



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

Stock code : 855

Annual Report 2019



* 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

Non-executive

Mr. Zhao Hai Hu

Mr. Zhou Wen Zhi

Mr. Makoto Inoue

Ms. Wang Xiaoqin

Independent Non-executive

Mr. Chau Kam Wing

Mr. Ong King Keung

Mr. Siu Chi Ming

Ms. Ho Ping

AUDIT COMMITTEE

Mr. Chau Kam Wing (*Chairman of committee*)

Mr. Ong King Keung

Mr. Siu Chi Ming

Ms. Ho Ping

REMUNERATION COMMITTEE

Mr. Chau Kam Wing (*Chairman of committee*)

Mr. Ong King Keung

Mr. Siu Chi Ming

Ms. Ho Ping

NOMINATION COMMITTEE

Mr. Duan Chuan Liang (*Chairman of committee*)

Mr. Chau Kam Wing

Mr. Siu Chi Ming

Ms. Ho Ping

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

PricewaterhouseCoopers

PRINCIPAL BANKER

Bank of Communications

China Merchants Bank

Asian Development Bank

Australia and New Zealand Banking Group Limited

Far Eastern International Bank

WEBSITE

<http://www.chinawatergroup.com>

STOCK CODE

855

Corporate Information

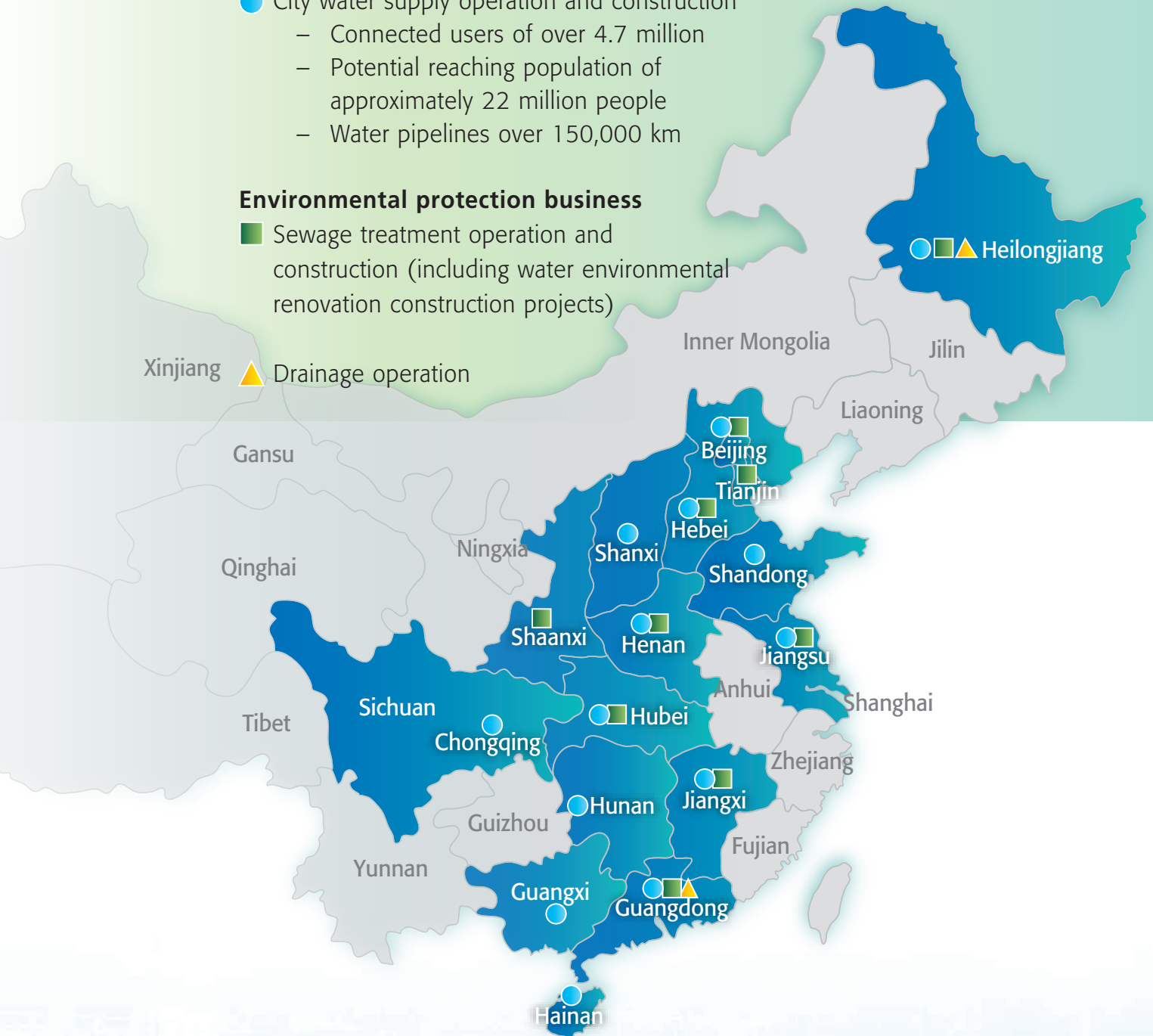
Water supply business

- City water supply operation and construction
 - Connected users of over 4.7 million
 - Potential reaching population of approximately 22 million people
 - Water pipelines over 150,000 km

Environmental protection business

- Sewage treatment operation and construction (including water environmental renovation construction projects)

▲ Drainage operation



Financial Highlights

	2019 HK\$'000	2018 HK\$'000	Change
RESULTS HIGHLIGHTS			
Revenue	8,302,211	7,580,176	9.5%
Gross profit	3,463,839	3,270,636	5.9%
Profit for the year	2,130,283	1,761,524	20.9%
Profit for the year attributable to owners of the Company	1,369,235	1,140,518	20.1%
Basic earnings per share (HK cents)	85.10	72.62	17.2%
Diluted earnings per share (HK cents)	85.10	71.82	18.5%
Total dividend per share (HK cents)	28	23	21.7%
– Interim dividend (HK cents)	12	8	50.0%
– Final dividend (HK cents)	16	15	6.7%

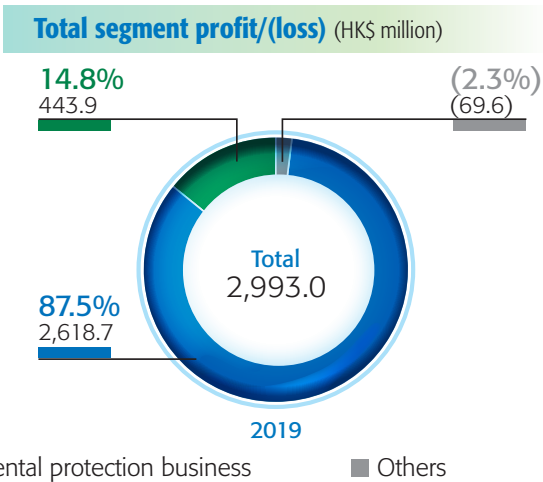
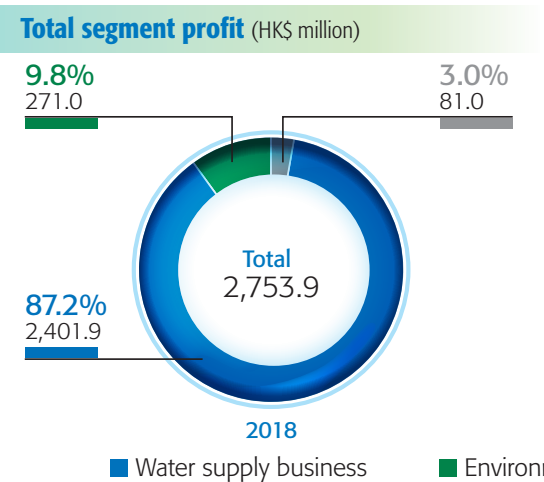
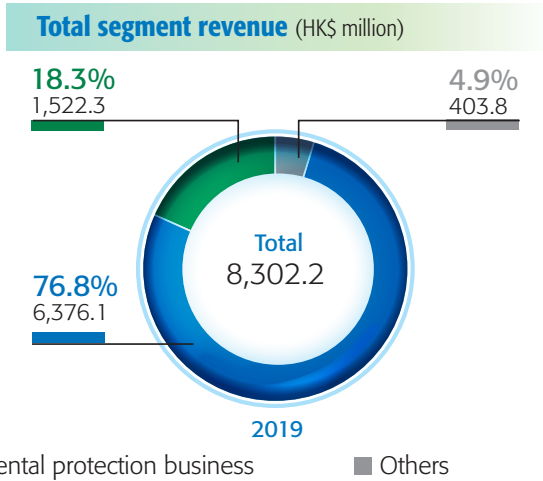
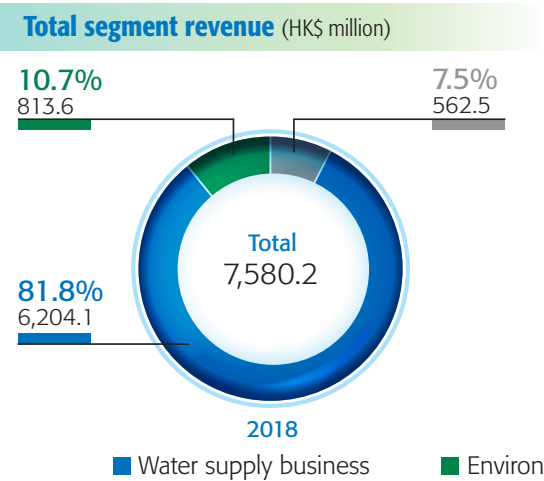
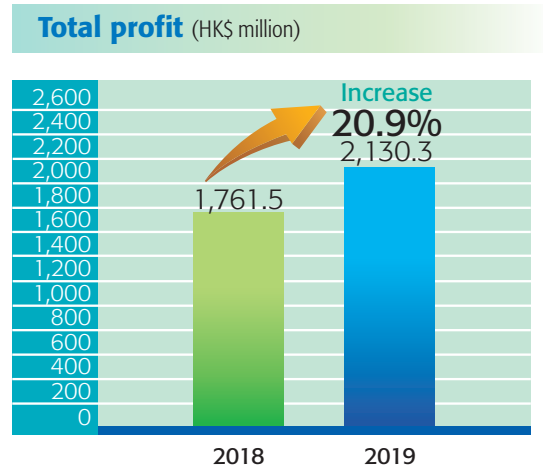
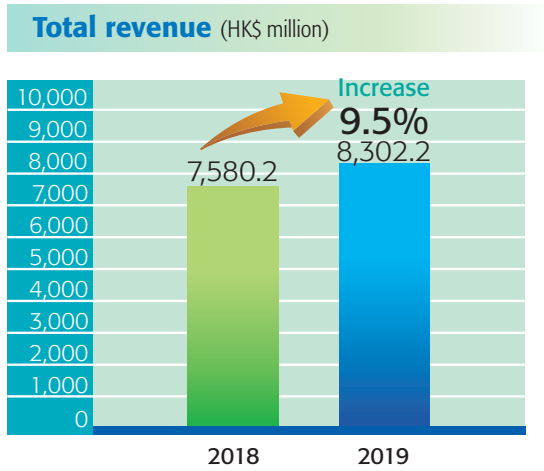
	2019 HK\$'000	2018 HK\$'000	Change
BALANCE SHEET HIGHLIGHTS AND RATIOS			
Total assets	35,824,636	28,589,287	25.3%
Total liabilities	22,922,166	17,434,878	31.5%
Net assets	12,902,470	11,154,409	15.7%
Net assets per share ¹	4.95	4.46	11.0%
Current ratio	1.13	1.04	
Gearing ratio ²	64.0%	61.0%	

