Included in above accounts are:										
- Depreciation and amortisation	27,941	31,567	4,166	4,166	4,874	11,185	11,784	415	-	2,608
- Interest income	938	2,719	453	-	-	1,010	578	317	-	2,758
- Interest expenses	84,143	32,053	6,311	-	-	-	-	192	-	607
- Income tax expense	35,570	64,349	8,198	-	-	1,719	3,414	(207)	-	5,237



## Notes to the Financial Statements

For the year ended 31 March 2016

### 18. INTERESTS IN ASSOCIATES (Continued)

The aggregated amounts of the following financial information of the Group's other associates, which are not individually material, are extracted from their financial statements:

	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Profit or loss from operations	<b>16,784</b>	14,135
Total comprehensive income	<b>16,784</b>	14,135

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

### 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Notes	<b>2016</b>	2015
		<b>HK\$'000</b>	HK\$'000
Unlisted debt securities in Hong Kong, at fair value	(i)	<b>74,851</b>	68,028
Unlisted equity securities outside Hong Kong, at cost	(ii)	<b>151,916</b>	95,847
		<b>226,767</b>	163,875

*Notes:*

- (i) The Group held certain convertible bonds issued by China City Infrastructure (the "China City Infrastructure Convertible Bonds") which are due on 13 November 2017 and are convertible into fully paid ordinary shares of China City Infrastructure with a par value of HK\$0.01 each at an initial conversion price of HK\$0.15, subject to adjustment on the occurrence of dilutive or concentrative event. On 27 October 2009 and 24 October 2011, the conversion price was adjusted to HK\$0.045 and HK\$0.3781 (after share consolidation) respectively. The Group can exercise the conversion at anytime until the maturity date, provided that any conversion of the China City Infrastructure Convertible Bonds does not trigger a mandatory offer obligation under The Hong Kong Code on Takeovers and Mergers. The China City Infrastructure Convertible Bonds can be redeemed at 100% of the respective outstanding principal amount, together with their unpaid interest on maturity date.

The Group held the China City Infrastructure Convertible Bonds with a principal amount of HK\$81,550,000 as at 1 April 2014. During the years ended 31 March 2016 and 2015, there was no disposal or conversion of the China City Infrastructure Convertible Bonds.

The China City Infrastructure Convertible Bonds are separated into two components: the debt element and the conversion options element. The Group has classified the debt element of the China City Infrastructure Convertible Bonds as available-for-sale financial assets and the conversion options element of the China City Infrastructure Convertible Bonds as derivative financial instruments.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

(i) (Continued)

The fair value of the debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to instruments of similar terms. The expected yield rate of the debt element at 31 March 2016 is 9.50% (2015: 11.24%). The fair value of the debt element was determined by APAC Asset Valuation and Consulting Limited (2015: APAC Asset Valuation and Consulting Limited), an independent firm of professional valuer.

The fair value of the conversion options element was determined by the directors of the Company with reference to the valuation performed by APAC Asset Valuation and Consulting Limited as at 31 March 2016 and 2015, an independent firm of professional valuer on the Binomial model basis.

The major inputs used in the model are as follows:

	2016	2015
Stock price	<b>HK\$0.59</b>	HK\$0.75
Expected volatility	<b>72.900%</b>	50.995%
Risk free rate	<b>0.42%</b>	0.70%
Expected dividend yield	<b>Nil</b>	Nil



## Notes to the Financial Statements

For the year ended 31 March 2016

### 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

(i) (Continued)

The carrying amounts of the debt element and conversion options element of the China City Infrastructure Convertible Bonds are as follows:

	Debt element – Unlisted debt securities HK\$'000	Conversion options element – Conversion options embedded in convertible bonds# HK\$'000
<b>Net carrying amount at 1 April 2014</b>	67,263	77,056
Change in fair value		
– credited to profit or loss	–	22,896
– credited to equity	765	–
<b>Net carrying amount at 31 March 2015 and at 1 April 2015</b>	<u>68,028</u>	<u>99,952</u>
Change in fair value		
– charged to profit or loss	–	(32,948)
– credited to equity	6,823	–
<b>Net carrying amount at 31 March 2016</b>	<u><u>74,851</u></u>	<u><u>67,004</u></u>

# The conversion options embedded in China City Infrastructure Convertible Bonds are classified as derivative financial instruments in consolidated statement of financial position under current assets.

- (ii) The unlisted available-for-sale equity securities are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant and the probability of the various estimates is significant. Accordingly, the directors of the Company are of the opinion that fair value cannot be reliably measured.
- (iii) As at 31 March 2016, the Group's available-for-sales financial assets and derivative financial assets with carrying amounts of HK\$206,162,000 and HK\$67,004,000 (2015: Nil) were pledged as securities for banking facilities granted to the Group (note 32(i)(j)).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 20. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combinations, is as follows:

	2016 HK\$'000	2015 HK\$'000
<b>At beginning of the year</b>		
Gross carrying amount	239,212	242,052
Accumulated impairment	–	–
<b>Net carrying amount</b>	<b>239,212</b>	<b>242,052</b>
<b>For the year ended</b>		
Net carrying amount at beginning of year	239,212	242,052
Acquisition of subsidiaries (note 40)	430,290	185
Exchange realignment	(5,834)	(3,025)
<b>Net carrying amount at end of year</b>	<b>663,668</b>	<b>239,212</b>
<b>At end of the year</b>		
Gross carrying amount	663,668	239,212
Accumulated impairment	–	–
<b>Net carrying amount</b>	<b>663,668</b>	<b>239,212</b>

Goodwill acquired through business combinations have been allocated to the following cash-generating unit/group of cash-generating units for impairment testing:

- water supply cash-generating units (“water supply CGUs”) within city water supply operation and construction segment;
- sewage treatment cash-generating units (“sewage treatment and drainage CGUs”) within sewage treatment and drainage operating and construction segment; and
- other cash-generating units (“other CGUs”).





## Notes to the Financial Statements

For the year ended 31 March 2016

### 20. GOODWILL (Continued)

The carrying amounts of goodwill allocated to each of the cash-generating units are as follows:

	Water supply CGUs HK\$'000	Sewage treatment and drainage CGUs HK\$'000	Other CGUs HK\$'000	Total HK\$'000
<b>Carrying amount at 31 March 2016</b>	<b>443,931</b>	<b>217,506</b>	<b>2,231</b>	<b>663,668</b>
Carrying amount at 31 March 2015	180,558	56,423	2,231	239,212

The recoverable amounts for the water supply CGUs were determined based on value-in-use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 3% to 4% (2015: 3% to 4%) and discount rate of 11% to 12.7% (2015: 11% to 12.7%) estimated by the management.

The recoverable amounts for the sewage treatment and drainage CGUs were determined based on value-in-use calculations, covering a detailed five-year budget plan, followed by an extrapolation of expected cash flows at the average growth rates of 3% (2015: 3%) and discount rate of 10% (2015: 10%) estimated by the management.

The key assumptions for the Group have been determined by the Group's management based on past performance and its expectations for the industry development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Apart from the considerations described in determining the value in use of the cash-generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 21. OTHER INTANGIBLE ASSETS

	Sewage treatment concession rights		Water supply concession rights		Total	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>At beginning of the year</b>						
Cost	<b>162,500</b>	164,557	<b>82,872</b>	78,358	<b>245,372</b>	242,915
Accumulated amortisation	<b>(52,000)</b>	(46,076)	<b>(17,643)</b>	(14,840)	<b>(69,643)</b>	(60,916)
<b>Net carrying amount</b>	<b>110,500</b>	118,481	<b>65,229</b>	63,518	<b>175,729</b>	181,999
<b>For the year ended</b>						
Opening net carrying value	<b>110,500</b>	118,481	<b>65,229</b>	63,518	<b>175,729</b>	181,999
Additions	<b>12,899</b>	–	<b>588,900</b>	5,512	<b>601,799</b>	5,512
Amortisation	<b>(6,341)</b>	(6,500)	<b>(2,764)</b>	(2,918)	<b>(9,105)</b>	(9,418)
Exchange realignment	<b>(2,695)</b>	(1,481)	<b>(1,755)</b>	(883)	<b>(4,450)</b>	(2,364)
<b>Net carrying amount</b>	<b>114,363</b>	110,500	<b>649,610</b>	65,229	<b>763,973</b>	175,729
<b>At end of the year</b>						
Cost	<b>171,436</b>	162,500	<b>669,586</b>	82,872	<b>841,022</b>	245,372
Accumulated amortisation	<b>(57,073)</b>	(52,000)	<b>(19,976)</b>	(17,643)	<b>(77,049)</b>	(69,643)
<b>Net carrying amount</b>	<b>114,363</b>	110,500	<b>649,610</b>	65,229	<b>763,973</b>	175,729

As at 31 March 2016, the Group's other intangible assets with a net carrying amount of HK\$69,617,000 (2015: HK\$65,229,000) were pledged as security for banking facilities granted to the Group (note 32(i)(f)).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>			
Deposits for acquisition of equity securities	(i)	102,195	236,017
Other deposits	(ii)	13,053	2,384
		<b>115,248</b>	238,401
Prepayments and other receivables	(iii)	30,542	31,358
		<b>145,790</b>	269,759
<b>Current</b>			
Prepayments		313,541	365,825
Deposits		4,133	3,561
Other receivables	(iv)	652,565	555,904
		<b>970,239</b>	925,290

Notes:

- (i) As at 31 March 2016, the deposits for acquisition of equity securities represented the following:
- (a) An amount of HK\$9,512,000 represented deposit paid by the Group in relation to the acquisition of 51% equity interest in 上饒東方首府項目 brought forward from last year, which is a property development project in Jiangxi in the PRC. As at the date of this report, the project is still under negotiation.
  - (b) An amount of HK\$92,683,000 represented deposit paid by the Group in relation to the acquisition of 49% equity interest in Hangzhou Cargo, which is an associate of the Group and principally engaged in warehousing and storage and logistic industry in the PRC.

As at 31 March 2015, the deposits for acquisition of equity securities comprised the following:

- (c) An amount of HK\$9,750,000 represented deposit paid by the Group in relation to the acquisition of 51% equity interest in 上饒東方首府項目 as mentioned in note (a) above.
- (d) An amount of HK\$95,000,000 represented deposit paid by the Group in relation to the acquisition of 49% equity interest in Hangzhou Cargo as mentioned in note (b) above.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(i) (Continued)

- (e) An amount of HK\$14,375,000 represented deposit paid by the Group in relation to the establishment of equity interest in a joint venture company with the government of Chenxi County, the PRC, which is principally engaged in water supply projects in Chenxi County.
- (f) An amount of HK\$87,500,000 represented deposit paid by the Group in relation to the acquisition of 100% equity interest in Goldtrust Water Holdings Limited and its subsidiaries ("Goldtrust Water Group") and 9.7% equity interest in Shenzhen Bus Group Co., Ltd. ("Shenzhen Bus Group") at the total cash consideration of US\$109,712,736. Goldtrust Water Group is principally engaged in water supply, sewage treatment and drainage, and other water related businesses in the PRC and it holds 9.7% equity interest in Shenzhen Bus Group which is principally engaged in providing public bus transportation services in Shenzhen. The acquisition was completed on 3 June 2015 (note 40(b)).
- (g) An amount of HK\$29,392,000 represented deposit paid by the Group in relation to the acquisition of 25.31% equity interest in Guangdong Zhencheng, which is a company incorporated in the PRC and principally engaged in water supply projects.

- (ii) As at 31 March 2016 and 2015, balances mainly represented deposits paid for acquisition of land use rights for the Group's business expansion.
- (iii) As at 31 March 2016 and 2015, balances mainly represented prepaid rental of land situated in the PRC and prepayments for construction work for own use.
- (iv) The balance includes receivables from customers for sewage related and miscellaneous charges; receivables from certain government authorities for funds advancements, expenses paid on behalf and other charges; and various other receivables. The balances were unsecured, interest-free and repayable on demand as at 31 March 2016 and 2015, except for the receivables of aggregate carrying amount of approximately HK\$76,660,000 (2015: HK\$127,712,000) which bore interest rates ranging from 5% to 11.7% (2015: 7% to 8.3%) per annum and was repayable within one year (2015: repayable within one year).

None of the above deposits and other receivables is either past due or impaired. Deposits and other receivables relate to counterparties for which there were no recent history of default.

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



## Notes to the Financial Statements

For the year ended 31 March 2016

### 23. PROPERTIES UNDER DEVELOPMENT

	2016 HK\$'000	2015 HK\$'000
<b>At cost</b>		
At beginning of the year	432,695	596,650
Additions	101,495	126,884
Transfer to properties held for sale (note 24)	–	(267,884)
Transfer to prepaid land lease payments (note 16)	–	(8,795)
Transfer to property, plant and equipment (note 15)	–	(6,649)
Exchange realignment	(10,639)	(7,511)
At end of the year	<u>523,551</u>	<u>432,695</u>

As at 31 March 2016, the Group's properties under development with carrying amount of approximately HK\$63,584,000 (2015: HK\$58,454,000) were pledged to secure banking facilities granted to the Group (note 32(i)(g)).

### 24. PROPERTIES HELD FOR SALE

	2016 HK\$'000	2015 HK\$'000
<b>At cost</b>		
At beginning of the year	242,945	37,921
Additions	36,283	–
Transfer from properties under development (note 23)	–	267,884
Sales for the year	–	(62,270)
Exchange realignment	(5,926)	(590)
At end of the year	<u>273,302</u>	<u>242,945</u>

At the reporting date, the properties held for sale are expected to be recovered within one year.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 25. INVENTORIES

	2016 HK\$'000	2015 HK\$'000
Raw materials and supplies	169,255	138,351
Work-in-progress	106,034	141,451
Finished goods	13,317	21,415
	<b>288,606</b>	<b>301,217</b>

At the reporting date, the inventories are expected to be recovered within one year.

### 26. TRADE AND BILLS RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables (net of allowance for doubtful debts)	1,067,360	637,240
Bills receivables	16,191	18,536
	<b>1,083,551</b>	<b>655,776</b>

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

	2016 HK\$'000	2015 HK\$'000
0 to 90 days	627,052	258,724
91 to 180 days	229,133	145,072
Over 180 days	227,366	251,980
	<b>1,083,551</b>	<b>655,776</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 26. TRADE AND BILLS RECEIVABLES (Continued)

Ageing analysis of the Group's trade and bills receivables that were not impaired is as follows:

	2016 HK\$'000	2015 HK\$'000
Neither past due nor impaired	479,975	460,466
1 to 90 days past due	310,261	54,160
91 to 180 days past due	136,049	24,458
Over 180 days past due	157,266	116,692
	<b>1,083,551</b>	<b>655,776</b>

As at 31 March 2016, the Group's trade receivables included an amount of approximately HK\$20,640,000 (2015: HK\$23,955,000) relating to the trade receivables of construction contracts.