¹ Net assets per share = Equity attributable to owners of the Company / Ordinary shares in issue at year end

² Gearing ratio = Total liabilities / Total assets

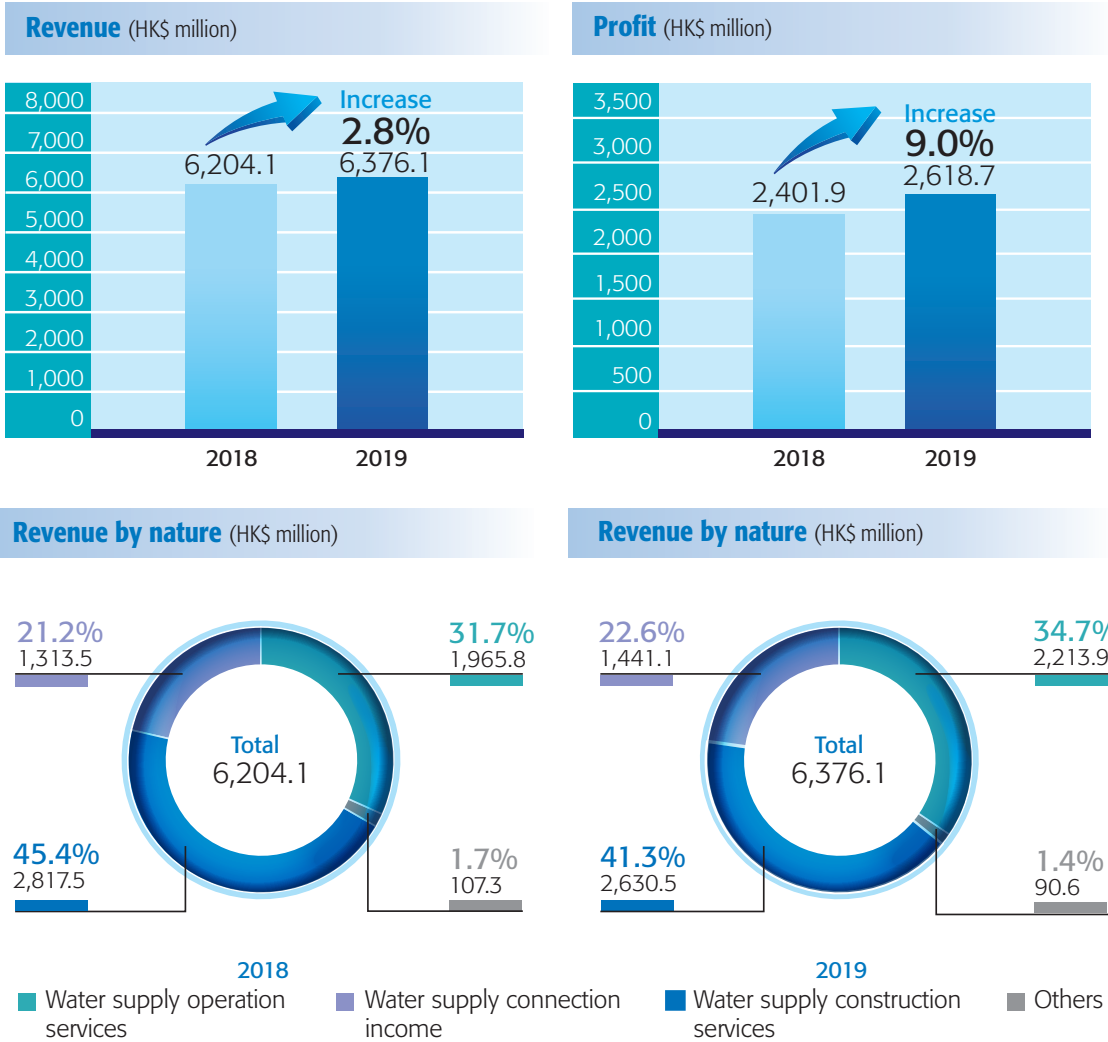
Financial Highlights

The Group's total revenue and profit for the year



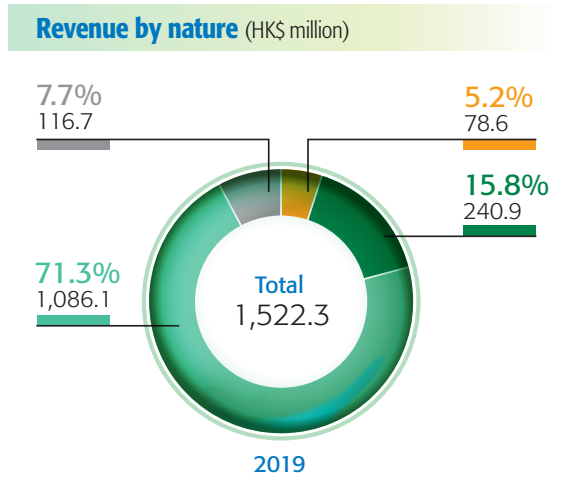
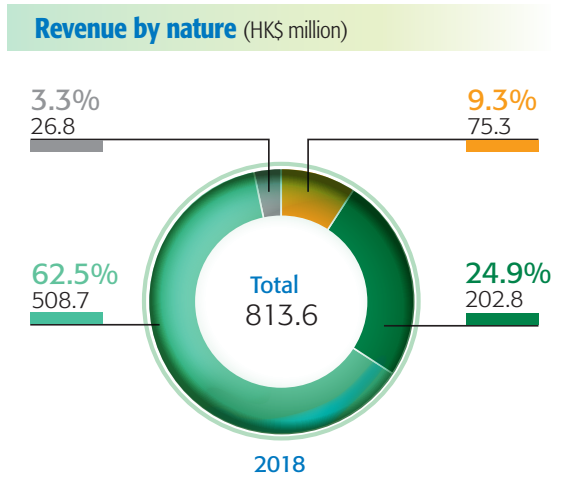
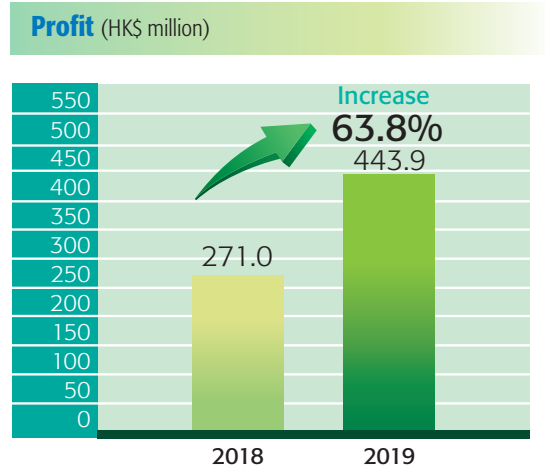
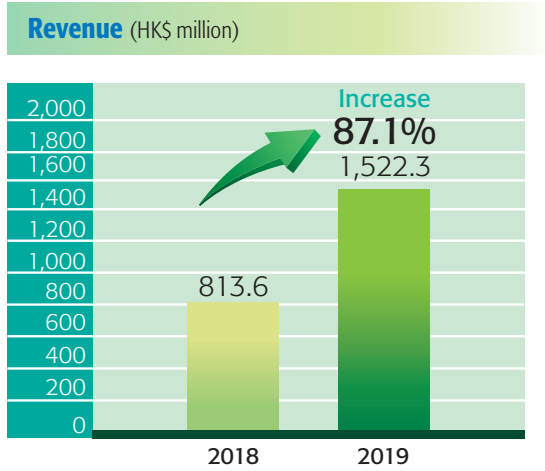
Financial Highlights

1. Water Supply Business Analysis



Financial Highlights

2. Environmental Protection Business Analysis



- Sewage treatment operation services
- Drainage operation services
- Sewage treatment and water environmental renovation construction services
- Others

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 2019.

FINANCIAL PERFORMANCE

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 steady growth in its core businesses of "City water supply operation and construction" and "Environmental protection" segments for the year ended 31 March 2019. The combined revenue from "City water supply operation and construction" and "Environmental protection" segments amounted to HK\$7,898.5 million (2018: HK\$7,017.7 million), representing a steady increase of 12.6% as compared with the last corresponding year. The relevant combined segment profit amounted to HK\$3,062.6 million (2018: HK\$2,672.8 million), representing a steady increase of 14.6% as compared with the last corresponding year.

For the overall result of the year ended 31 March 2019, the Group recorded a revenue of HK\$8,302.2 million, representing a steady increase of 9.5% from HK\$7,580.2 million in last year. The Group recorded a gross profit of HK\$3,463.8 million, representing a steady increase of 5.9% from HK\$3,270.6 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\$1,369.2 million, representing a steady increase of 20.1% from HK\$1,140.5 million in last year. The basic earnings per share increased steadily by 17.2% to HK85.10 cents in current year.

DIVIDENDS

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 HK16 cents per share. Together with the interim dividend of HK12 cents per share, the total dividends for the year will be HK28 cents (2018: an interim dividend of HK8 cents and a final dividend of HK15 cents amounting to a total of HK23 cents) per ordinary share.

BUSINESS

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, water environmental renovation 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 environmental protection businesses, serving potential population of approximately 22 million people in over 60 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.

APPRECIATION

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\$7,580.2 million for the year ended 31 March 2018 to HK\$8,302.2 million for the year ended 31 March 2019, representing a steady increase of 9.5%. The Group continued its strategy to focus on core business. For the year under review, the Group recorded a steady growth in its "City water supply operation and construction" and "Environment protection" segments. The total revenue attributable to the "City water supply operation and construction" and "Environment protection" segments increased from HK\$7,017.7 million to HK\$7,898.5 million. This represented a steady and continuous growth of segments revenue by 12.6%, which was mainly attributable to the successful strategy of the Group through procurement of more construction and connection 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

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 segment amounted to HK\$6,376.1 million (2018: HK\$6,204.1 million), representing a steady increase of 2.8% as compared with the last corresponding year. The water supply segment profit (including city water supply, water related connection works and construction services) amounted to HK\$2,618.7 million (2018: HK\$2,401.9 million), representing a steady increase of 9.0% as compared with the last corresponding year. This was mainly because of increase in volume of water sold, procurement of more construction and connection 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 new water projects during the year.

(ii) Environmental Protection Business Analysis

Environmental protection 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, Shaanxi and Heilongjiang.

For the year under review, the revenue from environmental protection segment amounted to HK\$1,522.3 million (2018: HK\$813.6 million), representing a significant increase of 87.1% as compared with the last corresponding year. The environmental protection segment profit (including sewage treatment and drainage operating and construction, solid waste and hazardous waste business, environmental sanitation and water environment management) amounted to HK\$443.9 million (2018: HK\$271.0 million), representing a significant increase of 63.8% as compared with the last corresponding year. This was mainly because of upgrade of facilities for higher operating standard and procurement of more water environmental renovation construction services.

Chairman's Statement

(iii) Property Business Analysis

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

For the year under review, the revenue from the property business segment amounted to HK\$291.0 million (2018: HK\$478.7 million). The total property business segment loss amounted to HK\$78.7 million (2018: segment profit amounted to HK\$88.9 million). This was mainly due to the decrease in sales of property projects with high gross profit margin in current year.

For the year under review, the Group recorded a gain on disposal of subsidiaries amounted to HK\$117.8 million, which was mainly because of the disposal of the non-core investments including the entire interests in 新余市仙女湖游船有限責任公司 and 新余市仙女湖聖祥發展有限責任公司, and 55% equity interest in 江西仙女湖旅游股份有限公司.

For the corresponding year under review, the Group disposed of the entire interest in 長沙意峰房地產開發有限公司 and recorded a gain on disposal of a subsidiary amounted to HK\$23.9 million. The Group also disposed of the remaining interest in China City Infrastructure Group Limited, whose ordinary shares are listed on the mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 2349), resulting in a loss of HK\$3.7 million.

The Group considered that realisation of the above non-core investments at a gain can provide resources to the Group in developing water supply and environmental protection related businesses in China.

PROSPECTS

Recently, trade frictions between the United States and China have become more and more intense, bringing uncertainties to the future development of the world economy, and slowing down the economy growth of both China and the world. Nevertheless, as one of the public utilities, the income and cash flow of water business have a high degree of certainty. Especially in China's water market, in order to adapt to the healthy and rapid development of urbanisation of the country, water supply facilities are facing the urgent needs of upgrading and expansion. Emergence of the environmental-friendly reclaimed water market is also around the corner, and the market demand shall be enormous. As to the national macro-policies, the Ministry of Finance has just released the "Opinions on Promoting the Normative Development of Public-Private Partnership" in March this year, which substantially enhanced the support for policies regarding private enterprises participating in public services, and opened up a rare opportunity for the development of the Group's business. Thanks to the Group's long-term strategic deployment and hard work, with adaption to the integration and development of the infrastructure in Guangdong-Hong Kong-Macao Greater Bay Area, a solid foundation has been laid for the healthy and rapid development of the Group's water business.

Looking forward, the Group shall fully grasp the direction of development of the industry and market opportunities, continue to adopt the model of cooperation between government and private capital actively encouraged by the government, develop its business in the fields of infrastructure and public services, deepen cooperation with local governments, and jointly enhance comprehensive services in urban water supply and water industry chain as well as the efficiency and quality of its all-round services. Supported by the trust we earned from the government and users in the water industry throughout the years, as well as our experience, we are well prepared to leverage on the Group's existing urban coverage, business foundation and advantages, focusing on the two development cores, namely urban-rural water supply integration and supply-drainage integration, and we shall expand the scale of our core business as well as optimising our portfolio and resource allocation, deepening business expansion within our service areas, accelerating our development and mergers and acquisitions in the water market and improve our business planning. We shall also accelerate the development of secondary water supply and direct drinking water business and improve the construction of smart pipeline network system, with an aim of enhancing our core competitiveness, providing better services to the society and people, and creating higher returns for our shareholders.

Chairman's Statement

MAJOR ACQUISITIONS AND DISPOSALS

Details of the Group's acquisitions and disposals during the year ended 31 March 2019 are set out in notes 42 and 43 to the consolidated financial statements respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group has total cash and cash equivalents and pledged deposits of approximately HK\$4,617.8 million (2018: HK\$3,081.0 million). The gearing ratio, calculated as a percentage of total liabilities to total assets, is 64.0% (2018: 61.0%) as at 31 March 2019. The current ratio is 1.13 times (2018: 1.04 times) as at 31 March 2019. 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 2019, the Group has employed approximately 8,300 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 experience and 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 consolidated financial statements. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. 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 2019 were as follows:

- (a) pledge of water and sewage treatment revenue of certain subsidiaries;
- (b) charges over shares of certain subsidiaries of the Group;
- (c) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2019 was HK\$798,255,000 (2018: HK\$674,448,000);
- (d) charges over prepaid land lease payments in which their aggregate carrying amount as at 31 March 2019 was HK\$336,809,000 (2018: HK\$358,110,000);
- (e) charges over investment properties in which their aggregate carrying amount as at 31 March 2019 was HK\$315,176,000 (2018: HK\$446,220,000);
- (f) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2019 was HK\$933,356,000 (2018: HK\$849,289,000);
- (g) charges over the properties under development in which their aggregate carrying amount as at 31 March 2019 was HK\$Nil (2018: HK\$63,435,000);

Chairman's Statement

- (h) charges over the properties held for sale in which their aggregate carrying amount as at 31 March 2019 was HK\$Nil (2018: HK\$5,102,000);
- (i) charges over the financial assets at fair value through other comprehensive income and available-for-sale financial assets in which their aggregate carrying amounts as at 31 March 2019 were HK\$235,294,000 and HK\$Nil respectively (2018: HK\$Nil and HK\$131,311,000); and
- (j) charges over the Group's bank deposits in amount of HK\$644,524,000 as at 31 March 2019 (2018: HK\$569,614,000).