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2016 HK\$'000	2015 HK\$'000
At 1 April	2,043	2,184
Impairment loss recognised	5,584	–
Reversal of provision of doubtful debts	–	(114)
Exchange realignment	(50)	(27)
At 31 March	<b>7,577</b>	<b>2,043</b>

Trade receivables that were past due but not impaired relate to customers that have good track records with the Group. The directors of the Company are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. Trade receivables that were neither past due nor impaired related to a large number of independent customers that had a good track records of credit with the Group. In general, the Group does not hold any collateral or other credit enhancements over these balances.

The directors of the Company consider that the fair values of trade and bills receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 27. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

The Group recognised financial assets – amounts due from grantors for contract work in respect of its sewage treatment business arising from certain BOT arrangements. Details of the service concession arrangements of the Group are set out in note 6.

Amounts due from grantors for contract work represented revenue from construction services under BOT arrangements and bear interest at rate of 4.1% to 5.9% (2015: 4.1% to 5.9%) per annum. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

### 28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2016 HK\$'000	2015 HK\$'000
Listed equity securities, at market value:			
– PRC	(i)	879	956
Financial assets under assets securitisation scheme	(ii)	–	76,424
		<b>879</b>	<b>77,380</b>

Notes:

- (i) Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.
- (ii) Financial assets under assets securitisation scheme were pledged as security for other borrowing facilities granted to the Group (note 32(i)(k)).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 29. DEPOSITS AND CASH AND PLEDGED DEPOSITS

	2016 HK\$'000	2015 HK\$'000
Cash at banks/other financial institutions and in hand	<b>2,585,635</b>	1,484,339
Deposits	<b>432,963</b>	346,334
	<b>3,018,598</b>	1,830,673
Deposit pledged against banking facilities granted to mortgagees	<b>(527)</b>	(538)
Deposit pledged for bank loans granted to independent third parties	<b>(89,880)</b>	(129,716)
Deposit pledged for bank loan (note 32(i)(h))	<b>(163,451)</b>	(105,750)
Deposit pledged for other loan (note 32(i)(h))	<b>(161,272)</b>	(56,251)
Deposit pledged for bills payables (note 30)	<b>(51,632)</b>	(37,670)
	<b>(466,762)</b>	(329,925)
Deposits and cash as stated in the consolidated statement of financial position	<b>2,551,836</b>	1,500,748
Fixed deposit with original maturity period over three months	–	(100,000)
Cash and cash equivalents for the presentation of the consolidated statement of cash flows	<b>2,551,836</b>	1,400,748

Cash at banks/other financial institutions earn interest at floating rates based on daily bank deposit rates.

Deposits are made for one month to one year (2015: one month to one year) depending on the immediate cash requirement of the Group, and earn interest at the deposit rates of 1.43% to 4.75% (2015: 0.4% to 0.6%) per annum. For the year ended 31 March 2015, the fixed deposit with original maturity period over three months is denominated in Renminbi ("RMB") which earns interest at deposit rate of 0.4% per annum and was expired on 11 May 2015.

Among the deposits and cash as stated in the consolidated statement of financial position, HK\$19,226,000 (2015: Nil) was restricted deposits for construction work payables as at 31 March 2016.

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 2016, the Group had deposits and cash denominated in RMB amounting to approximately HK\$2,169,460,000 (2015: HK\$1,265,378,000), 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 Financial Statements

For the year ended 31 March 2016

### 30. TRADE AND BILLS PAYABLES

	2016 HK\$'000	2015 HK\$'000
Trade payables	716,943	417,278
Bills payables	138,293	69,083
	<b>855,236</b>	<b>486,361</b>

The credit terms of trade and bills payables vary according to the terms agreed with different suppliers. Based on the invoice dates, the ageing analysis of the Group's trade and bills payables as at the reporting date is as follows:

	2016 HK\$'000	2015 HK\$'000
0 to 90 days	517,141	273,954
91 to 180 days	183,559	61,133
Over 180 days	154,536	151,274
	<b>855,236</b>	<b>486,361</b>

As at 31 March 2016, the bills payables of HK\$138,293,000 (2015: HK\$69,083,000) were secured by the pledged bank deposits of HK\$51,632,000 (2015: HK\$37,670,000) (note 29).





## Notes to the Financial Statements

For the year ended 31 March 2016

### 31. ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2016 HK\$'000	2015 HK\$'000
<b>Non-current</b>			
Deposits received		192,415	107,451
<b>Current</b>			
Accrued liabilities		74,374	39,312
Deposits received	(i)	585,297	613,857
Other payables	(ii)	1,121,975	995,056
		<b>1,781,646</b>	<b>1,648,225</b>

*Notes:*

- (i) Deposits received mainly included the followings:
- (a) Deposits from customers of HK\$398,312,000 (2015: HK\$453,416,000) in respect of the Group's city water supply operation and construction businesses.
  - (b) Deposits from customers of HK\$2,206,000 (2015: HK\$25,329,000) in respect of the Group's property development and investment businesses.
  - (c) Deposits received of HK\$94,869,000 (2015: Nil) in respect of the proposed disposal of certain equity interest of China City Infrastructure held by the Group.
- (ii) Other payables mainly included water supply and sewage treatment fees received on behalf of certain government authorities in the PRC in respect of the Group's city water supply operation and construction businesses; and payables for other PRC tax surcharges and construction costs.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 32. BORROWINGS

	Notes	Original currency	2016 HK\$'000	2015 HK\$'000
<b>Current</b>				
Bank loans – unsecured	(ii)	RMB	319,490	306,477
Bank loans – secured	(i), (ii)	RMB	664,939	661,714
Bank loans due for repayment within one year – unsecured	(ii), (v)	USD	748,591	555,730
Bank loans due for repayment which contain a repayment on demand clause – unsecured	(ii),(v)	USD	–	527,611
Bank loans – unsecured	(ii)	HK\$	8,333	33,333
Other loans – unsecured	(iii)	RMB	159,649	75,607
Other loans – secured	(i), (iii), (v)	RMB	158,537	137,500
Other loans – secured	(i),(iii)	USD	60,559	–
Government loans – unsecured	(iv)	RMB	35,690	49,096
			<b>2,155,788</b>	<b>2,347,068</b>
<b>Non-current</b>				
Bank loans – unsecured	(ii)	RMB	464,690	372,159
Bank loans – secured	(i), (ii)	RMB	517,561	797,813
Bank loans – unsecured	(ii), (v)	USD	3,071,228	961,658
Bank loans – unsecured	(ii)	HK\$	–	8,333
Other loans – unsecured	(iii)	RMB	54,147	12,071
Other loans – secured	(i), (iii), (v)	RMB	635,365	813,750
Other loans- secured	(i), (iii)	USD	242,793	–
Government loans – unsecured	(iv)	RMB	90,458	58,684
			<b>5,076,242</b>	<b>3,024,468</b>
			<b>7,232,030</b>	<b>5,371,536</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 32. BORROWINGS (Continued)

	Note	2016 HK\$'000	2015 HK\$'000
<b>Analysed into:</b>			
Bank loans repayable:	(vi)		
Within one year or on demand		<b>1,741,353</b>	1,557,254
In the second year		<b>1,108,992</b>	806,792
In the third to fifth years, inclusive		<b>2,130,263</b>	1,506,138
Beyond five years		<b>814,224</b>	354,644
		<b>5,794,832</b>	4,224,828
Other loans repayable:	(vi)		
Within one year or on demand		<b>378,745</b>	213,107
In the second year		<b>271,291</b>	167,071
In the third to fifth years, inclusive		<b>661,014</b>	658,750
		<b>1,311,050</b>	1,038,928
Government loans repayable:	(vi)		
Within one year or on demand		<b>35,690</b>	49,096
In the second year		<b>13,308</b>	14,227
In the third to fifth years, inclusive		<b>27,886</b>	23,325
Beyond five years		<b>49,264</b>	21,132
		<b>126,148</b>	107,780



## Notes to the Financial Statements

For the year ended 31 March 2016

### 32. BORROWINGS (Continued)

Notes:

- (i) The Group's bank loans and other loans at 31 March 2016 and 2015 were secured by:
  - (a) pledge of water and sewage treatment revenue of certain subsidiaries;
  - (b) guarantees by certain non-controlling equity holders of subsidiaries of the Group, government authorities, customers and Mr. Li Zhong, the executive director of the Company (2015: certain non-controlling equity holders of subsidiaries of the Group, government authorities and customers) as at 31 March 2016;
  - (c) charges over property, plant and equipment in which their aggregate carrying amounts as at 31 March 2016 was HK\$368,649,000 (2015: HK\$236,107,000) (note 15);
  - (d) charges over interests in land use rights in which their aggregate carrying amounts as at 31 March 2016 was HK\$197,157,000 (2015: HK\$111,848,000) (note 16);
  - (e) charges over investment properties in which their aggregate carrying amounts as at 31 March 2016 was HK\$80,365,000 (2015: HK\$300,762,000) (note 17);
  - (f) charges over other intangible assets in which their aggregate carrying amounts as at 31 March 2016 was HK\$69,617,000 (2015: HK\$65,229,000) (note 21);
  - (g) charges over the properties under development in which their aggregate carrying amounts as at 31 March 2016 was HK\$63,584,000 (2015: HK\$58,454,000) (note 23);
  - (h) charges over the bank deposits in amount of HK\$324,723,000 as at 31 March 2016 (2015: HK\$162,001,000) (note 29); and
  - (i) charges over the interests in associates in which their aggregate carrying amounts as at 31 March 2016 was HK\$778,031,000 (2015: Nil) (note 18);
  - (j) charges over the available-for-sale financial assets and derivative financial assets in which their aggregate carrying amounts as at 31 March 2016 were HK\$206,162,000 and HK\$67,004,000 respectively (2015: Nil) (note 19(iii)); and
  - (k) charges over the financial assets at fair value through profit or loss in which their aggregate carrying amounts as at 31 March 2015 was HK\$76,424,000 (note 28).
- (ii) The effective interest rates of the Group's bank loans ranged from 2.89% to 11.69% (2015: 2.20% to 11.69%) per annum at 31 March 2016.
- (iii) The effective interest rates of the Group's other loans ranged from 3.54% to 12.80% (2015: 3.08% to 12.80%) per annum at 31 March 2016.
- (iv) The effective interest rates of the Group's government loans ranged from 1.2% to 5% (2015: 1.95% to 6.88%) per annum at 31 March 2016.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 32. BORROWINGS (Continued)

Notes: (Continued)

- (v) (a) On 8 July 2011, the Group entered into a term facility agreement (“First ADB Loan Agreement”) with Asian Development Bank (“ADB”) for a loan facility (the “First ADB Loan”) of up to US\$100 million. The First ADB Loan Agreement was further amended and restated on 1 February 2013 for another US\$100 million (the “Amended First ADB Loan Agreement”). The agreement was further amended on 6 March 2014. Pursuant to the Amended First ADB Loan Agreement, at any time prior to the third anniversary to the Amended First ADB Loan Agreement, ADB may, upon giving ninety days’ prior written notice to the Group, demand and the Group shall repay on the third anniversary of the Amended First ADB Loan Agreement the portion of the loan notified to it by ADB.

Due to the unconditional right to demand repayment stated in the Amended First ADB Loan Agreement, the current liabilities of the Group as at 31 March 2015 included bank loan of US\$68,079,000 (approximately HK\$527,611,000) that are not scheduled to repay within one year. It is classified as current liability as the related loan agreement contains a clause that provides the lender with an unconditional right to demand repayment at the third anniversary to the Amended First ADB Loan Agreement (i.e. 1 February 2016) any time at its own discretion.

The Group entered into another term facility agreement with ADB on 27 May 2014 (amended and restated on 18 January 2016) for a loan facility (the “Second ADB Loan”) of up to US\$300 million.

As at 31 March 2016, US\$200 million (2015: US\$200 million) and US\$200 million (2015: Nil) under the First ADB Loan and Second ADB Loan were utilised, respectively.

- (b) On 3 April 2013, the Company entered into a credit facility agreement (the “RBS Loan Agreement”) with The Royal Bank of Scotland Plc (“RBS”) for a loan facility of up to US\$90 million (the “RBS Loan”). The facility of US\$90 million under the RBS Loan was fully utilised.

Pursuant to the RBS Loan Agreement, at any time prior to the third anniversary to the RBS Loan Agreement, RBS may, upon giving ninety days’ prior written notice to the Company, demand and the Company shall repay on the third anniversary of the RBS Loan Agreement the portion of the RBS Loan notified to it by RBS. During the year ended 31 March 2016, RBS demanded the Group to repay US\$30,600,000 (approximately HK\$237,150,000) on 3 April 2016 and such amount was classified as current liabilities as at 31 March 2016.

- (c) As at 31 March 2016, the Group has borrowings of HK\$2,264,476,000 (2015: HK\$1,358,231,000) which the relevant banks may at any time prior to the third/fifth anniversary (i.e. between year ending 31 March 2019 to 2021) to the relevant credit facility agreements (2015: between year ending 31 March 2016 to 2017), upon giving ninety days’ prior written notice to the Group, demand and the Group shall repay on the third/fifth anniversary of the relevant agreements the portion of the loan notified to it by the banks.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 32. BORROWINGS (Continued)

Notes: (Continued)

- (d) On 3 November 2014, the Group has set up an assets securitisation scheme for a financing facility of RMB761 million (approximately HK\$951 million). The facility of RMB761 million (approximately HK\$951 million) was fully utilised (the "Assets Securitisation Loan").

The Assets Securitisation Loan bears fixed interest rates ranging from 6.2% to 7.5% per annum. The Assets Securitisation Loan is secured by (i) water revenue of certain subsidiaries; (ii) a bank deposit of the Group; and (iii) guaranteed by a bank which provided guarantee with a maximum amount of approximately RMB191,410,000 (approximately HK\$239,263,000) and guaranteed by one of the subsidiaries of the Group as at 31 March 2016 (2015: secured by (i) water revenue of certain subsidiaries; (ii) certain financial assets at fair value through profit or loss; (iii) guaranteed by a bank which provided guarantee with maximum amount of approximately HK\$239,263,000 and (iv) a bank deposit of the Group).