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: 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 2019

Directors' and Senior Management Biographical Details

DIRECTORS

Executive Directors

Mr. Duan Chuan Liang, aged 56, 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 43, has over 15 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 54, 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 (stock code: 436) and Kangda International Environmental Company Limited (stock code: 6136), and an independent non-executive director of Zhongyu Gas Holdings Limited (stock code: 3633), which are listed on the main board of the Stock Exchange. She joined the Group in 2014.

Mr. Li Zhong, aged 50, 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 national 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 deputy president of China Environmental Chamber of Commerce, a member of the Standing Committee of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference, and the honorary chairman of the Hong Kong Volunteers Association. Mr. Li is also the co-chairman and executive director of Kangda International Environmental Company Limited, which is listed on the main board of the Stock Exchange (stock code: 6136). He joined the Group in 2015.

Non-executive Directors

Mr. Zhao Hai Hu, aged 64, 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 78, 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 66, 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. He was also the non-executive director of Haichang Ocean Park Holdings Ltd. (stock code: 2255), a company listed on the main board of the Stock Exchange. He joined the Group in 2012.

Ms. Wang Xiaoqin, aged 46, 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

Mr. Chau Kam Wing, aged 56, 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), an independent non-executive director of Carpenter Tan Holdings Limited (stock code: 837), Ching Lee Holdings Limited (stock code: 3728) and Kangda International Environmental Company Limited (stock code: 6136), which are listed on the main board of the Stock Exchange. Mr. Chau is also an independent non-executive director of Eco-Tek Holdings Limited (stock code: 8169), and was an independent non-executive director of Zhejiang Chang'an Renheng Technology Co., Ltd. (stock code: 8139) from 8 May 2014 to 11 May 2019, which are both 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.

Mr. Ong King Keung, aged 43, is the company secretary of a company whose shares are listed on the main board of the Stock Exchange. He has over 18 years of experience in the auditing and accounting industry. 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 been a fellow member of the Association of Chartered Certified Accountants since October 2007 and a fellow member of the Hong Kong Institute of Certified Public Accountants since June 2010. Mr. Ong is currently an independent non-executive director of one company listed on the main board and two companies listed on the GEM of the Stock Exchange, namely Risecomm Group Holdings Limited (stock code: 1679), Bingo Group Holdings Limited (stock code: 8220) and My Heart Bodibra Group Limited (stock code: 8297). Mr. Ong had also been an independent non-executive director of Deson Construction International Holdings Limited (stock code: 8268), which is the company listed on the GEM of the Stock Exchange, since December 2014 and has been subsequently redesignated as a non-executive director since December 2015. Mr. Ong was also an independent non-executive director of Tech Pro Technology Development Limited (stock code: 3823) from 17 March 2017 to 2 February 2019, which is listed on the main board of the Stock Exchange. Mr. Ong was also an independent non-executive director of China Candy Holdings Limited (stock code: 8182) and Koala Financial Group Limited (stock code: 8226), which are listed on the GEM of the Stock Exchange and resigned in September 2017. He joined the Group in 2007. He is also a member of the audit committee and remuneration committee of the Company.

Directors' and Senior Management Biographical Details

Mr. Siu Chi Ming, aged 38, 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) and an independent non-executive director of Ying Kee Tea House Group Limited (stock code: 8241), which is listed on the GEM of the Stock Exchange. Mr. Siu was a senior manager of a corporate finance division of a licensed corporation registered under Securities and Futures Ordinance (the "SFO") and a licensed person registered under the SFO to carry on type 6 (advising on corporate finance) regulated activities. He has been involved in several corporate finance transactions including mergers and acquisitions, corporate 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.

Ms. Ho Ping, aged 47, graduated from Inner Mongolia Finance and Economics College with a bachelor degree in accounting. She has over 15 years of experience in the securities industry in the PRC and was a senior manager at the investment banking department of China Investment Securities Limited Liability Company. She joined the Group in 2017. She is also a member of the audit committee, remuneration committee and nomination committee of the Company.

SENIOR MANAGEMENT

Mr. Lie Chi Wing, Aston, aged 41, 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. He joined the Group in 2010.

Mr. Liu Yong, aged 49, is the general manager of the Group. Mr. Liu was graduated from the Southeast University with a major in detection technology and instrument of the Department of Automatic Control and obtained an Executive Master of Business Administration from Fudan University. He studied water supply and drainage in the Southeast Jiao Tong University and was awarded the qualification of senior water supply and drainage engineer. He also holds the PRC Certified Asset Appraiser Qualification Certificate. Mr. Liu has over 20 years of senior management experience in water project design, water construction project management and water plant operation in water industry in China. He joined the Group in 2006.

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 2019, 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 7 September 2018 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 2019 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 2019, 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 Mr. Chau Kam Wing, Mr. Ong King Keung, Mr. Siu Chi Ming and Ms. Ho Ping. 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, establish corporate governance and reviews the risk management 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 risk management and 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 the effective oversee of 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*)
 Mr. Ong King Keung
 Mr. Siu Chi Ming
 Ms. Ho Ping

Main functions of the Audit Committee are:

- reviewing the accounting policies and supervising the Company’s financial reporting process;
- ensuring compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.;
- monitoring the performance of both the internal and external auditors;
- assisting the Board to perform its responsibilities of risk management and internal control systems;
- overseeing the Group’s risk management and internal control systems on an ongoing basis;
- reviewing and examining the effectiveness of the Group’s risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- considering major findings on risk management and internal control matters, and reports and makes recommendations to the Board; and
- ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Group’s accounting, internal audit and financial reporting functions.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 March 2019, the Audit Committee held two meetings which included the review of the final results for the year ended 31 March 2018, the interim accounts for the six months ended 30 September 2018 and the risk management and 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*)
 Mr. Ong King Keung
 Mr. Siu Chi Ming
 Ms. Ho Ping

Corporate Governance Report

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 2019, one meeting was held by the Remuneration Committee which reviewed the remuneration packages of the Directors and senior management.

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 15 to the consolidated 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 2019 is set out below:

	Number of Individuals
HK\$2,500,001 – HK\$3,000,000	1
HK\$3,000,001 – HK\$3,500,000	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

Mr. Siu Chi Ming

Ms. Ho Ping

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. Details of the procedure for shareholders to propose a person for election as a Director are outlined in the "Nomination Policy" which is available on the Company's website.

For the year ended 31 March 2019, the Nomination Committee held one meeting 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

Board Diversity Policy

On 28 August 2013, the Nomination Committee adopted the board diversity policy of the Company which sets out the approach to achieve diversity on the Board. The Board recognises the benefits of board diversity and endeavours to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to formulate and implement the Group's business strategies. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' merits and contributions to the Board. The Nomination Committee reviews the board diversity policy, as appropriate, to ensure its effectiveness from time to time. The Company considers that the current Board composition is characterised by diversity, whether considered in terms of gender, professional background and skills.

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 2019 are set out in the following table.

	Meetings attended/(held)				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting
<i>Executive Directors</i>					
Mr. Duan Chuan Liang (<i>Chairman</i>)	4/(4)	N/A	N/A	1/(1)	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	4/(4)	N/A	N/A	N/A	1/(1)
<i>Non-executive Directors</i>					
Mr. Zhao Hai Hu	4/(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	4/(4)	N/A	N/A	N/A	0/(1)
<i>Independent Non-executive Directors</i>					
Mr. Chau Kam Wing	4/(4)	2/(2)	1/(1)	1/(1)	1/(1)
Mr. Ong King Keung	4/(4)	2/(2)	1/(1)	N/A	1/(1)
Mr. Siu Chi Ming	4/(4)	2/(2)	1/(1)	1/(1)	1/(1)
Ms. Ho Ping	4/(4)	2/(2)	1/(1)	1/(1)	0/(1)

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 2019, 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 2019.

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 2019, 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 is the 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 2019.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors are responsible for the preparation of accounts for each financial year 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 year. 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 appropriate 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 pages 35 to 42 of this annual report.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group's risk management framework and the responsibilities of each delegated group within it are as follows:

Board

- determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Audit Committee

- reviews the accounting policies and supervises the Company's financial reporting process;
- ensures compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements.;
- monitors the performance of both the internal and external auditors;
- assists the Board to perform its responsibilities of risk management and internal control systems;
- oversees the Group's risk management and internal control systems on an ongoing basis;
- reviews and examines the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board; and
- ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

Corporate Governance Report

Management

- designs, implements and maintains appropriate and effective risk management and internal control systems;
- identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- monitors risks and takes measures to mitigate risks in day-to-day operations;
- follow up the findings on risk management and internal control matters raised by the internal audit team and take prompt remedial action to improve the systems; and
- provides confirmation to the Board and Audit Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

- reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- reports to the Audit Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

The Group's internal audit function is performed by an internal audit team and it plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Audit Committee. The team conducts internal audit reviews on material internal control systems covering major financial, operational and compliance controls, as well as risk management functions. The internal audit team reports to the Audit Committee on a regular basis and recommends remedial plans to management for any internal control deficiencies identified. The team monitors the implementation of its recommendations by the management and reports the outcome to the Audit Committee.

The Board has reviewed the effectiveness of the Group's risk management and internal control systems and considered them to be effective and adequate during the year under review.

HANDLING INSIDE INFORMATION

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- designated reporting channels from different operations informing any potential inside information to designated departments;
- designated persons and departments to determine further escalation and disclosure as required; and
- designated persons authorised to act as spokespersons and respond to external enquiries.

Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration payable by the Company to its auditor, PricewaterhouseCoopers ("PwC"), for the year ended 31 March 2019 amounted to HK\$7,430,000 (2018: HK\$7,230,000). HK\$50,000 (2018: HK\$248,000) was paid for other non-audit services provided by PwC to the Company and its subsidiaries during the year ended 31 March 2019.

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.

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 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 2019, there had not been any changes in the Company's constitutional documents.

DIVIDEND POLICY

The Company has adopted a dividend policy of distributing to its shareholders all funds surplus to the operating needs of the Group as determined by the Board with a target dividend payout ratio in respect of each financial year of not less than 30% of its basic earnings per share.

The distribution of dividend depends on, among others, the Group's current and future operations, operating results, liquidity position, capital requirements, the interests of the shareholders, dividends received from the Company's subsidiaries and associate companies, and other factors that the Board considered relevant.

Directors' Report

The Directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2019.

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 48 to the consolidated financial statements.

Business review and prospects of the Group are set out on pages 9 to 10.

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 172 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2019 and its financial position at that date are set out in the financial statements on pages 43 to 168. The Directors recommended a final dividend of HK16 cents (2018: HK15 cents) per ordinary share, which is subject to the approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 6 September 2019 and will be payable on or about Friday, 11 October 2019 to the shareholders whose names appear on the register of members on Friday, 13 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Wednesday, 4 September 2019 to Friday, 6 September 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 6 September 2019, 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 Tuesday, 3 September 2019.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Thursday, 12 September 2019 to Friday, 13 September 2019, during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend, 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 Wednesday, 11 September 2019. Subject to the approval by shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be paid on or around Friday, 11 October 2019.

Directors' Report

KEY RISKS AND UNCERTAINTIES

Our Group's financial position, 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. To manage and reduce the risk, (i) responsibility for managing operational risks basically rests with every function at divisional and departmental levels; (ii) key functions in our Group are guided by their standard operating procedures and management system; (iii) our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken; and (iv) our internal audit team will review the adequacy and effectiveness of the Group's risk management and internal control systems regularly.

(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. To reduce the risk, (i) the Group pays attention and monitor closely to ensure the compliance of the terms and conditions of the loan agreements; and (ii) actively monitors cash flows and ensure sufficient cash level is in place to meet operation needs and commitment.

(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, (i) the Group pays close attention to the relevant regulatory and legislative developments of the markets it operates; and (ii) actively monitors and consults with external advisers and regulators of the markets on changes which could impact on our businesses.

Directors' Report

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group takes energy saving and consumption reduction as a fundamental management task, which will be applied across the Group in the course of production, operation and management. For example:

The Group takes a prudent approach regarding the site selection of water plants

Upon site selection of water plants, we prioritise sites that enable gravity flow water distribution to minimise power consumption in water intake and water distribution.

The Group carries out process upgrade

The Group gradually carries out reconstruction or upgrade of water plants that have been operating for long years with obsolete process, and introduces a large number of new processes and energy efficient equipment.

The Group reduces pipeline leakage and enhance water supply efficiency

Through upgrade and renovation of pipeline network and establishment of appraisal and incentive system to reduce pipeline leakage, the Group maximises the economic benefit of energy consumption.

The Group increases the use of clean energy

The Group makes use of the open space in certain plants and rooftop of the buildings for the installation of solar panels to reduce power consumption.

In addition, the Group regards emission reduction and compliance as one of the key areas in fulfilling its environmental protection responsibilities and endeavours to raise the awareness on environmental protection through publicity and guidance among its employees and reduce the impacts of emissions on the environment by strengthening technology and management tools.

The Group has in place special standards for management of general wastes that have a smaller impact on the environment and human health, and has a comprehensive set of management processes and operational procedures regarding the identification, discharge and regulation of wastes to ensure compliance with waste emission. With respect to the hazardous wastes produced in the industrial sewage treatment plants, qualified professional companies are engaged to deal with them.

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 16 and 18 to the consolidated financial statements respectively. Further details of the Group's investment properties are set out on page 169.

Directors' Report

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 39 and 40 to the consolidated financial statements, respectively.

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 purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2019.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in notes 47 and 41 to the consolidated 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 47 to the consolidated financial statements. The Company's reserves available for distribution to members at 31 March 2019 amounted to HK\$680,987,000 (2018: HK\$255,927,000) which comprised contributed surplus of HK\$661,918,000 (2018: HK\$117,217,000) and retained earnings of HK\$19,069,000 (2018: HK\$138,710,000).

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

Non-executive Directors

Mr. Zhao Hai Hu
Mr. Zhou Wen Zhi
Mr. Makoto Inoue
Ms. Wang Xiaoqin

Independent Non-executive Directors

Mr. Chau Kam Wing
Mr. Ong King Keung
Mr. Siu Chi Ming
Ms. Ho Ping

In accordance with the Company's Bye-laws, Ms. Ding Bin, Mr. Zhao Hai Hu, 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.

The biographical details of Directors and senior management are set out on pages 13 to 15.

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2019, except for Mr. Li Zhong who entered into service contract with the Company with no fixed term of period, none of the Directors has entered into any service contracts with the Company or any other member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed elsewhere in the financial statements, no Director or his/her connected party had a material interest, either direct or indirect, in any transactions, arrangements and contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Report

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 interest 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' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2019, 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:

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	469,120,301	–	29.16%
Ms. Ding Bin	Personal	5,500,000	–	0.34%
Ms. Liu Yu Jie	Personal	11,354,000	–	0.71%
Mr. Li Zhong (Note (ii))	Personal	37,527,457	–	2.33%
Mr. Zhao Hai Hu	Personal	4,306,000	–	0.27%
Mr. Zhou Wen Zhi	Personal	870,000	–	0.05%
Ms. Wang Xiaoqin	Personal	8,660,000	–	0.54%
Ms. Ho Ping	Personal	978,000	–	0.06%

Notes:

- (i) These 469,120,301 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 251,076,000 shares held by Mr. Duan Chuan Liang personally.
- (ii) These 37,527,457 shares consist of 8,320,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.

Directors' Report

SHARE OPTION SCHEME

The Company adopted the share option scheme on 7 September 2012. Details of the Company's share option scheme are set out in note 40 to the consolidated financial statements. As at 31 March 2019, none of the Directors of the Company had been granted options to subscribe for shares in the capital of the Company under the share option scheme.

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 40 to the consolidated financial statements.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31 March 2019, 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	Beneficial	469,120,301	-	-	29.16%	-	-
Asset Full Resources Limited (note)	Beneficial	218,044,301	-	-	13.55%	-	-
ORIX Corporation	Beneficial	291,170,277	-	-	18.10%	-	-

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

Save as disclosed above, as at 31 March 2019, 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.

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 2019.

Directors' Report

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transactions:

(a) Subscription of equity interest in a subsidiary

On 21 June 2018, the Group and certain subscribers entered into the subscription agreements pursuant to which the subscribers agreed to subscribe for an aggregate of approximately 4.39% equity interest in Gold Tact Environmental Investment (Shenzhen) Co. Ltd. ("Gold Tact"), a company incorporated in the PRC with limited liability and a wholly owned subsidiary of the Company, at the total subscription price of approximately RMB138 million (the "Subscriptions"). Gold Tact and its subsidiaries are principally engaged in sewage treatment and drainage operation and water related construction, solid waste and hazardous waste business, environmental sanitation and water environment management in the PRC.

Mr. Li Zhong, Ms. Liu Yu Jie, Ms. Wang Xiaoqin, being directors of the Company, certain directors of the Company's subsidiaries and various employees/consultant of the Group have equity interests in those subscribers and the Subscriptions constitute connected transactions for the Company accordingly. Since the relevant percentage ratios under the Listing Rules are less than 5%, the Subscriptions are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of which had been disclosed in the Company's announcement dated 21 June 2018.

(b) Formation of a joint venture

On 21 February 2019, the Company, Toray Industries, Inc, ORIX China Investment Corporation ("ORIX China") and Xinyu Silver Dragon Water Equipment Co. Ltd. entered into the joint venture agreement ("JV Agreement") to establish the joint venture company which will be principally engaged in, among others, production and sale of pipeline direct drinking equipment, water purification equipment and other water treatment equipment and services ("JV Company").

The registered capital of the JV Company shall be RMB50 million. The total investment of the JV Company shall be RMB120 million. The Company shall contribute RMB27.5 million in cash towards the registered capital of the JV Company and hold 55% of the equity interest in the JV Company. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. Therefore ORIX CHINA is a connected person of the Company. The JV Agreement constitutes a connected transaction for the Company. Since the relevant percentage ratios under the Listing Rules are less than 5%, the JV Agreement is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of which had been disclosed in the Company's announcement dated 21 February 2019.

Directors' Report

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 45 to the consolidated 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 2019.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant event of the Group took place subsequent to 31 March 2019 are set out in note 49 to the consolidated financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 16 to 24.

AUDITOR

The financial statements of the Company were audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the board

Duan Chuan Liang

Chairman

Hong Kong, 27 June 2019

Independent Auditor's Report



羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED

(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 168, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Accounting for the service concession arrangements
- Impairment assessment of other intangible assets and goodwill

Key Audit Matter

How our audit addressed the Key Audit Matter

1. Accounting for the service concession arrangements

Refer to notes 2.16, 6, 22 and 29 to the consolidated financial statements

- (a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements (“HK(IFRIC) Int. 12”)

The Group entered into a number of service concession arrangements with certain government authorities in the People’s Republic of China (the “PRC”) in respect of its water supply business.