- (vi) The amounts due shown in the repayment schedule are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

### 33. DUE FROM/(TO) NON-CONTROLLING EQUITY HOLDERS OF SUBSIDIARIES

All the balances were unsecured, interest-free and repayable on demand except for:

- (a) the amount due from a non-controlling equity holder of subsidiary with carrying amount of HK\$87,383,000 (2015: HK\$113,078,000) as at 31 March 2016 which bore interest rate at 10% (2015: 10%) per annum (2015: repayable within one year);
- (b) the amounts due to non-controlling equity holders of subsidiaries with carrying amount of HK\$44,732,000 (2015: HK\$10,563,000) as at 31 March 2016 which bore interest rate ranged from 4.75% to 11% (2015: ranged from 6.7% to 11%) per annum (2015: repayable on demand);
- (c) the amount due to non-controlling equity holders of subsidiaries with carrying amount of HK\$6,098,000 (2015: HK\$36,125,000) as at 31 March 2016 which bore interest rate at 7.8% (2015: 6.7%) per annum and repayable within one year (2015: repayable within one year); and
- (d) the amount due to a non-controlling equity holder of subsidiary with carrying amount of HK\$17,073,000 (2015: Nil) as at 31 March 2016 which bore interest rate at 1.2% per annum and repayable on 11 October 2030.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 34. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES

The carrying values of the liability component and derivative component of the convertible bonds are as follows:

	HK\$'000
<b>Liability component</b>	
Net carrying amounts at 1 April 2014	163,461
Arising from repurchases and redemption	(138,456)
Interest expenses	8,004
Interest on convertible bonds paid	(4,040)
	<hr/>
Net carrying amounts at 31 March 2015 and at 1 April 2015	28,969
Arising from repurchases and redemption	(29,023)
Interest expenses	69
Interest on convertible bonds paid	(15)
	<hr/>
<b>Net carrying amounts at 31 March 2016</b>	<b>–</b>

	HK\$'000
<b>Derivative component</b>	
Net carrying amounts at 1 April 2014	4,976
Arising from repurchases and redemption	(4,517)
Change in fair value of derivative financial instruments	2,528
	<hr/>
Net carrying amounts at 31 March 2015 and at 1 April 2015	2,987
Arising from repurchases and redemption	(2,987)
	<hr/>
<b>Net carrying amounts at 31 March 2016</b>	<b>–</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 34. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (Continued)

On 10 March 2010, the Company entered into a subscription agreement with DBS Bank Limited (“DBS”) pursuant to which DBS agreed to subscribe for the convertible bonds of the Company in an aggregate principal amount of HK\$600 million (the “Convertible Bonds”) at 2.5% coupon rate per annum with maturity on 15 April 2015. The Convertible Bonds are convertible at any time on or after 26 May 2010 and up to the close of business on 5 April 2015 by the bondholders into ordinary share of the Company of HK\$0.01 each at the option of the bondholders, at an initial conversion price of HK\$4 per share (the “Convertible Price”). The Conversion Price is subject to adjustment on the occurrence of dilutive or concentrative event. Also, on the conversion price reset date, 15 April 2011, the average of the volume weighted average price (the “Average Market Price”) of the shares of the Company on each trading day in the period of 20 consecutive trading days before the day immediately prior to 15 April 2011 is less than the Conversion Price on 15 April 2011, the Conversion Price shall be reset to the Average Market Price (the “Conversion Price Reset”) provided that the Conversion Price shall not be reduced on 15 April 2011 to below HK\$3.15. On 17 September 2010, 16 December 2010, 15 April 2011, 6 September 2011, 12 September 2012, 17 September 2013 and 17 September 2014, the Convertible Price was reset to HK\$3.96, HK\$3.93, HK\$3.10, HK\$3.07, HK\$2.99, HK\$2.93 and HK\$2.88 respectively. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at 120.06% of its principal amount on 15 April 2015.

In the event that the Company’s shares cease to be listed or admitted to trading on the Stock Exchange, each bondholder shall have the right, at such bondholder’s option, to require the Company to redeem all or some of such holder’s Convertible Bonds at their accreted principal amount.

During the year ended 31 March 2015, the Company repurchased the Convertible Bonds in principal amount of HK\$5,000,000 at an aggregate amount of HK\$5,960,000 and converted, at the request of bondholders, Convertible Bonds in principal amount of HK\$129,500,000 into ordinary shares at Conversion Price of HK\$2.88. The Group recognised a gain on repurchase of the Convertible Bonds of HK\$116,000 (after bank charges) during the year ended 31 March 2015.

During the year ended 31 March 2016, the Company converted, at requested of bondholders, Convertible Bonds in principal amount of HK\$26,100,000 into ordinary shares at Conversion Price of HK\$2.88. After the completion of conversion, the outstanding principal amount of Convertible Bonds of HK\$1,200,000 was fully repaid during the year ended 31 March 2016.

The Group determined that the above Conversion Price Reset will not result in settlement by the exchange of a fixed amount of cash for a fixed number of the Company’s shares. In accordance with requirement of HKAS 32, the bond contracts are separated into two components: a compound derivative component consisting of the conversion option and the redemption option, and a liability component consisting of the straight debt element.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 34. CONVERTIBLE BONDS AND DERIVATIVE FINANCIAL LIABILITIES (Continued)

The fair value of the derivative component of the Convertible Bonds was calculated using the Binomial Model with the major inputs used in the model as follows:

	2016	2015
Stock price	N/A	HK\$3.70
Expected volatility	N/A	19.40%
Risk free rate	N/A	0.068%

Interest expenses are calculated using the effective interest method by apply the effective interest rate of 7.51% (2015: 7.51%) to the adjusted liability component.

### 35. DEFERRED GOVERNMENT GRANTS

	2016 HK\$'000	2015 HK\$'000
At beginning of the year	78,701	85,321
Additions during the year	23,332	1,100
Acquisition of subsidiaries (note 40)	5,552	–
Amortisation during the year (note 7)	(5,217)	(6,407)
Exchange realignment	(2,559)	(1,313)
<b>At end of the year</b>	<b>99,809</b>	<b>78,701</b>

The Group's deferred government grants mainly related to the Group's acquisition of property, plant and equipment.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 36. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and liabilities are calculated on temporary differences under the liability method using a principal taxation rate of 25% (2015: 25%).

The movements in deferred tax assets and 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 HK\$'000
At 31 March 2015 and 1 April 2015	–
Credited to profit or loss (note 11)	(66,426)
<b>At 31 March 2016</b>	<b>(66,426)</b>

	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	Total HK\$'000
At 1 April 2014	4,694	28,428	145,060	–	178,182
Charged to profit or loss (note 11)	3,891	–	57,619	–	61,510
Acquisition of subsidiaries (note 40)	3,915	–	–	–	3,915
Exchange realignment	(60)	(350)	(1,808)	–	(2,218)
At 31 March 2015 and 1 April 2015	12,440	28,078	200,871	–	241,389
Charged to profit or loss (note 11)	20,067	–	9,650	52,044	81,761
Acquisition of subsidiaries (note 40)	–	27,094	–	–	27,094
Exchange realignment	(122)	(662)	(5,282)	–	(6,066)
<b>At 31 March 2016</b>	<b>32,385</b>	<b>54,510</b>	<b>205,239</b>	<b>52,044</b>	<b>344,178</b>





## Notes to the Financial Statements

For the year ended 31 March 2016

### 36. DEFERRED TAX ASSETS/LIABILITIES (Continued)

For the purpose of presentation in consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 HK\$'000	2015 HK\$'000
Deferred tax assets	51,621	–
Deferred tax liabilities	(329,373)	(241,389)
	<u>(277,752)</u>	<u>(241,389)</u>

At 31 March 2016, the Group has unused tax losses of HK\$13,481,000 (2015: HK\$13,408,000) 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 may be carried forward in definitely.

At 31 March 2016, the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries for which deferred tax liabilities have not been recognised is HK\$76,192,000 (2015: HK\$48,111,000). No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 37. SHARE CAPITAL

	Number of shares '000	Par value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 31 March 2015 and 2016	20,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$ 0.01 each At 1 April 2014	1,404,910	14,049
Repurchased and cancelled (i)	(5,192)	(52)
Shares issued in respect of conversion of convertible bonds (ii)	44,965	450
At 31 March 2015 and 1 April 2015	1,444,683	14,447
Subscription of new shares (iii)	36,907	369
Share issued in respect of acquisition of subsidiaries (iv)	29,208	292
Shares issued in respect of conversion of convertible bonds (ii)	9,063	91
<b>At 31 March 2016</b>	<b>1,519,861</b>	<b>15,199</b>

### Notes:

- (i) During the year ended 31 March 2015, the Company repurchased a total of 5,192,000 ordinary shares of HK\$0.01 each in the capital of the Company at an aggregate price of approximately HK\$13,051,000. The highest price paid and the lowest price paid were HK\$2.67 and HK\$2.37 per share. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the share premium account. An amount equivalent to the nominal value of the shares cancelled was transferred from retained earnings to the capital redemption reserve.
- (ii) During the years ended 31 March 2016 and 2015, approximately 9,063,000 and 44,965,000 shares were issued in respect of conversion of convertible bonds at HK\$2.88 per ordinary share of the Company (note 34).
- (iii) On 15 May 2015, the Company entered into a subscription agreement with International Finance Corporation ("IFC"), pursuant to which IFC conditionally subscribed 36,907,143 new shares of the Company at HK\$4.20 each. On 29 May 2015, the subscription was completed and raised gross proceeds of approximately HK\$155 million (before expenses). The premium received was credited to the share premium account.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 37. SHARE CAPITAL (Continued)

Notes: (Continued)

- (iv) On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp and Ms. Lu Hai, that the Group conditionally acquired 100% of equity interests of Goldtrust Water Group and 9.7% of equity interest in Shenzhen Bus Group at the total cash consideration of US\$109,712,736. Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and allotted 29,207,457 new shares in the Company as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group. The above transaction was completed on 3 June 2015 and the consideration shares were issued on 3 June 2015. The fair value of the consideration shares at the date of issuance amounted to HK\$124,132,000. The premium received was credited to the share premium account.

### 38. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 7 September 2012. The purpose of the Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company. Eligible participants of the Scheme include (a) any full-time or part-time employee of any member of the Group or invested entity; (b) any consultant or adviser of any member of the Group or invested entity; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or invested entity; (d) any shareholder of any member of the Group or invested entity; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or invested entity. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

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.

Options granted during the years ended 31 March 2016 and 2015 are as follows.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 38. SHARE OPTION SCHEME (Continued)

	Share option type	Number of options				At 31 March 2016
		At 1 April 2015	Granted during the year	Exercised during the year	Transfer during the year	
<b>Directors</b>						
Mr. Duan Chuan Liang	2015 (a)	35,000,000	–	–	–	35,000,000
	2015 (b)	35,000,000	–	–	–	35,000,000
Ms. Liu Yu Jie	2015 (c)	4,000,000	–	–	–	4,000,000
	2015 (d)	4,000,000	–	–	–	4,000,000
Mr. Li Zhong	2016 (a)	–	4,000,000	–	–	4,000,000
	2016 (b)	–	4,000,000	–	–	4,000,000
Ms. Ding Bin	2015 (c)	2,500,000	–	–	–	2,500,000
	2015 (d)	2,500,000	–	–	–	2,500,000
Mr. Zhao Hai Hu	2015 (c)	1,500,000	–	–	–	1,500,000
	2015 (d)	1,500,000	–	–	–	1,500,000
Mr. Zhou Wen Zhi	2015 (c)	500,000	–	–	–	500,000
	2015 (d)	500,000	–	–	–	500,000
Mr. Chen Guo Ru (note 1)	2015 (c)	250,000	–	–	(250,000)	–
	2015 (d)	250,000	–	–	(250,000)	–
Ms. Wang Xiaoqin (note 2)	2015 (c)	–	–	–	1,000,000	1,000,000
	2015 (d)	–	–	–	1,000,000	1,000,000
		<u>87,500,000</u>	<u>8,000,000</u>	<u>–</u>	<u>1,500,000</u>	<u>97,000,000</u>
<b>Employees</b>						
In aggregate	2015 (c)	23,500,000	–	–	(750,000)	22,750,000
	2015 (d)	23,500,000	–	–	(750,000)	22,750,000
		<u>47,000,000</u>	<u>–</u>	<u>–</u>	<u>(1,500,000)</u>	<u>45,500,000</u>
		<u>134,500,000</u>	<u>8,000,000</u>	<u>–</u>	<u>–</u>	<u>142,500,000</u>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 38. SHARE OPTION SCHEME (Continued)

	Share option type	Number of options			
		At 1 April 2014	Granted during the year	Exercised during the year	At 31 March 2015
<b>Directors</b>					
Mr. Duan Chuan Liang	2015 (a)	–	35,000,000	–	35,000,000
	2015 (b)	–	35,000,000	–	35,000,000
Ms. Liu Yu Jie	2015 (c)	–	4,000,000	–	4,000,000
	2015 (d)	–	4,000,000	–	4,000,000
Ms. Ding Bin	2015 (c)	–	2,500,000	–	2,500,000
	2015 (d)	–	2,500,000	–	2,500,000
Mr. Zhao Hai Hu	2015 (c)	–	1,500,000	–	1,500,000
	2015 (d)	–	1,500,000	–	1,500,000
Mr. Zhou Wen Zhi	2015 (c)	–	500,000	–	500,000
	2015 (d)	–	500,000	–	500,000
Mr. Chen Guo Ru	2015 (c)	–	250,000	–	250,000
	2015 (d)	–	250,000	–	250,000
		–	87,500,000	–	87,500,000
<b>Employees</b>					
In aggregate	2015 (c)	–	23,500,000	–	23,500,000
	2015 (d)	–	23,500,000	–	23,500,000
		–	47,000,000	–	47,000,000
		–	134,500,000	–	134,500,000

Notes:

- (1) Mr. Chen Guo Ru resigned as a non-executive director of the Company with effect from 4 June 2015.
- (2) Ms. Wang Xiaoqin was appointed as a non-executive director of the Company with effect from 9 June 2015.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 38. SHARE OPTION SCHEME (Continued)

Details of the Options are as follows:

Share option type	Date of grant	Exercisable period	Exercise price
2015 (a)	3 October 2014	3 October 2015 to 3 October 2017	HK\$3.6
2015 (b)	3 October 2014	3 October 2016 to 3 October 2017	HK\$3.6
2015 (c)	3 October 2014	3 October 2015 to 3 October 2017	HK\$3.5
2015 (d)	3 October 2014	3 October 2016 to 3 October 2017	HK\$3.5
2016 (a)	9 September 2015	9 September 2015 to 9 September 2018	HK\$3.5
2016 (b)	9 September 2015	9 September 2016 to 9 September 2018	HK\$3.5

Equity-settled share options expenses of HK\$47,982,000 (2015: HK\$34,251,000) has been included in the consolidated income statement for the year ended 31 March 2016. It gave rise to a share options reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

The fair values of the Options granted were determined using binomial option valuation model. Significant inputs into the model were as follows:

Share option type	2016 (a)	2016 (b)	2015 (a)	2015 (b)	2015 (c)	2015 (d)
Share price	HK\$3.44	HK\$3.44	HK\$3.40	HK\$3.40	HK\$3.40	HK\$3.40
Exercise price	HK\$3.50	HK\$3.50	HK\$3.60	HK\$3.60	HK\$3.50	HK\$3.50
Expected volatility	35.0%	35.0%	33.60%	33.60%	33.60%	33.60%
Expected option life (year)	3	3	3	3	3	3
Weighted average annual risk free interest rate	0.60%	0.60%	1.34%	1.34%	1.34%	1.34%
Expected dividend yield	2.0%	2.0%	2.50%	2.50%	2.50%	2.50%

The expected volatility represents the historical volatility of the share price of the ordinary shares of the Company.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 38. SHARE OPTION SCHEME (Continued)

Share options and weighted average exercise price are summarised as follows for the reporting periods presented:

	2016		2015	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
Outstanding at 1 April	134,500,000	3.55	–	–
Granted	8,000,000	3.50	134,500,000	3.55
Exercised	–	–	–	–
Expired/cancelled	–	–	–	–
Outstanding at 31 March	142,500,000	3.55	134,500,000	3.55

No Option was exercised during the years ended 31 March 2016 and 2015.

The Options outstanding at 31 March 2016 had exercise price ranged from HK\$3.5 to HK\$3.6 (2015: HK\$3.5 to HK\$3.6) and a weighted average remaining contractual life of 1.5 years (2015: 2.5 years).



## Notes to the Financial Statements

For the year ended 31 March 2016

### 39. RESERVES

#### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity.

The share premium account mainly includes shares issued at a premium.

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

The contributed surplus of the Group represents (i) the difference between the reduction in the issued share capital of HK\$0.0995 for every issued share at a nominal value of HK\$0.10 each of the Company and amount to be set-off against the accumulated losses of the Company pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reduction during the year ended 31 March 2010.

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 equity holders 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 Financial Statements

For the year ended 31 March 2016

### 39. RESERVES (Continued)

#### (b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Balance at 1 April 2014</b>	<b>306,427</b>	<b>1,025,836</b>	<b>2,507</b>	<b>28,519</b>	<b>-</b>	<b>(2,070)</b>	<b>131,886</b>	<b>1,493,105</b>
Share repurchase (note 37)	(12,999)	-	-	-	-	-	-	(12,999)
Share repurchase expenses	(56)	-	-	-	-	-	-	(56)
Shares issued in respect of conversion of Convertible Bonds (note 34)	136,418	-	-	-	-	-	-	136,418
Recognition of equity settled share options expenses (note 38)	-	-	-	-	34,251	-	-	34,251
Final dividend 2014 (note 12)	-	155	-	-	-	-	-	155
Interim dividend 2015 (note 12)	-	(43,216)	-	-	-	-	-	(43,216)
<b>Transactions with owners</b>	<b>123,363</b>	<b>(43,061)</b>	<b>-</b>	<b>-</b>	<b>34,251</b>	<b>-</b>	<b>-</b>	<b>114,553</b>
<b>Proposed final dividend 2015</b> (note 12)	<b>-</b>	<b>(57,787)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(57,787)</b>
<b>Transfer to capital redemption reserve</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(52)</b>	<b>-</b>
Loss for the year	-	-	-	-	-	-	(49,149)	(49,149)
Other comprehensive income								
- Change in fair value of available- for-sale financial assets	-	-	-	71,155	-	-	-	71,155
- Currency translation	-	-	-	-	-	226	-	226
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,155</b>	<b>-</b>	<b>226</b>	<b>(49,149)</b>	<b>22,232</b>
<b>Balance at 31 March 2015</b>	<b>429,790</b>	<b>924,988</b>	<b>2,559</b>	<b>99,674</b>	<b>34,251</b>	<b>(1,844)</b>	<b>82,685</b>	<b>1,572,103</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 39. RESERVES (Continued)

#### (b) Company (Continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Available- for-sale financial assets revaluation reserve HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
<b>Balance at 1 April 2015</b>	<b>429,790</b>	<b>924,988</b>	<b>2,559</b>	<b>99,674</b>	<b>34,251</b>	<b>(1,844)</b>	<b>82,685</b>	<b>1,572,103</b>
Subscription of new shares	154,641	-	-	-	-	-	-	154,641
Share issued in respect of conversion of Convertible Bonds (note 34)	30,512	-	-	-	-	-	-	30,512
Share issuance expenses	(5,527)	-	-	-	-	-	-	(5,527)
Recognition of equity settled share options expenses (note 38)	-	-	-	-	47,982	-	-	47,982
Arising from acquisition of subsidiaries (note 40)	123,840	-	-	-	-	-	-	123,840
Final dividend 2015 (note 12)	-	(3,007)	-	-	-	-	-	(3,007)
Interim dividend 2016 (note 12)	-	(45,596)	-	-	-	-	-	(45,596)
<b>Transactions with owners</b>	<b>303,466</b>	<b>(48,603)</b>	<b>-</b>	<b>-</b>	<b>47,982</b>	<b>-</b>	<b>-</b>	<b>302,845</b>
<b>Proposed final dividend 2016</b> (note 12)	<b>-</b>	<b>(75,993)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75,993)</b>
Loss for the year	-	-	-	-	-	-	(157,603)	(157,603)
Other comprehensive income								
- Change in fair value of available- for-sale financial assets	-	-	-	(74,108)	-	-	-	(74,108)
- Currency translation	-	-	-	-	-	459	-	459
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(74,108)</b>	<b>-</b>	<b>459</b>	<b>(157,603)</b>	<b>(231,252)</b>
<b>Balance at 31 March 2016</b>	<b>733,256</b>	<b>800,392</b>	<b>2,559</b>	<b>25,566</b>	<b>82,233</b>	<b>(1,385)</b>	<b>(74,918)</b>	<b>1,567,703</b>





## Notes to the Financial Statements

For the year ended 31 March 2016

### 39. RESERVES (Continued)

#### (b) Company (Continued)

The share premium account mainly included shares issued at a premium.

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

The contributed surplus represented (i) reduction in issued share capital pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reduction during the year ended 31 March 2010. 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.

### 40. BUSINESS COMBINATIONS

- (a) On 31 October 2014, the Group entered into an agreement with 深圳市長豐達商貿有限公司 to acquire 70% equity interest in 惠州市銀龍實業有限公司 (“Huizhou Silver Dragon”) at nil consideration. Huizhou Silver Dragon and its subsidiaries are principally engaged in sewage treatment operation. The acquisition was completed on 8 April 2015.

The acquisition was made as part of the Group’s strategy to facilitate the sewage treatment business in the PRC. The Group has elected to measure the non-controlling interest in Huizhou Silver Dragon at the non-controlling interests’ proportionate share of identifiable net assets.

Details of the net liabilities acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	–
Fair value of net liabilities acquired	54,161
<b>Goodwill</b>	<b>54,161</b>

The goodwill of HK\$54,161,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 40. BUSINESS COMBINATIONS (Continued)

(a) (Continued)

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	71,514	71,514
Prepaid land lease payments	17,500	7,988
Inventories	14	14
Trade receivables	4,329	4,329
Prepayments, deposits and other receivables	1,355	1,355
Bank and cash balances	131	131
Trade payables	(2,709)	(2,709)
Accrued liabilities and other payables	(165,513)	(165,513)
Deferred tax liabilities	(3,994)	–
Non-controlling interests	23,212	24,867
Net liabilities attributed to the Group acquired	<u>(54,161)</u>	<u>(58,024)</u>
Bank and cash balances acquired		131
Cash consideration		–
<b>Net inflow</b>		<u><b>131</b></u>

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Huizhou Silver Dragon contributed revenue of HK\$57,802,000 and net profit of HK\$24,106,000 to the Group for the period from 1 April 2015 to 31 March 2016.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

- (b) On 27 April 2015, the Group entered into an agreement with AIRRO Cayman Holdings IV Corp. and Ms. Lu Hai to acquire 100% equity interest in Goldtrust Water Group and 9.7% equity interest in Shenzhen Bus Group at the total cash consideration of US\$109,712,736. Supplemental agreement was entered between the Group and Ms. Lu Hai on 28 April 2015 that the Group issued and allotted 29,207,457 new shares in the Company as consideration shares for the settlement of cash consideration payable to Ms. Lu Hai in relation to her shareholding interests in Goldtrust Water Group. The acquisition was completed on 3 June 2015. Goldtrust Water Group is principally engaged in water supply, sewage treatment and drainage and other water related business.

The acquisition was made as part of the Group's strategy to facilitate the water supply and sewage treatment businesses in the PRC. The Group has elected to measure the non-controlling interest in Goldtrust Water Group at the non-controlling interests' proportionate share of identifiable net assets.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(b) (Continued)

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration:	
– settled by cash	727,306
– settled by 29,207,457 new shares of the Company	124,132
Fair value of net assets acquired	<u>(494,725)</u>
<b>Goodwill</b>	<b><u>356,713</u></b>

The goodwill of HK\$356,713,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired businesses with the existing operations of the Group.

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	353,242	353,242
Prepaid land lease payments	95,078	46,244
Interest in associates	9,294	9,294
Available-for-sale financial assets	134,594	134,594
Inventories	9,609	9,609
Trade receivables	80,889	86,871
Amounts due from grantors for contract work	209,381	209,381
Prepayments, deposits and other receivables	11,674	15,244
Pledged deposits	1,545	1,545
Bank and cash balances	100,028	100,028
Trade payables	(26,891)	(26,891)
Accrued liabilities and other payables	(157,569)	(157,569)
Borrowings	(199,250)	(199,250)
Provision for tax	(1,823)	(1,823)
Deferred government grants	(5,552)	(5,552)
Deferred tax liabilities	(23,100)	(821)
Non-controlling interests	(96,424)	(86,133)
Net assets attributed to the Group acquired	<u>494,725</u>	<u>488,013</u>
Bank and cash balances acquired		100,028
Cash consideration		(727,306)
Deposit paid (note 22(i)(f))		<u>87,500</u>
<b>Net outflow</b>		<b><u>(539,778)</u></b>

The receivables of HK\$9,552,000 have been impaired and the remaining receivables are expected the full contractual amounts can be collected.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(b) (Continued)

Since its acquisition, Goldtrust Water Group contributed revenue of HK\$245,322,000 and net profit of HK\$60,159,000 to the Group for the period from 3 June 2015 to 31 March 2016.

Had the combination been taken place on 1 April 2015, the revenue and the net profit of the Group for the year ended 31 March 2016 would have been HK\$4,083,110,000 and HK\$1,015,276,000 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 2015, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

(c) On 14 October 2014, the Group entered into an agreement with 辰溪縣人民政府 (“Chenxi Government”), that the Group and Chenxi Government shall establish a new company, 懷化沅辰水務有限公司 (“Yuanchen Water”), to run a water supply business. The Group shall contribute 65% registered capital of Yuanchen Water by way of cash (RMB49,778,000) and Chenxi Government shall contribute the remaining 35% interest of Yuanchen Water by way of assets and the water supply business in Yuanchen County, the PRC. The above transaction was completed on 28 July 2015.

The transaction was made as part of the Group’s strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Yuanchen Water at the non-controlling interests’ proportionate share of identifiable net assets.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Yuanchen Water remained under the Group’s control, and no goodwill was resulted.

	Fair value HK\$’000	Carrying amount HK\$’000
Property, plant and equipment	56,350	45,617
Prepaid land lease payments	22,297	324
Inventories	1,598	1,598
Trade receivables	2,435	2,435
Prepayments, deposits and other receivables	932	932
Trade payables	(5,699)	(5,699)
Accrued liabilities and other payables	(44,700)	(44,700)
Borrowings	(525)	(525)
Non-controlling interests	(32,688)	18
Net assets attributed to the Group acquired	–	–



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(c) (Continued)

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Yuanchen Water contributed revenue of HK\$13,371,000 and net profit of HK\$1,569,000 to the Group for the period from 28 July 2015 to 31 March 2016.

Had the combination been taken place on 1 April 2015, the revenue and the net profit of the Group for the year ended 31 March 2016 would have been HK\$4,039,220,000 and HK\$1,003,706,000 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 2015, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

- (d) On 29 July 2015, the Group entered into an agreement with 運城市空港開發建設有限公司 (“Yuncheng Airport Development Company”) and 夏縣溫澤鑫供水有限責任公司 (“Xiaxian Wenzexin Water Company”), that the Group, Yuncheng Airport Development Company and Xiaxian Wenzexin Water Company shall establish a new company, Yuncheng Water, to run a water supply business. The Group shall contribute 64.52% registered capital of Yuncheng Water by way of cash (RMB64,524,000) and Yuncheng Airport Development Company and Xiaxian Wenzexin Water Company shall contribute the remaining 35.48% interest of Yuncheng Water by way of assets and the water supply business in Xiaxian Wenzexin Water Company. The above transaction was completed on 1 September 2015.

The transaction was made as part of the Group’s strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Yuncheng Water at the non-controlling interests’ proportionate share of identifiable net assets.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Yuncheng Water remained under the Group’s control, and no goodwill was resulted.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(d) (Continued)

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	143,058	143,058
Prepaid land lease payments	8,307	8,307
Inventories	92	92
Prepayments, deposits and other receivables	1,038	1,038
Bank and cash balances	181	181
Trade payables	(112,146)	(112,146)
Non-controlling interests	(40,530)	(40,530)
Net assets attributed to the Group acquired	—	—
<b>Bank and cash balances acquired and net inflow</b>		<b>181</b>

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Yuncheng Water contributed revenue of HK\$161,753,000 and net profit of HK\$13,575,000 to the Group for the period from 1 September 2015 to 31 March 2016.

Had the combination been taken place on 1 April 2015, the revenue and the net profit of the Group for the year ended 31 March 2016 would have been HK\$4,035,581,000 and HK\$1,004,109,000 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 2015, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

- (e) On 20 July 2015, the Group entered into an agreement with Jiu Rong, to acquire 100% equity interest in Mitsumaru East Kit (Group) Limited ("MEK Group") at consideration of HK\$23,000,000. MEK Group and its subsidiaries are principally engaged in city water supply operation and construction business. The acquisition was completed on 30 October 2015. The acquisition was made as part of the Group's strategy to facilitate the water supply business in the PRC.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	23,000
Fair value of net assets acquired	(15,004)
<b>Goodwill</b>	<b>7,996</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(e) (Continued)

The goodwill of HK\$7,996,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	255	255
Inventories	3,541	3,541
Trade receivables	10,197	10,197
Prepayments, deposits and other receivables	2,358	2,358
Bank and cash balances	319	319
Trade payables	(127)	(127)
Accrued liabilities and other payables	(189)	(189)
Non-controlling interests	(1,350)	(1,350)
	<u>15,004</u>	<u>15,004</u>
Net assets attributed to the Group acquired	<u>15,004</u>	<u>15,004</u>
Bank and cash balances acquired		319
Cash consideration		(23,000)
<b>Net outflow</b>		<b><u>(22,681)</u></b>

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, MEK Group and its subsidiaries contributed revenue of HK\$3,689,000 and net loss of HK\$997,000 to the Group for the period from 30 October 2015 to 31 March 2016.

Had the combination been taken place on 1 April 2015, the revenue and the net profit of the Group for the year ended 31 March 2016 would have been HK\$4,038,082,000 and HK\$1,001,568,000 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 2015, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

- (f) In December 2015, the Group entered into an agreement with 河南水利投資集團有限公司 and 黃河水務集團股份有限公司 to acquire 45% equity interest of 河南國源水務有限公司 (“Henan Guoyuan”) at cash consideration of RMB51,750,000. Henan Guoyuan and its subsidiaries are principally engaged in investment, construction and operation of water conservation and hydropower related projects. The Group previously held 45% equity interest of Henan Guoyuan, which was accounted for as an associate as at 31 March 2015. The further acquisition of 45% equity interest of Henan Guoyuan was completed on 31 December 2015.