In preparing the consolidated financial statements for the year ended 31 March 2019, management has reassessed these service concession agreements as to whether the conditions under HK(IFRIC) Int. 12 were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int. 12.

Our procedures in relation to management’s accounting for the service concession arrangements included:

- Evaluating whether the service concession arrangements of previously acquired entities continually fulfil the conditions under HK(IFRIC) Int. 12 by inquiring the management and reviewing pertinent board meeting minutes;
- Evaluating whether the service concession arrangements of newly acquired entities fulfil the conditions under HK(IFRIC) Int. 12 by:
 - Reading the concession agreements and other relevant documents of the Group’s water supply business; and
 - Assessing the detailed analysis made by management on the terms of the service concession arrangements, particularly with regard to whether the Group or the grantors control the residual interests in the water supply infrastructures at the end of the service concession period, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter

- (b) Recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure

Revenue from construction services under the terms of the service concession agreements is estimated on a cost-plus basis with reference to a market rate of gross margin at the date of agreement applicable to similar construction services rendered in the PRC.

The market rate of gross margin was determined based on the research and analysis performed by the management, with reference to the gross profit margins of market comparable companies and the management concluded that there was no significant change in the gross profit margin.

We have identified the accounting for service concession arrangements as a key audit matter because of its financial significance to the consolidated financial statements. Determination of appropriate accounting for these service concession arrangements also requires use of significant judgements and estimates from management. Significant effort is required in auditing these areas.

How our audit addressed the Key Audit Matter

- Evaluating the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the disclosure of gross profit margin of the comparable companies; and
- Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements.

Based on the audit procedures performed, we found that the accounting treatments for the service concession arrangements made by management to be acceptable based on the available evidence.

Independent Auditor's Report

Key Audit Matter

2. Impairment assessment of other intangible assets and goodwill

Refer to notes 2.9, 2.10, 21 and 22 to the consolidated financial statements

As at 31 March 2019, the carrying amounts of other intangible assets and goodwill amounted to HK\$15,293.2 million and HK\$1,220.4 million respectively.

Other intangible assets are subject to impairment assessments when there is an indication of impairment. Goodwill is subject to impairment assessment at least annually and when there is an indication of impairment.

The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2019, management considered that no impairment indication existed for the Group's other intangible assets with reference to the financial performance of the respective entities as compare to their business plans. Therefore no impairment assessments were being performed.

The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations. Management determined the recoverable amounts of the cash-generating unit carrying the goodwill based on value-in-use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs and discount rates, etc.

Based on the results of the impairment assessments, management concluded that there was no impairment of the Group's goodwill as at 31 March 2019.

How our audit addressed the Key Audit Matter

We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:

- Obtaining management's analysis of the indications of impairment and understood management's rationale for the analysis; and
- Assessing management's analysis by comparing the financial performance of certain entities against their business plan.

Our procedures in relation to management's impairment assessments of goodwill included:

- Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
 - Comparing the forecast against current year business result to assess if there is any inconsistency in the revenue and costs structure;
 - Evaluating the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
 - Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter

As the assessment of indication of impairment for other intangible assets, and the value-in-use calculations for impairment assessment of goodwill required the use of significant judgements and estimates from management, we considered it as a key audit matter.

How our audit addressed the Key Audit Matter

- Evaluating the reasonableness of the estimated value-in-use calculations and the discount rate applied;
- Checking the mathematical accuracy of the value-in-use calculations;
- Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and
- Evaluating the appropriateness of the disclosures made in the consolidated financial statements.

Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments for goodwill to be supportable by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 June 2019

Consolidated Income Statement

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Revenue	7	8,302,211	7,580,176
Cost of sales		(4,838,372)	(4,309,540)
Gross profit		3,463,839	3,270,636
Other income	7	300,258	248,471
Selling and distribution costs		(191,436)	(175,889)
Administrative expenses		(655,232)	(632,345)
Other operating expenses		(13,067)	(12,363)
Equity-settled share options expenses		–	(592)
Fair value gain on financial assets at fair value through profit or loss		–	181
Change in fair value of derivative financial assets		–	(26,283)
Gain on disposal of subsidiaries, net	43	117,841	19,566
Operating profit	9	3,022,203	2,691,382
Finance costs	10	(319,185)	(289,062)
Share of results of associates		69,041	59,791
Profit before income tax		2,772,059	2,462,111
Income tax expense	11	(641,776)	(700,587)
Profit for the year		2,130,283	1,761,524
Profit for the year attributable to:			
Owners of the Company		1,369,235	1,140,518
Non-controlling interests		761,048	621,006
		2,130,283	1,761,524
Earnings per share for profit attributable to owners of the Company during the year		HK cents	HK cents
Basic		85.10	72.62
Diluted		85.10	71.82

The notes on pages 52 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	2019 HK\$'000	2018 HK\$'000
Profit for the year	2,130,283	1,761,524
Other comprehensive (loss)/income		
<i>Items that have been or may be reclassified subsequently to profit or loss:</i>		
– Change in fair value of available-for-sale financial assets	–	(13,749)
– Currency translation	(473,983)	692,530
– Recycling of currency translation differences upon disposal of subsidiaries	(3,865)	727
– Recycling of reserves upon disposal of available-for-sale financial assets	–	(20,078)
<i>Items that will not be reclassified to profit or loss:</i>		
– Change in fair value of financial assets at fair value through other comprehensive income	60,000	–
Other comprehensive (loss)/income for the year, net of tax	(417,848)	659,430
Total comprehensive income for the year	1,712,435	2,420,954
Total comprehensive income attributable to:		
Owners of the Company	1,080,910	1,617,819
Non-controlling interests	631,525	803,135
	1,712,435	2,420,954

The notes on pages 52 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	2,019,900	1,695,029
Prepaid land lease payments	17	901,423	838,359
Investment properties	18	912,335	909,310
Interests in associates	19	676,035	661,279
Financial assets at fair value through other comprehensive income	20	349,225	–
Available-for-sale financial assets		–	162,747
Goodwill	21	1,220,394	817,161
Other intangible assets	22	15,293,235	12,681,425
Prepayments, deposits and other receivables	23	1,500,105	712,787
Contract assets	24	540,779	–
Receivables under service concession arrangements	29	1,079,365	1,103,229
		24,492,796	19,581,326
Current assets			
Properties under development	25	1,273,890	1,370,202
Properties held for sale	26	816,189	597,341
Inventories	27	530,990	347,638
Contract assets	24	233,484	–
Receivables under service concession arrangements	29	61,967	42,979
Trade and bills receivables	28	1,242,864	1,055,014
Financial assets at fair value through profit or loss	30	489,340	397,159
Due from non-controlling equity holders of subsidiaries	36	288,194	260,479
Due from associates	19	227,416	562,961
Prepayments, deposits and other receivables	23	1,549,667	1,293,184
Pledged deposits	31	644,524	569,614
Cash and cash equivalents	31	3,973,315	2,511,390
		11,331,840	9,007,961
Current liabilities			
Contract liabilities	32	648,134	–
Trade and bills payables	33	2,410,098	1,625,896
Accrued liabilities, deposits received and other payables	34	1,979,082	2,306,224
Due to associates	19	46,093	29,489
Borrowings	35	3,437,483	3,450,300
Due to non-controlling equity holders of subsidiaries	36	219,048	230,417
Provision for tax		1,278,874	1,006,826
		10,018,812	8,649,152
Net current assets		1,313,028	358,809
Total assets less current liabilities		25,805,824	19,940,135

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current liabilities			
Borrowings	35	11,494,131	7,431,752
Contract liabilities	32	273,133	–
Deposits received	34	–	246,633
Due to associates	19	–	1,201
Due to non-controlling equity holders of subsidiaries	36	27,784	77,296
Deferred government grants	37	225,583	156,336
Deferred tax liabilities	38	882,723	872,508
		12,903,354	8,785,726
Net assets		12,902,470	11,154,409
EQUITY			
Equity attributable to owners of the Company			
Share capital	39	16,089	16,089
Reserves	41	7,954,377	7,152,495
		7,970,466	7,168,584
Non-controlling interests		4,932,004	3,985,825
Total equity		12,902,470	11,154,409

The consolidated financial statements on pages 43 to 168 were approved and authorised for issue by the board of directors on 27 June 2019 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