The acquisition was made as part of the Group’s strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Henan Guoyuan at the non-controlling interests’ proportionate share of identifiable net assets.

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	63,110
The fair value of the Group’s interest previously held in Henan Guoyuan	51,690
Fair value of net assets acquired	(103,380)
<b>Goodwill</b>	<b>11,420</b>

The goodwill of HK\$11,420,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	76,355	76,355
Inventories	2,237	2,237
Trade receivables	355	355
Prepayments, deposits and other receivables	54,635	54,635
Bank and cash balances	10,014	10,014
Trade payables	(8,179)	(8,179)
Accrued liabilities, deposits received and other payables	(20,282)	(20,282)
Provision for tax	(269)	(269)
Non-controlling interests	(11,486)	(11,486)
Net assets attributed to the Group acquired	103,380	103,380



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(f) (Continued)

	HK\$'000
Bank and cash balances acquired	10,014
Cash consideration	(63,110)
Remaining balance of cash consideration payable to ex-equity holder (note)	14,024
<b>Net outflow</b>	<b>(39,072)</b>

Note: During the year ended 31 March 2016, the Group has paid part of the cash consideration of HK\$49,086,000 to the vendor. The remaining balance of HK\$14,024,000 due to the vendor was included in other payables as at 31 March 2016.

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Henan Guoyuan contributed revenue of HK\$7,224,000 and net profit of HK\$5,588,000 to the Group for the period from 31 December 2015 to 31 March 2016.

Had the combination been taken place on 1 April 2015, the revenue and the net profit of the Group for the year ended 31 March 2016 would have been HK\$4,054,348,000 and HK\$1,025,136,000 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 2015, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material and they had been expensed.

- (g) On 11 May 2014, the Group entered into an agreement with 隆堯縣浩隆水業有限公司 ("Longyao Haolong Water"), that the Group and Longyao Haolong Water shall establish a new company, 隆堯銀龍水務有限公司 ("Longyao Silver Dragon"), to run a water supply business. The Group shall contribute 73% registered capital of Longyao Silver Dragon by way of cash (RMB40,150,000) and Longyao Haolong Water shall contribute the remaining 27% interest of Longyao Silver Dragon by way of assets and the water supply business in Longyao Haolong Water. The above transaction was completed on 16 June 2014.

The transaction was made as part of the Group's strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Longyao Silver Dragon at the non-controlling interests' proportionate share of identifiable net assets.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Longyao Silver Dragon remained under the Group's control, and no goodwill was resulted.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(g) (Continued)

The assets arising from the business combination are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	18,132	18,132
Inventories	705	705
Non-controlling interests	(18,837)	(18,837)
Net assets attributed to the Group acquired	–	–

Since its acquisition, Longyao Silver Dragon contributed revenue of HK\$5,671,000 and net loss of HK\$1,654,000 to the Group for the period from 16 June 2014 to 31 March 2015.

Had the combination been taken place on 1 April 2014, the revenue and the net profit of the Group for the year ended 31 March 2015 would have been HK\$2,860,115,000 and HK\$703,911,000 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 2014, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.

- (h) On 3 December 2014, the Group entered into an agreement with 鶴崗市自來水公司 (“Hegang Water Company”), that the Group and Hegang Water Company shall establish a new company, 鶴崗三立水務有限公司 (“Hegang Sanli”), to run a water supply business. The Group shall contribute 55% registered capital of Hegang Sanli by way of cash (RMB66,000,000) and Hegang Water Company shall contribute the remaining 45% interest of Hegang Sanli by way of assets and the water supply business in Hegang Water Company. The transaction was completed on 1 January 2015.

The transaction was made as part of the Group's strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Hegang Sanli at the non-controlling interests' proportionate share of identifiable net assets.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Hegang Sanli remained under the Group's control, and no goodwill was resulted.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(h) (Continued)

The assets and liabilities arising from the business combination are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	77,108	77,108
Prepaid land lease payments	5,115	5,115
Accrued liabilities and other payables	(46,511)	(46,511)
Non-controlling interests	(35,712)	(35,712)
Net assets attributed to the Group acquired	—	—

Since its acquisition, Hegang Sanli contributed revenue of HK\$7,438,000 and net profit of HK\$5,750,000 to the Group for the period from 1 January 2015 to 31 March 2015.

Had the combination been taken place on 1 April 2014, the revenue and the net profit of the Group for the year ended 31 March 2015 would have been HK\$2,881,350,000 and HK\$721,915,000 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 2014, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.

- (i) On 13 January 2015, the Group further acquired 18% equity interest in Beijing Tongsheng (formerly an associate of the Group) at a consideration of RMB4,500,000 (approximately HK\$5,625,000), resulted in 68% equity interest held by the Group in total. Beijing Tongsheng is principally engaged in sewage treatment operation.

The transaction was made as part of the Group's strategy to expand its market share of sewage business in the PRC. The Group has elected to measure the non-controlling interest in Beijing Tongsheng at the non-controlling interests' proportionate share of identifiable net assets.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 40. BUSINESS COMBINATIONS (Continued)

(i) (Continued)

Details of the net assets acquired and goodwill are as follows:

	HK\$'000
Purchase consideration	5,625
Interest in associate forgone	15,110
Fair value of net assets acquired	(20,550)
<b>Goodwill</b>	<b>185</b>

The goodwill of HK\$185,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	131	131
Inventories	20	20
Trade receivables	1,631	1,631
Amounts due from grantors for contract work	31,745	31,745
Prepayments, deposits and other receivables	723	723
Bank and cash balances	1,712	1,712
Accrued liabilities and other payables	(1,826)	(1,826)
Deferred tax liabilities	(3,915)	(3,915)
Non-controlling interests	(9,671)	(9,671)
Net assets attributed to the Group acquired	20,550	20,550
Bank and cash balances acquired		1,712
Remaining balance of cash consideration payable to ex-equity holder (note)		3,938
Cash consideration		(5,625)
<b>Net inflow</b>		<b>25</b>

Note: During the year ended 31 March 2015, the Group has paid part of the cash consideration of HK\$1,687,000 to the vendor. The remaining balance of HK\$3,938,000 due to the vendor was included in other payables as at 31 March 2015.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(i) (Continued)

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Beijing Tongsheng contributed revenue of HK\$920,000 and net profit of HK\$751,000 to the Group for the period from 13 January 2015 to 31 March 2015.

Had the combination been taken place on 1 April 2014, the revenue and the net profit of the Group for the year ended 31 March 2015 would have been HK\$2,863,372,000 and HK\$711,079,000 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 2014, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisition were not material, and they had been expensed and were included in administrative expenses.

- (j) On 18 September 2014, the Group entered into an agreement with 江西黃崗山投資股份有限公司 (“Huanggangshan Investment”), that the Group and Huanggangshan Investment shall establish a new company, Huanggangshan Water, to run a water supply business. The Group shall contribute 75% registered capital of Huanggangshan Water by way of cash (RMB 60,000,000) and Huanggangshan Investment shall contribute the remaining 25% interest of Huanggangshan Water by way of assets and the water supply business in Huanggangshan Investment. The transaction was completed on 20 November 2014.

The transaction was made as part of the Group’s strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Huanggangshan Water at the non-controlling interests’ proportionate share of identifiable net assets.

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Huanggangshan Water remained under the Group’s control, and no goodwill was resulted.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(j) (Continued)

The assets and liabilities arising from the business combination are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	19,872	19,872
Amount due from non-controlling interests	7,500	7,500
Prepayments, deposits and other receivables	276	276
Bank and cash balances	240	240
Trade payables	(2,888)	(2,888)
Non-controlling interests	(25,000)	(25,000)
Net assets attributed to the Group acquired	–	–
<b>Bank and cash balances acquired and net inflow</b>		<b>240</b>

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Huanggangshan Water did not contribute revenue but resulted net loss of HK\$919,000 to the Group for the period from 20 November 2014 to 31 March 2015.

Had the combination been taken place on 1 April 2014, the revenue and the net profit of the Group for the year ended 31 March 2015 would have been HK\$2,858,624,000 and HK\$704,095,000 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 2014, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.

- (k) On 16 June 2014, the Group entered into an agreement with 安鄉縣自來水公司 (“Anxiang Water Company”), that the Group and Anxiang Water Company shall establish a new company, 常德安鄉銀龍水務有限公司 (“Anxiang Silver Dragon”), to run a water supply business. The Group shall contribute 70% registered capital of Anxiang Silver Dragon by way of cash (RMB30,500,000) and Anxiang Water Company shall contribute the remaining 30% interest of Anxiang Silver Dragon by way of assets and the water supply business in Anxiang Water Company. The above transaction was completed on 30 September 2014.

The transaction was made as part of the Group’s strategy to expand its market share of water supply business in the PRC. The Group has elected to measure the non-controlling interest in Anxiang Silver Dragon at the non-controlling interests’ proportionate share of identifiable net assets.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 40. BUSINESS COMBINATIONS (Continued)

(k) (Continued)

The transaction was treated by the management as business combination without the transfer of consideration because the cash contribution from the Group to Anxiang Silver Dragon remained under the Group's control, and no goodwill was resulted.

The assets and liabilities arising from the business combination are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	56,203	56,203
Prepaid land lease payments	16,635	16,635
Inventories	3,592	3,592
Prepayments, deposits and other receivables	1,154	1,154
Bank and cash balances	389	389
Trade payables	(3,515)	(3,515)
Accrued liabilities and other payables	(29,106)	(29,106)
Borrowings	(5,386)	(5,386)
Non-controlling interests	(39,966)	(39,966)
Net assets attributed to the Group acquired	—	—
<b>Bank and cash balances acquired and net inflow</b>		<b>389</b>

None of the receivables have been impaired and it is expected the full contractual amounts can be collected.

Since its acquisition, Anxiang Silver Dragon contributed revenue of HK\$7,523,000 and net loss of HK\$1,345,000 to the Group for the period from 30 September 2014 to 31 March 2015.

Had the combination been taken place on 1 April 2014, the revenue and the net profit of the Group for the year ended 31 March 2015 would have been HK\$2,866,106,000 and HK\$703,008,000 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 2014, nor are they intended to be a projection of future results.

The acquisition-related costs expensed in the acquisitions were not material, and they had been expensed and were included in administrative expenses.





## Notes to the Financial Statements

For the year ended 31 March 2016

### 41. DISPOSAL OF SUBSIDIARIES

- (a) The Group entered into an agreement with 寧鄉中水宏達建設開發有限公司 to dispose of its 51% equity interest of 萍鄉建和建材有限公司 (“Pingxiang Jianhe”) at a consideration of RMB5,100,000 (approximately to HK\$6,296,000). Pingxiang Jianhe is principally engaged in manufacture and sale of concrete products business. The disposal was completed on 1 April 2015 and the Group recognised a loss on disposal of a subsidiary of approximately HK\$1,488,000. Pingxiang Jianhe ceased to be a subsidiary of the Group. The net assets of Pingxiang Jianhe at the date of disposal were as follows:

	<b>Carrying amount HK\$'000</b>
Property, plant and equipment	27,450
Prepaid land lease payments	2,912
Inventories	578
Trade receivables	4,787
Prepayments, deposits and other receivables	13,102
Bank and cash balances	770
Trade payables	(4,216)
Accrued liabilities and other payables	(32,251)
Provision for tax	(1,134)
Non-controlling interests	(4,387)
	7,611
Release of exchange fluctuation reserve upon disposal	173
Loss on disposal of a subsidiary	(1,488)
	6,296
<b>Net cash inflow arising from disposal of a subsidiary</b>	
Cash consideration	6,296
Bank and cash balances disposed of	(770)
<b>Net inflow</b>	<b>5,526</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 41. DISPOSAL OF SUBSIDIARIES (Continued)

- (b) During the year ended 31 March 2015, the Group entered into an agreement with 深圳市神華光大實業發展有限公司, a shareholder of 深圳銀龍水務有限公司 (“Shenzhen Silver Dragon”), to dispose of 40% equity interest in Shenzhen Silver Dragon, which is a dormant company, at nil consideration. The disposal was completed on 23 June 2014 and the Group recognised a gain on disposal of a subsidiary of approximately HK\$6,874,000. After completion of the disposal, Shenzhen Silver Dragon became an associate of the Group with 40% effective interests.

	2015 HK\$'000
Prepayment, deposits and other receivables	13,403
Cash and bank balances	194
Accrued liabilities and other payables	(22,717)
Non-controlling interests	1,243
	(7,877)
Release of exchange fluctuation reserve upon disposal	1,003
	(6,874)
Fair value of retained interest which became interests in associates	–
Gain on disposal of a subsidiary	6,874
<b>Net cash outflow arising from disposal of a subsidiary</b>	
Cash and bank balances disposal of and net outflow	(194)



## Notes to the Financial Statements

For the year ended 31 March 2016

### 42. DEEMED/PARTIAL DISPOSAL OF SUBSIDIARIES

- (a) On 24 December 2015, upon the capital injection in 江西僑立新材料製品有限責任公司 (“Jiangxi Qiaoli”) by the non-controlling equity holders, the Group’s effective interest in Jiangxi Qiaoli was diluted from 68.32% to 51.26% and a deemed loss of HK\$2,815,000 was charged to other reserves.
- (b) On 27 September 2014, 長沙(中國水務)有限公司 (“Changsha Water”), a 90% equity holding subsidiary of the Group, disposed of its 5% equity interest in 長沙市農業投資擔保有限公司 (“Changsha Guarantee”) to a non-controlling equity holder of Changsha Guarantee at a consideration of RMB5,000,000 (approximately HK\$6,250,000). The Group’s effective interest in Changsha Guarantee was changed from 54% to 49.5% and loss on partial disposal of HK\$133,000 was charged to other reserves.
- (c) On 15 December 2014, 吉安水務集團有限公司 (“Jian Water”), a 70% equity holding subsidiary of the Group, disposed of its 18.9% equity interest in 吉安建和建材有限公司 (“Jian Jianhe”) to 新余建和混凝土有限責任公司 (“Xinyu Jianhe”), a 80.66% equity holding subsidiary of the Group and disposed of its 8.1% equity interest in Jian Jianhe to an independent third party at a consideration of RMB3,300,000 (approximately HK\$4,125,000) and RMB1,389,000 (approximately HK\$1,736,000) respectively. The Group’s effective interest in Jian Jianhe was changed from 68.10% to 64.72% and loss on disposal of HK\$634,000 was charged to other reserves.

### 43. NOTES TO CONSOLIDATED CASH FLOW STATEMENTS – MAJOR NON-CASH TRANSACTIONS

During the year end 31 March 2015, the Group entered into an agreement with 新余億達水務投資有限公司 to dispose of its remaining 24% equity interest of the Group in 新余水務置業有限責任公司 and its subsidiary (together “Xinyu Property Group”), which is engaged in property development, investment and property management, at a consideration of approximately RMB29,231,000 (equivalent to HK\$36,538,000). The consideration was (i) settled by cash of approximately HK\$19,405,000, in which approximately HK\$8,750,000 was settled by cash as at 31 March 2015 and the remaining balance of the cash consideration receivable from the purchaser of approximately HK\$10,655,000 was included in the other receivables; and (ii) settled by offsetting the other payables to the purchaser of approximately HK\$17,133,000.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 44. COMMITMENTS AND GUARANTEE

#### (i) Capital commitments

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

	2016 HK\$'000	2015 HK\$'000
Contracted, but not provided for		
– Construction in progress	46,049	15,695
– Plant and machinery	50,181	53,258
– Water pipelines	3,505	14,844
	<b>99,735</b>	<b>83,797</b>

#### (ii) Operating lease arrangement

*As lessee*

The Group leases certain of its leasehold land, office premises, properties, water pipelines, plant and machinery under operating lease arrangements for initial period ranging from one to twenty years (2015: one to twenty years). Certain leases contain an option to renew the lease and renegotiated the terms at the expiry dates or at dates mutually agreed between the Group and the landlords. None of the leases include contingent rentals.

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

	2016 HK\$'000	2015 HK\$'000
Within one year	35,813	26,725
In the second to fifth years, inclusive	135,549	107,678
After five years	273,270	211,815
	<b>444,632</b>	<b>346,218</b>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 44. COMMITMENTS AND GUARANTEE (Continued)

#### (ii) Operating lease arrangement (Continued)

*As lessor*

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten years (2015: one to ten years). Certain leases contain an option to renew the lease and renegotiate the terms at the expiry dates or at dates mutually agreed between the Group and the lessees. None of the leases include contingent rentals.

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

	2016 HK\$'000	2015 HK\$'000
Within one year	26,986	18,198
In the second to fifth years, inclusive	45,037	35,179
After five years	2,349	7,407
	<b>74,372</b>	<b>60,784</b>

- (iii) As at 31 March 2016, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK\$7,390,000 (2015: HK\$232,569,000).
- (iv) As at 31 March 2016, the Group had commitment, which is contracted but not provided for, to make acquisition of equity securities of approximately HK\$85,903,000 (2015: HK\$87,750,000). The relevant deposits of approximately HK\$9,512,000 (2015: HK\$9,750,000) were paid as at 31 March 2016 (note 22(i)).
- (v) As at 31 March 2016, (a) the Group had given guarantee to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK\$7,204,000 (2015: HK\$10,971,000); and (b) a subsidiary of the Group, Changsha Guarantee, which is engaged in guarantee business, has provided financial guarantees to the customers of approximately HK\$345,598,000 (2015: approximately HK\$709,250,000) in the ordinary course of business.

In the opinion of the directors, 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 Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates, currency exchange rates and other prices), credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. The Group has not used any derivatives or other instruments for hedging purposes. It is not the Group's policy to actively engage in the trading of financial instruments for speculative purpose.

#### (a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's policy is to deal only with credit worthy counterparties. Credit terms are granted to new customers/counterparties after a credit worthiness assessment by the credit control department. When considered appropriate, customers may be requested to provide proof as to their financial position. Customers who are not considered creditworthy are required to pay in advance or on delivery of goods. Payment record of customers is closely monitored. Overdue balances and significant trade and other receivables are highlighted. The board of directors will determine the appropriate recovery actions.

All customers who wish to obtain financial guarantee from the Group are subject to management review. The Group has entered into financial guarantee contracts in which it has guaranteed the banks the repayment of loans by customers of the Group. The Group has the obligation to compensate the bank for the loss it would suffer because the customers fail to repay. The Group's maximum exposure under the financial guarantee contracts is disclosed in "liquidity risk" below. To mitigate such risk, the Group requests the customers to provide 10% of loan amount as pledged deposits and pay all guarantee income in advance at the beginning of the loan period. Also, upon the request by the Group, key management personnel of the customers, as counter-guarantors, agree and undertake to provide, on voluntary basis, a counter-guarantee for the Group. The counter-guarantors hereby sign with the Group counter-guarantee contracts where the Group is the sole beneficiary on an unconditional and irrevocable basis. In the event of default or failure to repay any outstanding guarantee amounts by the customers, the pledged deposit will be forfeited and the counter-guarantors are responsible to repay the outstanding loans principal together with accrued interests and penalties owed by the default borrowers to the bank. Except for the abovementioned, there is no requirement for collateral or other credit enhancement by the Group.

The credit risk of the Group's other financial assets, which mainly comprise restricted bank deposits and cash and bank balances, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in restricted bank deposits and cash and bank balances is mitigated as cash is deposited with banks in Hong Kong and the PRC with high credit rating.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (a) Credit risk (Continued)

At the reporting date, the Group's exposures of certain receivables were secured by the collateral of the customers as follows:

	2016 HK\$'000	2015 HK\$'000
Machinery	43,925	51,084

#### (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 RMB.

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.

However, fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value.

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



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (c) Interest rate risk

Interest rate risk relates to the risk that the fair value or 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 on unlisted debt securities investment, bank deposits and borrowings which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk.

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

#### *Sensitivity analysis*

If the interest rates had been increased by 100 basis points at the beginning of the year and all other variables were held constant, the Group's profit after income tax and retained earnings would decrease by approximately HK\$41,386,000 (2015: HK\$34,728,000). The assumed changes have no impact on the Group's other components of equity.

The same % decrease in the interest rate would have the same magnitude on the Group's profit and loss after income tax and retained earnings as shown above but of opposite effect, on the basis that all variables remain constant.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The sensitivity analysis included in the consolidated financial statements for the year ended 31 March 2015 has been prepared on the same basis.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (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).

The financial assets at fair value through profit and loss, the available-for-sale financial assets and derivative financial instruments expose the Group to price risk.

The Group's investments in listed equity securities are primarily listed on the stock exchanges of Hong Kong and the PRC. The underlying shares of the derivative financial instruments are listed on the Stock Exchange.

#### *Sensitivity analysis*

At 31 March 2016, it is estimated that a general increase of 10% of the price of the financial assets at fair value through profit or loss and the value of derivative financial instruments, with all other variables held constant, would increase the Group's profit after income tax and retained earnings by approximately HK\$6,788,000 (2015: HK\$17,435,000) and no change of other component of equity.

A decrease of 10% in the price of the above financial assets and financial liabilities would have had equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

The assumed changes in market prices represent management's assessment of a reasonably possible change in market prices over the next twelve month period.

The sensitivity analysis included in the financial statements for the year ended 31 March 2015 has been prepared on the same basis.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (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 asset.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internally generated funding, borrowings and convertible bonds 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
<b>At 31 March 2016</b>					
Trade and bills payables	475,410	124,183	255,713	–	855,306
Other payables	573,467	254,121	294,387	–	1,121,975
Accrued liabilities	48,986	25,388	–	–	74,374
Due to associates	27,821	21,951	–	12,490	62,262
Borrowings	179,559	655,614	1,394,589	5,997,259	8,227,021
Due to non-controlling equity holders of subsidiaries	184,284	6,098	–	20,092	210,474
	<u>1,489,527</u>	<u>1,087,355</u>	<u>1,944,689</u>	<u>6,029,841</u>	<u>10,551,412</u>
Financial guarantees issued Maximum amount guaranteed	<u>352,802</u>	–	–	–	<u>352,802</u>
<b>At 31 March 2015</b>					
Trade and bills payables	382,180	24,821	80,232	–	487,233
Other payables	847,867	106,712	40,477	–	995,056
Accrued liabilities	10,500	22,308	6,504	–	39,312
Due to associates	95,158	–	–	–	95,158
Borrowings	89,268	572,250	1,914,101	3,584,068	6,159,687
Due to non-controlling equity holders of subsidiaries	211,562	–	–	–	211,562
Convertible bonds	–	28,969	–	–	28,969
	<u>1,636,535</u>	<u>755,060</u>	<u>2,041,314</u>	<u>3,584,068</u>	<u>8,016,977</u>
Financial guarantees issued Maximum amount guaranteed	<u>720,221</u>	–	–	–	<u>720,221</u>





## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (e) Liquidity risk (Continued)

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. Summarised in the table below are loan balances in accordance with the scheduled payment dates which the whole amounts are now classified as current liabilities with reference to the repayment on demand clause:

	On demand HK\$'000	Less than three months HK\$'000	Three to twelve months HK\$'000	Over one year HK\$'000	Total HK\$'000
<b>At 31 March 2016</b>	-	-	-	-	-
At 31 March 2015	-	4,103	165,482	556,768	726,353

#### (f) Fair value measurements recognised in the consolidated statement of financial position

##### (a) *Financial instruments not measured at fair value*

Financial instruments not measured at fair value include trade and bills receivables, amounts due from grantors for contract work, loan and other receivables, amounts due from/(to) associates and non-controlling equity holders of subsidiaries, bank and cash balances, available-for-sale financial assets, trade and bills payables, other payables, accrued liabilities, borrowings and convertible bonds. The directors consider that the carrying amount of these financial assets and liabilities approximate their fair value at 31 March 2016 and 2015.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

##### (b) 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 2016, 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
<b>Assets</b>				
Available-for-sale financial assets	–	74,851	–	74,851
Financial assets at fair value through profit or loss	879	–	–	879
Derivative financial instruments	–	–	67,004	67,004
	<u>879</u>	<u>74,851</u>	<u>67,004</u>	<u>142,734</u>
Net fair values	<u>879</u>	<u>74,851</u>	<u>67,004</u>	<u>142,734</u>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(b) Financial instruments measured at fair value (Continued)

At 31 March 2015, the financial assets and liabilities 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
<b>Assets</b>				
Available-for-sale financial assets	–	68,028	–	68,028
Financial assets at fair value through profit or loss	77,380	–	–	77,380
Derivative financial instruments	–	–	99,952	99,952
	<u>77,380</u>	<u>68,028</u>	<u>99,952</u>	<u>245,360</u>
<b>Liabilities</b>				
Derivative financial instruments	–	–	(2,987)	(2,987)
Net fair values	<u>77,380</u>	<u>68,028</u>	<u>96,965</u>	<u>242,373</u>

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

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

#### Information about level 2 fair value measurements

The fair values of available-for-sale financial assets are calculated as the present value of the estimated future cash flows based on observed yield curves.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

##### (b) Financial instruments measured at fair value (Continued)

#### Information about Level 3 fair value measurement

The fair values of derivative financial instruments are determined using binomial option pricing model and the significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 March 2016, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have increased the Group's profit by HK\$1,358,000 (2015: HK\$985,000) while a decrease in the expected volatility by 5% would have decreased the Group's profit by HK\$1,375,000 (2015: HK\$986,000) for conversion option embedded in China City Infrastructure Convertible Bonds classified as derivative financial assets.

As at 31 March 2015, for the Convertible Bonds derivative component classified as derivative financial liabilities, it is estimated that with all other variables held constant, an increase in the expected volatility by 5% would have decreased the Group's profit by HK\$51,000 while a decreased in the expected volatility by 5% would have increased the Group's profit by HK\$51,000 for the derivative component of Convertible Bonds.

#### Significant inputs as follow:

Derivative financial assets – conversion option embedded in China City Infrastructure Convertible Bonds

	2016	2015
Underlying stock price	<b>HK\$0.59 per share</b>	HK\$0.75 per share
Conversion price	<b>HK\$0.3781 per share</b>	HK\$0.3781 per share
Risk-free rate	<b>0.42%</b>	0.70%
Expected volatility	<b>72.900%</b>	50.995%
Expected dividend yield	<b>Nil</b>	Nil

Derivative financial liabilities – Convertible Bonds derivative component

	2015
Underlying stock price	HK\$3.70 per share
Conversion price	HK\$2.880 per share
Risk-free rate	0.70%
Expected volatility	19.40%
Expected dividend yield	1.60%
Discount rate	5.556%



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

(f) Fair value measurements recognised in the consolidated statement of financial position (Continued)

(b) Financial instruments measured at fair value (Continued)

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

	2016 HK\$'000	2015 HK\$'000
<b>Derivative financial assets:</b>		
At 1 April	99,952	77,056
Changes in fair value recognised in profit or loss during the year attributable to financial assets held at the reporting date	(32,948)	22,896
At 31 March	67,004	99,952
<b>Derivative financial liabilities:</b>		
At 1 April	2,987	4,976
Arising from repurchases, redemption and conversion	(2,987)	(4,517)
Changes in fair value recognised in profit or loss during the year attributable to financial liabilities held at the reporting date	–	2,528
At 31 March	–	2,987





## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (g) Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities:

#### Financial assets

	2016 HK\$'000	2015 HK\$'000
Loan and receivables		
– Trade and bills receivables	1,083,551	655,776
– Amounts due from grantors for contract work	570,505	364,149
– Loan and other receivables	652,565	555,904
– Due from associates	402,855	214,301
– Due from non-controlling equity holders of subsidiaries	307,572	541,602
	<b>3,017,048</b>	2,331,732
– Bank and cash balances (including pledged deposits)	<b>3,018,598</b>	1,830,673
	<b>6,035,646</b>	4,162,405
At fair value		
– Available-for-sale financial assets	74,851	68,028
– Financial assets at fair value through profit or loss	879	77,380
– Derivative financial instruments	67,004	99,952
	<b>142,734</b>	245,360
At cost		
– Available-for-sale financial assets	151,916	95,847
	<b>6,330,296</b>	4,503,612



## Notes to the Financial Statements

For the year ended 31 March 2016

### 45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

#### (g) Categories of financial assets and liabilities (Continued)

##### Financial liabilities

	2016 HK\$'000	2015 HK\$'000
At amortised cost		
– Trade and bills payables	855,236	486,361
– Other payables	1,121,975	995,056
– Accrued liabilities	74,374	39,312
– Borrowings	7,232,030	5,371,536
– Due to associates	61,723	95,158
– Due to non-controlling equity holders of subsidiaries	207,455	211,562
– Convertible bonds	–	28,969
	<u>9,552,793</u>	<u>7,227,954</u>
At fair value		
– Derivative financial instruments	–	2,987
	<u>9,552,793</u>	<u>7,230,941</u>



## Notes to the Financial Statements

For the year ended 31 March 2016

### 46. 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. The Group currently does not adopt any formal dividend policy.

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:

	2016 HK\$'000	2015 HK\$'000
<b>Capital</b>		
Total equity	<b>7,587,384</b>	6,436,141
<b>Overall financing</b>		
Borrowings	<b>7,232,030</b>	5,371,536
Convertible bonds	–	28,969
Derivative financial instruments	–	2,987
Due to associates	<b>61,723</b>	95,158
Due to non-controlling equity holders of subsidiaries	<b>207,455</b>	211,562
	<b>7,501,208</b>	5,710,212
<b>Capital-to-overall financing ratio</b>	<b>1.01 times</b>	1.13 times



## Notes to the Financial Statements

For the year ended 31 March 2016

### 47. 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:

	2016 HK\$'000	2015 HK\$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	34,779	36,278
– Retirement scheme contribution	374	268
– Equity-settled share options expenses	35,703	24,922
	<u>70,856</u>	<u>61,468</u>

- (b) The Group had the following transactions with an associate:

	2016 HK\$'000	2015 HK\$'000
Purchase of raw materials	<u>7,720</u>	<u>38,140</u>

The Group purchased raw materials of approximately HK\$7,720,000 (2015: HK\$38,140,000) from a subsidiary of Jiu Rong, a former associate of the Group. The purchases were made with reference to the terms negotiated between both parties.

- (c) During the year ended 31 March 2015, 新余水務集團有限公司 (“Xinyu Water”), a 60% owned subsidiary of the Group disposed of its 5% equity interest in Fenyi Sewage to 廣東新昇環保投資集團有限公司 (“Guangdong Xinsheng”), a wholly-owned subsidiary of the Group. Together with 95% equity interest of Fenyi Sewage held by another wholly-owned subsidiary of the Group, the Group’s effective interest in Fenyi Sewage increased from 98% to 100% and a gain arising from the deemed acquisition of HK\$88,000 was credited to other reserves.



## Notes to the Financial Statements

For the year ended 31 March 2016

### 47. RELATED PARTY TRANSACTIONS (Continued)

- (d) During the year ended 31 March 2015, the Group acquired additional equity interest of 1.76% in 新余仙女湖新城旅遊開發有限公司 ("Xinyu Development") from the non-controlling equity holder at a consideration of RMB13,515,000 (approximately HK\$16,894,000). Xinyu Development is the holding company of 新余仙女湖新城房地產開發有限公司 ("Xinyu Property Development") and 新余仙女湖聖祥發展有限責任公司 ("Xinyu Shengxiang"). The difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiaries being acquired from the non-controlling equity holder has been dealt with in the other reserves.
- (e) During the year ended 31 March 2015, the Group acquired additional equity interest of 18.06% in 上栗建和礦產有限公司 from the non-controlling equity holder at a consideration of RMB2,400,000 (approximately HK\$2,959,000). The difference between the consideration and the carrying amount of the net assets attributable to the additional interests in subsidiary being acquired from the non-controlling equity holder has been dealt with in the other reserves.





# Notes to the Financial Statements

For the year ended 31 March 2016

## 48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Notes	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,100	1,405
Interests in subsidiaries	1,819,850	1,678,903
Interest in an associate	190,452	–
Available-for-sale financial assets	285,527	395,249
	<b>2,296,929</b>	<b>2,075,557</b>
<b>Current assets</b>		
Due from subsidiaries	2,928,561	1,642,537
Due from associates	3,649	–
Prepayments, deposits and other receivables	8,685	35,979
Deposits and cash	876,578	317,426
	<b>3,817,473</b>	<b>1,995,942</b>
<b>Current liabilities</b>		
Due to subsidiaries	162,593	260,678
Accrued liabilities, deposits received and other payables	153,732	47,858
Provision for tax	4	5
Borrowings	817,483	1,116,674
Convertible bonds	–	28,969
Derivative financial liabilities	–	2,987
	<b>1,133,812</b>	<b>1,457,171</b>
<b>Net current assets</b>	<b>2,683,661</b>	<b>538,771</b>
<b>Total assets less current liabilities</b>	<b>4,980,590</b>	<b>2,614,328</b>
<b>Non-current liabilities</b>		
Borrowings	3,319,325	969,991
Deferred government grants	2,370	–
	<b>3,321,695</b>	<b>969,991</b>
<b>Net assets</b>	<b>1,658,895</b>	<b>1,644,337</b>
<b>EQUITY</b>		
Share capital	37	15,199
Proposed final dividend	12	75,993
Reserves	39(b)	1,567,703
		<b>1,658,895</b>
<b>Total equity</b>		<b>1,644,337</b>

Approved and authorised for issue by the board of directors on 27 June 2016 and are signed on its behalf by:

**Duan Chuan Liang**  
Director

**Ding Bin**  
Director



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES

#### (a) General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2016 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	
Hong Kong Water Affairs Investments Limited	Hong Kong	Ordinary share of HK\$1	-	100%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI") / Hong Kong	1 ordinary share of US\$1	100%	-	Investment holding
Sharp Profit Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	-	Investment holding
Good Outlook Investments 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
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK\$2	-	100%	Investment holding
China Kolon Water Management Company Limited	Hong Kong	Ordinary shares of HK\$26,333,333	100%	-	Investment holding
Ming Hing Waterworks Engineering (PRC) Limited	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
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK\$1	-	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary share of HK\$1	100%	-	Investment holding
Business Decade Limited	BVI/Hong Kong	1 ordinary share US\$1	100%	-	Investment holding
New Prospect Global Limited	BVI/Hong Kong	10,000 ordinary shares of US\$1 each	-	80.66%	Investment holding



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
Legend Target Limited	Hong Kong	Ordinary share of HK\$1	–	80.66%	Investment holding
Jianhe Holdings Group Limited	Bermuda/ Hong Kong	10,000 ordinary shares of HK\$0.01 each	–	80.66%	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
Goldtrust Water Holdings Limited (i)	Cayman Islands/ Hong Kong	59,715,833 ordinary share of RMB1 each	–	100%	Investment holding
GT Water Holdings Limited (i)	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Mitsumaru East Kit (Group) Limited (i)	BVI/Hong Kong	1 ordinary share of HK\$1	100%	–	Investment holding
China Mutual Investment Limited (i)	Hong Kong	Ordinary share of HK\$1	–	100%	Investment holding
荊州水務集團有限公司 (“Jingzhou Water”)*	PRC	Registered capital of US\$60,589,200	36.9%	14.1%	Water supply and water supply infrastructure
湖北鼎鑫源工程有限公司 (formerly known as 荊州鼎鑫源工程有限公司)^	PRC	Registered capital of RMB20,000,000	–	51%	Water supply infrastructure
荊州水務隆錦置業有限公司^	PRC	Registered capital of RMB80,000,000	–	51%	Property development and investment
Jingzhou Sewage#	PRC	Registered capital of US\$8,200,000	100%	–	Sewage treatment



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
江陵銀龍水務有限公司*	PRC	Registered capital of US\$2,580,000	32.2%	67.8%	Water supply
重慶永川區橋立水務有限公司#	PRC	Registered capital of RMB200,000,000	100%	–	Water supply
重慶橋立市政設施工程 有限公司*	PRC	Registered capital of RMB5,000,000	10%	90%	Water supply infrastructure
重慶橋立管道製造有限公司^	PRC	Registered capital of RMB80,000,000	–	80.44%	Trading and manufacturing of water pipelines
重慶市永川區佳和自來水 有限責任公司^	PRC	Registered capital of RMB3,500,000	–	90%	Water supply
江西省銀龍水務有限公司#	PRC	Registered capital of RMB20,000,000	100%	–	Water supply
江西萬年銀龍水務 有限責任公司*	PRC	Registered capital of USD41,090,000 (2015: USD35,090,000)	– (2015: 99.6%)	100% (2015: 0.4%)	Water supply
Wannian Sewage#	PRC	Registered capital of RMB13,000,000	– (2015: 5%)	100% (2015: 95%)	Sewage treatment operation and construction
Fenyi Sewage*	PRC	Registered capital of RMB18,000,000 (2015: RMB6,000,000)	–	100%	Sewage treatment operation and construction
分宜銀龍水務有限公司^	PRC	Registered capital of RMB75,000,000 (2015: RMB:25,000,000)	66.67%	33.33% (2015: 100%)	Water supply and water supply infrastructure



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
Xinyu Water*	PRC	Registered capital of RMB200,000,000	60%	–	Water supply and water supply infrastructure
新余市渝泉水業 有限責任公司 ("Xinyu Yuquan")^	PRC	Registered capital of RMB50,000,000	–	60%	Water supply infrastructure
Xinyu Development*	PRC	Registered capital of RMB144,948,500	22.77%	40.86%	Development and infrastructure of sightseeing area
Xinyu Property Development^	PRC	Registered capital of RMB20,500,000	–	63.63%	Property development and investment
新余市格林園林有限公司^	PRC	Registered capital of RMB10,000,000	–	60%	Landscape design and engineering
Xinyu Shengxiang (ii) ^	PRC	Registered capital of RMB20,000,000	–	32.45%	Development and infrastructure of sightseeing area
Xinyu Jianhe*	PRC	Registered capital of RMB10,000,000	–	80.66%	Manufacture and sale of concrete products
新余建和檢測有限責任公司^	PRC	Registered capital of RMB1,000,000	–	80.66%	Testing of concrete related products
上票銀龍水務有限公司^	PRC	Registered capital of RMB14,500,000	–	60%	Water supply and water supply infrastructure
高安水務有限公司 ("Gaoan Water")*	PRC	Registered capital of RMB60,000,000	60%	–	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%	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%	Water supply and water supply infrastructure





## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
高安市新街供水有限公司 <sup>^</sup>	PRC	Registered capital of RMB1,000,000	–	100%	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%	Water supply and water supply infrastructure
河南銀龍供水有限公司 <sup>#</sup>	PRC	Registered capital of RMB140,833,077	–	100%	Investment holding
河南銀龍(扶溝)供水 有限公司 <sup>#</sup>	PRC	Registered capital of RMB14,000,000	–	100%	Water supply and water supply infrastructure
河南銀龍(西華)供水 有限公司*	PRC	Registered capital of RMB14,000,000	–	100%	Water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK\$51,000,000 (2015: RMB50,000,000)	–	70%	Water supply and water supply infrastructure
周口銀龍置業有限公司 <sup>^</sup>	PRC	Registered capital of RMB8,000,000	–	70%	Property development
河南鹿邑銀龍供水 有限公司 <sup>#</sup>	PRC	Registered capital of RMB14,000,000	–	100%	Water supply and water supply infrastructure
Yanshan Water <sup>#</sup>	PRC	Registered capital of RMB18,000,000	–	100%	Water supply operation and construction
Yanshan Sewage <sup>#</sup>	PRC	Registered capital of US\$2,000,000	– (2015: 100%)	100% (2015: –)	Sewage treatment operation and construction
鄭州盛祥建築工程有限公司 <sup>^</sup>	PRC	Registered capital of RMB20,000,000	–	51%	Water supply infrastructure
惠州中水水務發展有限公司 ("Huizhou Water")*	PRC	Registered capital of RMB100,000,000	20%	50%	Water supply and water supply infrastructure



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
惠州大亞灣溢源淨水有限公司 ("Huizhou Daya Bay Water")^	PRC	Registered capital of RMB248,612,103	-	59.78%	Water supply and water supply infrastructure
惠州中水房地產有限公司#	PRC	Registered capital of RMB20,000,000	-	70%	Property development
Changsha Guarantee (ii)^	PRC	Registered capital of RMB100,000,000	-	49.5%	Guarantee business
長沙意峰房地產開發有限公司^	PRC	Registered capital of RMB8,000,000	-	90%	Property development
Changsha Water*	PRC	Registered capital of RMB200,000,000	-	90%	Water supply and water supply infrastructure
寧鄉順發建築材料有限公司^	PRC	Registered capital of RMB12,000,000	-	90%	Manufacture and sale of concrete products
寧鄉渝泉市政工程有限公司^	PRC	Registered capital of RMB5,000,000	-	56.70%	Water supply infrastructure
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	-	90%	Property Investment
寧鄉建和建材有限公司^	PRC	Registered capital of RMB10,000,000	-	80.66%	Manufacture and sales of concrete products
上海倍臣水務發展有限公司^	PRC	Registered capital of RMB167,600,000	-	100%	Investment holding
上海銀龍股權投資有限公司^	PRC	Registered capital of RMB500,000,000	-	100%	Investment holding
江河水務有限公司^	PRC	Registered capital of RMB225,000,000	-	100%	Investment holding
江河港武水務(常州)有限公司 ("Jianghe Water") (ii)^	PRC	Registered capital of RMB237,000,000	-	40%	Water supply and water supply infrastructure



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
北京江河京威水務有限公司 <sup>^</sup>	PRC	Registered capital of RMB10,000,000	–	70%	Water supply
北京中水建設實業有限公司 <sup>^</sup>	PRC	Registered capital of RMB211,350,000	–	100%	Property development and investment
北京上河元酒店有限公司 <sup>^</sup>	PRC	Registered capital of RMB171,600,000	–	100%	Property investment
海南興水城鄉供水有限公司 <sup>^</sup>	PRC	Registered capital of RMB15,830,000	–	56.85%	Water supply
宜豐縣銀龍水務有限公司 ("Yifeng Water") <sup>*</sup>	PRC	Registered capital of RMB52,800,000	55%	–	Water supply and water supply infrastructure
蘆溪水務有限公司 <sup>*</sup>	PRC	Registered capital of RMB52,308,750	30%	30%	Water supply and water supply infrastructure
銀龍水務投資有限公司 <sup>#</sup>	PRC	Registered capital of RMB500,000,000	100%	–	Investment holding
Jian Jianhe <sup>^</sup>	PRC	Registered capital of RMB10,000,000	–	64.72%	Manufacture and sale of concrete products
Jian Water <sup>^</sup>	PRC	Registered capital of RMB120,000,000	–	70%	Water supply and water supply infrastructure
吉安市管道安裝工程 有限公司 <sup>^</sup>	PRC	Registered capital of RMB5,000,000	–	70%	Water supply infrastructure
萍鄉水務有限公司 ("Pingxiang Water") <sup>*</sup>	PRC	Registered capital of RMB267,000,000	26%	25%	Water supply and water supply infrastructure
運城銀龍水務有限公司 <sup>^</sup>	PRC	Registered capital of RMB44,747,200	–	51%	Water supply and water supply infrastructure



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
運城市鹽湖區舜源城鄉供排水有限公司 <sup>^</sup>	PRC	Registered capital of RMB20,000,000	–	51%	Water supply and water supply infrastructure
Yuncheng Water (i) <sup>*</sup>	PRC	Registered capital of RMB100,000,000	–	64.52%	Water supply
九江彭澤銀龍水務有限公司 <sup>*</sup>	PRC	Registered capital of RMB90,454,375	49%	11%	Water supply and water supply infrastructure
懷化銀龍水務有限公司 <sup>*</sup>	PRC	Registered capital of RMB30,000,000	30%	56.55%	Water supply and water supply infrastructure
Huanggangshan Water <sup>^</sup>	PRC	Registered capital of RMB80,000,000	–	75%	Water supply and water supply infrastructure
Anxiang Silver Dragon <sup>^</sup>	PRC	Registered capital of RMB50,000,000	–	70%	Water supply and water supply infrastructure
Yuanchen Water (i) <sup>*</sup>	PRC	Registered capital of RMB76,581,697	–	65%	Water supply and water supply infrastructure
萍鄉市春雨水業有限公司 (i) <sup>^</sup>	PRC	Registered capital of RMB10,000,000	–	51%	Water supply
Hegang Sanli <sup>^</sup>	PRC	Registered capital of RMB63,488,000	–	55%	Water supply and water supply infrastructure
Longyao Silver Dragon <sup>^</sup>	PRC	Registered capital of RMB55,000,000	–	73%	Water supply and water supply infrastructure
金達環保投資(深圳)有限公司 (i) <sup>#</sup>	PRC	Registered capital of RMB20,000,000	–	100%	Investment holding
Guangdong Xinsheng <sup>#</sup>	PRC	Registered capital of RMB123,890,000	–	100%	Sewage treatment construction
廣東新星美水務有限公司 <sup>^</sup>	PRC	Registered capital of RMB11,890,000	–	100%	Sewage treatment
Tianjin Shisheng <sup>^</sup>	PRC	Registered capital of RMB2,000,000	–	100%	Sewage treatment operation and construction
Tianjin Zhengkun <sup>^</sup>	PRC	Registered capital of RMB2,300,000	–	100%	Sewage treatment operation and construction



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
Tianjin Zhongke <sup>^</sup>	PRC	Registered capital of RMB1,000,000	–	100%	Sewage treatment operation and construction
Handan Fengfeng Jinsheng <sup>^</sup>	PRC	Registered capital of RMB1,000,000	–	100%	Sewage treatment operation and construction
Handan Chengsheng <sup>^</sup>	PRC	Registered capital of RMB21,000,000	–	65.68%	Sewage treatment operation and construction
邯鄲市峰峰礦區世晟中水 處理有限公司 (i) <sup>^</sup>	PRC	Registered capital of RMB6,000,000	–	100%	Sewage treatment
Luyi Xinsheng <sup>^</sup>	PRC	Registered capital of RMB6,000,000	–	100%	Sewage treatment operation and construction
Beijing Tongsheng <sup>^</sup>	PRC	Registered capital of RMB13,000,000	–	68%	Sewage treatment operation and construction
Gaoan Xinsheng (i) <sup>^</sup>	PRC	Registered capital of RMB6,000,000	–	100%	Sewage treatment
鎮平新晟中水環保有限公司 <sup>^</sup>	PRC	Registered capital of RMB6,000,000	–	100%	Sewage treatment
Huizhou Silver Dragon (i) <sup>^</sup>	PRC	Registered capital of RMB1,000,000	–	70%	Sewage treatment
惠州大亞灣清源環保 有限公司 (i) <sup>^</sup>	PRC	Registered capital of RMB15,000,000	–	70%	Sewage treatment
深圳市金信安水務集團 有限公司 (i) <sup>#</sup>	PRC	Registered capital of RMB400,000,000	–	100%	Water supply and sewage treatment
深圳市大通市政工程 有限公司 (i) <sup>^</sup>	PRC	Registered capital of RMB6,000,000	–	100%	Water supply infrastructure





## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
深圳市大通水務有限公司 (i)^	PRC	Registered capital of RMB30,000,000	–	100%	Drainage operation and construction
常州市大通水務有限公司 (i)^	PRC	Registered capital of RMB5,000,000	–	100%	Sewage treatment operation and construction
深圳市大工業區水務有限公司 (i)^	PRC	Registered capital of RMB45,500,000	–	56.04%	Water supply, water supply infrastructure, drainage operation and construction
Baoji Goldtrust (i)^	PRC	Registered capital of RMB42,680,000	–	100%	Water supply and water supply infrastructure
Baoji Chencang (i)^	PRC	Registered capital of RMB12,000,000	–	100%	Water supply and water supply infrastructure
寶雞市大通水務有限公司 (i)^	PRC	Registered capital of RMB5,000,000	–	100%	Water supply and water supply infrastructure
昌邑鵬昊自來水有限公司 (i)*	PRC	Registered capital of USD3,150,000	–	70%	Water supply and water supply infrastructure
青島鵬昊水務有限公司 (i)*	PRC	Registered capital of HK\$18,300,000	–	70%	Water supply
河源市水業集團發展有限公司 (i)^	PRC	Registered capital of RMB100,000,000	–	62.66%	Water supply and water supply infrastructure
河源市水業安裝工程有限公司 (i)^	PRC	Registered capital of RMB5,000,000	–	100%	Water supply infrastructure
河源市新豐江天然淨水有限公司 (i)^	PRC	Registered capital of RMB8,920,000	–	60.03%	Water supply
廣州市深水大通水務有限公司 (i)*	PRC	Registered capital of RMB3,000,000	–	70%	Water supply



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (a) General information of 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	
武漢盛博科技有限公司 (i)*	PRC	Registered capital of RMB10,000,000	–	91.75%	Water supply infrastructure
Henan Guoyuan (i)^	PRC	Registered capital of RMB300,000,000	–	90%	Investment, construction and operation of water conservation and hydropower related projects
河南三元市政有限公司 (i)^	PRC	Registered capital of RMB10,000,000	–	90%	Water supply infrastructure
武陟國源水務有限公司 (i)^	PRC	Registered capital of RMB30,000,000	–	90%	Water supply and water supply infrastructure
平頂山石龍區國源水務有限公司 (i)^	PRC	Registered capital of RMB25,000,000	–	54%	Water supply and water supply infrastructure
葉縣國源水務有限公司 (i)^	PRC	Registered capital of RMB15,000,000	–	90%	Water supply and water supply infrastructure

\* registered as Sino-foreign joint ventures under the PRC law

# registered as wholly-owned enterprises under the PRC law

^ registered as a limited liability company under the PRC law

(i) acquired/incorporated/established/injected during the year ended 31 March 2016

(ii) accounted for as subsidiaries of the Group because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

The financial statements of the Company's subsidiaries are audited by BDO Limited for statutory purpose or Group consolidation purpose.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, 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, result in particulars of excessive length.



# Notes to the Financial Statements

For the year ended 31 March 2016

## 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

### (b) Material non-controlling interest

	Xinyu Water		Jingzhou Water		Jianghe Water		Jian Water		Pingxiang Water		Xinyu Development	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>As at 31 March</b>												
Non-controlling interests												
percentage	40%	40%	49%	49%	60%	60%	30%	30%	49%	49%	36.37%	36.37%
Current assets	775,276	481,839	200,952	219,447	308,359	834,412	232,498	199,906	205,513	179,018	1,153,420	1,266,488
Non-current assets	880,084	848,654	873,775	858,529	763,719	110,150	592,508	434,569	432,353	398,304	91,253	91,249
Current liabilities	(931,345)	(572,085)	(200,674)	(278,401)	(452,423)	(413,342)	(270,191)	(137,704)	(67,355)	(104,045)	(632,500)	(735,292)
Non-current liabilities	(160,370)	(230,909)	(55,790)	(52,254)	(183,690)	(125,451)	(106,891)	(129,812)	(135,556)	(76,250)	(98,500)	(100,962)
Net assets	563,645	527,499	818,263	747,321	435,965	405,769	447,924	366,959	434,955	397,027	513,673	521,483
Carrying amount of non-controlling interests	225,458	211,000	400,949	366,187	261,579	243,461	134,377	110,088	213,128	194,543	186,823	189,663
<b>For the year ended 31 March</b>												
Revenue	104,529	131,921	128,798	125,830	302,549	276,436	110,439	92,570	72,139	57,798	-	-
Profit	104,280	124,350	97,020	61,862	80,396	85,387	92,771	50,861	33,372	34,844	2,730	22,901
Other comprehensive income	(7,768)	(1,911)	(15,102)	(7,197)	(9,897)	(4,578)	(8,146)	(3,498)	(8,741)	(4,424)	(10,540)	(5,180)
Total comprehensive income	96,512	122,439	81,918	54,665	70,499	80,809	84,625	47,363	24,631	30,420	(7,810)	17,721
Profit allocated to non-controlling interests	41,712	49,740	47,540	30,312	48,238	51,232	27,831	15,258	16,352	17,074	992	8,329
Dividends paid to non-controlling interests	24,146	24,750	5,378	4,900	24,232	24,750	1,098	-	2,450	4,165	-	-
<b>For the year ended 31 March</b>												
Cash flows from operating activities	417,351	38,134	13,181	27,475	285,592	157,085	77,212	30,932	(26,400)	50,786	2,044	(8,012)
Cash flows from investing activities	33,833	60,813	4,242	27,766	(10,576)	6,444	(62,907)	1,005	(7,173)	(12,973)	9,448	56,141
Cash flows from financing activities	(210,259)	(37,337)	(16,017)	(63,256)	(83,799)	(199,488)	(27,536)	(21,004)	41,908	(29,662)	(25,200)	(33,063)
Net cash inflows/(outflows)	240,925	61,610	1,406	(8,015)	191,217	(35,959)	(13,231)	10,933	8,335	8,151	(13,708)	15,066



## Notes to the Financial Statements

For the year ended 31 March 2016

### 49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

#### (b) Material non-controlling interest (Continued)

	Huizhou Water		Huizhou Daya Bay Water		Heyuan Water*		Gaoan Water		Yifeng Water		Changsha Guarantee	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000	
<b>As at 31 March</b>												
Non-controlling interests percentage	30%	30%	40.22%	40.22%	37.33%	40.00%	40.00%	45.00%	45.00%	50.50%	50.50%	
Current assets	200,746	319,215	607,404	616,749	43,517	234,414	200,672	66,738	66,788	172,797	151,670	
Non-current assets	317,750	318,743	632,043	628,927	148,055	348,339	294,737	145,782	123,549	1,988	10,064	
Current liabilities	(146,095)	(219,779)	(310,838)	(317,498)	(37,898)	(254,343)	(198,489)	(71,544)	(55,369)	(27,876)	(12,143)	
Non-current liabilities	(204,352)	(262,565)	(466,150)	(514,241)	(1,372)	(102,472)	(85,442)	(31,938)	(33,750)	-	-	
Net assets	168,049	155,614	462,459	413,937	152,302	225,938	211,478	109,038	101,218	146,909	149,591	
Carrying amount of non-controlling interests	50,415	46,684	186,001	166,485	56,854	90,375	84,592	49,067	45,548	74,189	75,543	
<b>For the year ended 31 March</b>												
Revenue	118,241	118,211	198,595	165,484	37,638	108,908	97,088	49,859	46,778	14,645	29,344	
Profit/(loss)	20,836	20,207	58,518	(496)	9,404	43,517	52,058	22,363	16,130	36,469	22,305	
Other comprehensive income	3,794	2,114	(9,997)	(5,194)	(3,305)	(4,668)	(2,044)	(2,469)	(1,196)	(3,633)	(1,631)	
Total comprehensive income	24,630	22,321	48,521	(5,690)	6,099	38,849	50,014	19,894	14,934	32,836	20,674	
Profit allocated to non-controlling interests	6,251	6,062	23,536	(200)	3,511	17,407	20,823	10,063	7,258	18,417	11,264	
Dividends paid to non-controlling interests	3,658	2,625	-	-	-	9,756	8,000	5,433	4,219	15,983	701	
<b>For the year ended 31 March</b>												
Cash flows from operating activities	108,862	(225,867)	294,602	(141,231)	14,967	(1,770)	37,751	20,501	20,410	(36,197)	(11,236)	
Cash flows from investing activities	41,982	(17,349)	83,528	(39,954)	(6,762)	(6,647)	(1,770)	(6,443)	967	28,830	(4,778)	
Cash flows from financing activities	(119,760)	236,127	(130,714)	483,186	(5,381)	2,914	(6,647)	(14,262)	(20,173)	(35,518)	(1,488)	
Net cash inflows/(outflows)	31,084	(7,089)	247,416	302,001	2,824	(5,503)	29,334	(204)	1,204	(42,885)	(17,502)	

\* Heyuan Water is a subsidiary of Goldtrust Water Group and was acquired by the Group during the year ended 31 March 2016.



## Particulars Of Properties Held For Investment

For the year ended 31 March 2016

Location	Type	Lot number/ Reference number	Lease term
中國江西省新余市清宜公路以南界水河東側	Commercial/ residential	106	40 years/ 70 years
中國江西省新余市清宜公路以南天仙路東側	Commercial/ residential	107	40 years/ 70 years
中國江西省新余市仙女湖大道北側	Commercial/ residential	204	40 years/ 70 years
中國江西省新余市仙女湖大道南側	Commercial/ residential	205	50 years
中國江西省新余市仙女湖大道南側	Commercial/ residential	206	50 years
中國江西省新余市仙女湖大道南側	Commercial/ residential	207	50 years
重慶市永川區大安工業園區	Industrial	GY01870	Expiring on 30 April 2053
重慶市永川區大安工業園區	Industrial	GY02406	Expiring on 27 June 2050
重慶市永川區大安工業園區	Industrial	GY02695	Expiring on 30 April 2053
北京市宣武區南綫閣街68號	Residential	N/A	Expiring on 29 December 2076
北京市宣武區南綫閣街60號	Industrial	N/A	Expiring on 11 June 2058

Note: Insignificant properties held for investment are not included.





## Particulars Of Properties Held Under Development

For the year ended 31 March 2016

Location	Interest attributable to the Group in percentage	Floor area on completion in sq. m. (approx.)	Type of development	Expected year of completion	Stage of completion
荊州市江津東路與三灣路交匯處	51%	24,000	Residential	2016	Construction in progress
寧鄉縣玉潭鎮新城社區	90%	39,000	Commercial/ residential	2018	Construction in progress
江西省新余市仙女湖體育公園環湖路北側	63.63%	270,000	Commercial	2018	Construction in progress

Note: Insignificant properties held under development are not included.



## Financial Summary

### RESULTS

	Year ended 31 March				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
<b>Revenue</b>	<b>4,032,912</b>	2,858,624	2,746,583	2,250,675	1,896,944
<b>Profit before income tax</b>	<b>1,307,833</b>	1,021,377	787,643	764,478	687,116
<b>Income tax expense</b>	<b>(304,867)</b>	(317,031)	(230,092)	(238,939)	(154,647)
<b>Profit for the year</b>	<b>1,002,966</b>	704,346	557,551	525,539	532,469
<b>Attributable to:</b>					
Owners of the Company	<b>551,758</b>	370,858	281,295	285,809	315,280
Non-controlling interests	<b>451,208</b>	333,488	276,256	239,730	217,189
	<b>1,002,966</b>	704,346	557,551	525,539	532,469

### ASSETS AND LIABILITIES

	At 31 March				
	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Total assets	<b>18,871,218</b>	15,102,349	13,506,882	11,649,923	10,678,668
Total liabilities	<b>(11,283,834)</b>	(8,666,208)	(7,810,754)	(6,455,990)	(5,637,227)
Non-controlling interests	<b>(2,983,260)</b>	(2,512,715)	(2,165,697)	(1,810,733)	(1,794,072)
Equity attributable to owners of the Company	<b>4,604,124</b>	3,923,426	3,530,431	3,383,200	3,247,369