The notes on pages 52 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

Equity attributable to owners of the Company

	Share capital HK\$'000	Proposed final dividend HK\$'000	Share premium account HK\$'000 (note 41)	Capital redemption reserve HK\$'000 (note 41)	Contributed surplus HK\$'000 (note 41)	Exchange fluctuation reserve HK\$'000	Share options reserve HK\$'000 (note 41)	Other reserves HK\$'000 (note 41)	Available-for-sale financial assets revaluation reserve HK\$'000	Statutory reserves HK\$'000 (note 41)	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 April 2017	15,171	242,728	695,182	2,825	498,920	(157,319)	96,216	(343,822)	33,827	317,282	4,214,294	5,615,304	3,347,629	8,962,933
Share options exercised (note 39)	1,157	-	410,593	-	-	-	-	-	-	-	411,750	-	-	411,750
Share repurchase (note 39)	(239)	-	(110,047)	-	-	-	-	-	-	-	(110,286)	-	-	(110,286)
Share repurchase expense	-	-	(535)	-	-	-	-	-	-	-	(535)	-	-	(535)
Arising from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	93,207	93,207
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	17,036	-	-	-	17,036	(17,411)	(375)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(22,730)	(22,730)
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	45,171	45,171
Equity settled share options expenses (note 40)	-	-	-	-	-	-	592	-	-	-	592	-	-	592
Final dividend 2017 (note 13)	-	(242,728)	-	-	(12,296)	-	-	-	-	-	(255,024)	-	-	(255,024)
Interim dividend 2018 (note 13)	-	-	-	-	(128,072)	-	-	-	-	-	(128,072)	-	-	(128,072)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(263,176)	(263,176)
Transactions with owners	918	(242,728)	300,011	-	(140,368)	-	592	17,036	-	-	-	(64,539)	(164,939)	(229,478)
Proposed final dividend 2018 (note 13)	-	241,335	-	-	(241,335)	-	-	-	-	-	-	-	-	-
Transfer to capital redemption reserve (note 41)	-	-	-	239	-	-	-	-	-	-	(239)	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	37,469	(37,469)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,140,518	1,140,518	621,006	1,761,524
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	(13,749)	-	(13,749)	-	-	(13,749)
- Currency translation	-	-	-	-	-	510,401	-	-	-	-	510,401	182,129	-	692,530
- Recycling of currency translation differences upon disposal of subsidiaries	-	-	-	-	-	727	-	-	-	-	727	-	-	727
- Recycling of reserves upon disposal of available-for-sale financial assets	-	-	-	-	-	-	-	-	(20,078)	-	(20,078)	-	-	(20,078)
Total comprehensive income/(loss) for the year	-	-	-	-	-	511,128	-	-	(33,827)	-	1,140,518	1,617,819	803,135	2,420,954
Balance at 31 March 2018	16,089	241,335	995,193	3,064	117,217	353,809	96,808	(326,786)	-	354,751	5,317,104	7,168,584	3,985,825	11,154,409

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

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	Financial assets at fair value through other comprehensive income	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 41)	(note 41)	(note 41)		(note 41)	(note 41)		(note 41)				
Balance at 1 April 2018 (as previously presented)	16,089	241,335	995,193	3,064	117,217	353,809	96,808	(326,786)	-	354,751	5,317,104	7,168,584	3,985,825	11,154,409
Changes in accounting policies – adoption of HKFRS 9 (note 3)	-	-	-	-	-	-	-	-	48,617	-	-	48,617	-	48,617
Balance at 1 April 2018 (as restated)	16,089	241,335	995,193	3,064	117,217	353,809	96,808	(326,786)	48,617	354,751	5,317,104	7,217,201	3,985,825	11,203,026
Share premium reduction	-	-	(995,193)	-	995,193	-	-	-	-	-	-	-	-	-
Arising from acquisition of subsidiaries (note 42)	-	-	-	-	-	-	-	-	-	-	-	-	229,461	229,461
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	-	(33,344)	-	-	-	(33,344)	(36,619)	(69,963)
Disposal of subsidiaries (note 43)	-	-	-	-	-	-	-	-	-	(6,346)	6,346	-	(163,992)	(163,992)
Deemed disposal of subsidiaries	-	-	-	-	-	-	-	140,102	-	-	-	140,102	336,468	476,570
Capital contribution by non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	163,188	163,188
Final dividend 2018 (note 13)	-	(241,335)	-	-	-	-	-	-	-	-	-	(241,335)	-	(241,335)
Interim dividend 2019 (note 13)	-	-	-	-	(193,068)	-	-	-	-	-	-	(193,068)	-	(193,068)
Dividend paid to non-controlling equity holders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(213,852)	(213,852)
Transactions with owners	-	(241,335)	(995,193)	-	802,125	-	-	106,758	-	(6,346)	6,346	(327,645)	314,654	(12,991)
Proposed final dividend 2019 (note 13)	-	257,424	-	-	(257,424)	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	-	-	130,788	(130,788)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	-	1,369,235	1,369,235	761,048	2,130,283
Other comprehensive (loss)/income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
– Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	60,000	-	-	60,000	-	60,000
– Currency translation	-	-	-	-	-	(344,460)	-	-	-	-	-	(344,460)	(129,523)	(473,983)
– Recycling of currency translation differences upon disposal of subsidiaries	-	-	-	-	-	(3,865)	-	-	-	-	-	(3,865)	-	(3,865)
Total comprehensive (loss)/income for the year	-	-	-	-	-	(348,325)	-	-	60,000	-	1,369,235	1,080,910	631,525	1,712,435
Balance at 31 March 2019	16,089	257,424	-	3,064	661,918	5,484	96,808	(220,028)	108,617	479,193	6,561,897	7,970,466	4,932,004	12,902,470

The notes on pages 52 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from operating activities			
Profit before income tax		2,772,059	2,462,111
Adjustments for:			
Finance costs	10	319,185	289,062
Share of results of associates		(69,041)	(59,791)
Interest income	7	(96,487)	(127,941)
Dividend income from financial assets	7	(8,833)	(8,805)
Amortisation of deferred government grants	7	(8,158)	(4,576)
Depreciation	9	57,013	50,221
Amortisation of prepaid land lease payments	9	23,601	20,853
Amortisation of other intangible assets	9	403,901	334,052
Amortisation of capitalised expenses		37,415	34,334
(Gain)/loss on disposal of property, plant and equipment, net	9	(4,874)	102
Gain on disposal of prepaid land lease payments	9	–	(9,283)
Property, plant and equipment written off	9	1,079	1,571
Other intangible assets written off		1,088	2,871
Reversal of provision for doubtful debts	9	–	(183)
Gain on disposal of subsidiaries, net	43	(117,841)	(19,566)
Fair value loss/(gain) on financial assets at fair value through profit or loss		96	(181)
Gain on disposal of available-for-sale financial assets, net		–	(664)
Construction margin for construction and upgrade services in relation to water supply and sewage treatment infrastructure		(281,153)	(299,752)
Equity-settled share options expenses		–	592
Change in fair value of derivative financial assets		–	26,283
Operating profit before working capital changes		3,029,050	2,691,310
Increase in properties under development		(264,577)	(778,154)
Decrease in properties held for sale		71,186	280,230
Increase in inventories		(181,478)	(46,643)
Increase in contract assets		(774,263)	–
Increase in receivables under service concession arrangement		(30,820)	(321,849)
Increase in trade and bills receivables		(213,537)	(128,017)
(Increase)/decrease in amounts due from non-controlling equity holders of subsidiaries		(20,046)	5,382
(Increase)/decrease in prepayments, deposits and other receivables		(689,667)	73,266
Increase in contract liabilities		376,151	–
Increase in trade and bills payables		767,747	470,629
Decrease in accrued liabilities, deposits received and other payables		(370,877)	(357,763)
Cash generated from operations		1,698,869	1,888,391
Interest paid for bank and other loans		(319,185)	(289,062)
Income taxes paid		(361,636)	(269,605)
Net cash generated from operating activities		1,018,048	1,329,724

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from investing activities			
Interest received		96,487	127,941
Dividend received from financial assets		8,833	8,805
Purchase of property, plant and equipment		(224,615)	(199,623)
Proceeds from disposal of property, plant and equipment		45,862	1,405
Land lease payments prepaid	17	(35,706)	(86,362)
Proceeds from disposal of prepaid land lease payments		6,556	11,972
Purchase of investment properties	18	(35,119)	(12,266)
Purchase of financial assets at fair value through other comprehensive income		(13,701)	–
Investment in available-for-sale financial assets		–	(13,415)
Proceeds from disposal of available-for-sale financial assets		–	92,252
Purchase of financial assets at fair value through profit or loss		(92,306)	(172,204)
Additions of water supply and sewage treatment concession rights		(2,338,396)	(2,499,798)
Acquisition of subsidiaries (net of cash and cash equivalent acquired)	42	(379,792)	(146,485)
Disposal of subsidiaries (net of cash and cash equivalent disposed)	43	(12,134)	192,000
Investments in associates		–	(26,096)
Proceeds from disposal of an associate		588	1,150
Dividends received from associates		44,273	14,843
Decrease/(increase) in amounts due from associates		318,099	(133,242)
(Increase)/decrease in prepayments, deposits and other receivables		(702,380)	422,754
Deferred government grants received		37,294	–
(Increase)/decrease in pledged deposits		(93,646)	249,547
Net cash used in investing activities		(3,369,803)	(2,166,822)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Cash flows from financing activities			
Share options exercised		–	411,750
Payment for repurchase of ordinary shares		–	(110,821)
Acquisition of additional interests in subsidiaries		(3,141)	–
Capital contribution by non-controlling equity holders of subsidiaries		635,132	37,854
Repayment of amounts due to non-controlling equity holders of subsidiaries		(298,970)	(189,033)
Drawdown/(repayment) of amounts due to associates		16,486	(18,723)
Drawdown of bank loans		7,048,707	2,409,626
Repayment of bank loans		(2,871,155)	(2,685,974)
Drawdown of other loans		403,120	998
Repayment of other loans		(686,512)	(526,750)
Dividend paid		(434,403)	(383,096)
Net cash generated from/(used in) financing activities		3,809,264	(1,054,169)
Net increase/(decrease) in cash and cash equivalents		1,457,509	(1,891,267)
Cash and cash equivalents at beginning of year		2,511,390	4,313,977
Effect of foreign exchange rates, net		4,416	88,680
Cash and cash equivalents at end of year	31	3,973,315	2,511,390

The notes on pages 52 to 168 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

1. CORPORATE INFORMATION

China Water Affairs Group Limited (the “Company”) was previously incorporated in the Cayman Islands as an exempted company under the Cayman Islands Companies Law with its ordinary shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Pursuant to a special resolution passed in an extraordinary general meeting held on 9 June 2003 and approved by the Registrars of Companies in the Cayman Islands and Bermuda on 9 July 2003, the Company de-registered from the Cayman Islands under Section 226 of the Companies Law and re-domiciled in Bermuda under Section 132C of the Companies Act 1981 of Bermuda as an exempted company.

The Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Suite 6408, 64th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 48 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the “Group” hereafter.

These financial statements are presented in Hong Kong Dollars (“HK\$”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 27 June 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures

(a) *New standards, amendments to standards and interpretations adopted*

During the year, the Group adopted the following new standards, amendments to standards and interpretations which are relevant to the Group's operation and are mandatory for the year ended 31 March 2019.

Annual Improvements Project HKFRS 2 (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Classifications to HKFRS 15
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

Except for HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers as disclosed in note 3 to the consolidated financial statements, the adoption of these amendments to standards have no significant effects on the Group's financial information.

(b) *New standards, amendments and interpretations that have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted*

The following standards, amendments to standards and interpretation have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods, but the Group has not early adopted them.

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

- (b) *New standards, amendments and interpretations that have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted (Continued)*

Other than HKFRS 16, the Group is in the process of making an assessment of the impact of these new standards, revised standards, amendments and improvements to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

HKFRS 16

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group will apply the standard from 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 March 2019, the Group had non-cancellable operating lease commitments of HK\$374,674,000. Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be amortised on a straight-line basis during the lease term.

The Group's activities as a lessee are not significant and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Business combinations (Continued)

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associated entities includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are the Group's chief operating decision-maker for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- (i) "City water supply operation and construction" involves the provision of water supply operation and construction services;
- (ii) "Environmental protection" is used to replace "Sewage treatment and drainage operation and construction" in the segment reporting of this year to conform with the Group's business development to seek a separate listing of the Group's environmental protection business on a recognised stock exchange. "Environmental protection" involves the provision of sewage treatment and drainage operation and construction services, solid waste and hazardous waste business, environmental sanitation and water environment management; and
- (iii) "Property development and investment" segment involves development of properties for sale and investment in properties for long-term rental yields or for capital appreciation.

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

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that fair value gain on financial assets at fair value through profit or loss, change in fair value of derivative financial assets, gain on disposal of subsidiaries, net, finance costs, share of results of associates, corporate income, corporate expense, income tax expense and equity-settled share options expenses are excluded from segment results.

Segment assets exclude corporate assets (mainly comprises cash and cash equivalents and pledged deposits), financial assets at fair value through other comprehensive income, available-for-sale financial assets, financial assets at fair value through profit or loss and interests in associates. Segment liabilities exclude items such as taxation and other corporate liabilities (mainly comprises corporate borrowings).

Unallocated corporate income mainly comprises interest income and dividend income from financial assets.

Unallocated corporate expenses mainly comprise salaries and wages, operating leases and other operating expenses of the Company and the investment holding companies.

No asymmetrical allocations have been applied to reportable segments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK\$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within 'finance income or finance costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within "administrative expenses".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the interests of the Company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates that do not result in the Group losing significant influence) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalised during the period of construction and installation. Capitalisation of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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

Buildings	50 years 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 30 years
Furniture, equipment and motor vehicles	5 years
Vessels	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

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

2.7 Prepaid land lease payments

Prepaid land lease payments represent up-front payments to acquire the land use rights/leasehold land. They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the term of the lease/right of use.

2.8 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Investment properties (Continued)

After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers or the Group. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values are recorded in the consolidated income statement as “fair value gain on investment properties”. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the consolidated income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the consolidated income statement.

Where an investment property undergoes a change in use, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from properties under development or property held for sale to investment properties that will be carried at fair value, any difference between the fair value of the property at that date and its previous carrying amount shall be recognised in consolidated income statement. Transfers to investment property shall be made when, and only when, there is a change in use, evidenced by commencement of an operating lease to another party. The commencement of an operating lease is generally an evidence of a change in use. A change in use has occurred is based on an assessment of all relevant facts and circumstances. The relevant facts include but not limited to the Group's business plan, financial resources and legal requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at not higher than operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group’s intangible assets (other than goodwill) represent the rights to operate sewage treatment infrastructures and water supply infrastructures in the People’s Republic of China (the “PRC”) excluding Hong Kong. These intangible assets are amortised on a straight-line basis over the terms of operation ranging from 10 to 50 years. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment as described in note 2.11 to the consolidated financial statements.

2.11 Impairment of non-financial assets and interests in associates

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets

2.12.1 Classification

From 1 April 2018, the Group classifies its financial investments and other financial assets either those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), or those to be measured at amortised cost. The classification depends on the entity’s business model for managing the financial investments and other financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial investments and other financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial investments and other financial assets are derecognised when the rights to receive cash flows from the financial investments and other financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.3 Measurement

At initial recognition, the Group measures a financial investment and other financial asset at its fair value plus, in the case of financial investments and other financial assets not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial investments and other financial assets. Transaction costs of financial investments and other financial assets carried at FVPL are expensed in consolidated income statement.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in other gains/(losses). Interest income from these financial investments and other financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented as separate line item in the consolidated income statement.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.3 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial investments and other financial assets at FVPL are presented as separate line item in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.12.4 Impairment

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

The Group considers the probability of default upon initial recognition of, a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in external credit rating of the debtors;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet their obligations;
- actual or expected significant changes in the operating results of the debtors;
- significant increases in credit risk on other financial instruments of the same debtor; and
- significant changes in the expected performance and behaviour of the debtors, including changes in the payment status of debtors and changes in the operating results of the debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.5 Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 March 2018, the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Classification

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of loans and receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade and bills receivables", "receivables under service concession arrangements", "due from non-controlling equity holders of subsidiaries", "due from associates", "other receivables", "pledged deposits" and "cash and cash equivalents".

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.5 Accounting policies applied until 31 March 2018 (Continued)

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group’s right to receive payments is established.

(c) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.5 Accounting policies applied until 31 March 2018 (Continued)

(c) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement. Impairment testing of trade and other receivables is described in note 5(ii) to the consolidated financial statements.

(ii) Available-for-sale financial assets

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement in a subsequent period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial investments and other financial assets (Continued)

2.12.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Further information about the Group's accounting for trade receivables and the Group's impairment policies are described in note 2.12.4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements

Service concession arrangements are accounted for as follows if:

- (i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- (ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised at its fair value as a financial asset or an intangible asset.

A financial asset (receivable under service concession arrangements) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangements) is accounted for in accordance with the policy set out for "Financial investments and other financial assets" in note 2.12 to the consolidated financial statements.

An intangible asset (other intangible assets) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (other intangible assets) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2.10 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements (Continued)

Consideration received or receivable by the Group for the construction services (Continued)

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Construction or upgrade services

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion and in the amount recognised under service concession agreements. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage-of-completion” method to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the consolidated statement of financial position, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

The fair value of the construction and upgrade services under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by an independent qualified valuer, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for “Revenue recognition” in note 2.25 to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for “Revenue recognition” in note 2.25 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Service concession arrangements (Continued)

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

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the 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” in note 2.19 to the consolidated financial statements.

2.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to assets are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.18 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.19 Provisions

Provisions for environmental restoration, restructuring costs, and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Capitalisation of borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition

Under HKFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer. This may be at a single point in time or over time.

Upon the adoption of HKFRS 15, the Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- when the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- when the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- when the Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

If none of the above conditions are met, the Group recognises revenue at a single point in time at which the performance obligation is satisfied for the sale of that good or service when control has been passed. If control of the product or service transfers over time, revenue is recognised over the period of the contract by measuring the progress towards complete satisfaction of that performance obligation. Revenue is recognised as follows:

- (i) Revenues from the city water supply and gas sales are recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and gas and the Group has present right to payment and the collection of the consideration is probable;
- (ii) Revenue from long-term construction contracts is recognised by reference over time by measuring the progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract;
- (iii) Revenue from sewage treatment and drainage operation is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer;

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Revenue recognition (Continued)

- (iv) Water supply related construction income and sewage treatment construction income is recognised over time when services are rendered;
- (v) Revenue from sale of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property;
- (vi) Sales of goods is recognised at the point in time when the control of the product is transferred to the customer which generally coincides with delivery and acceptance of the product sold;
- (vii) Revenue from hotel services is recognised based on the period in which such services have been rendered;
- (viii) Rental income receivable from operating lease is recognised in consolidated income statement on a straight-line basis over the periods covered by the lease term;
- (ix) Finance income on receivables under service concession arrangements is recognised using the effective interest method;
- (x) Handling income is recognised when services are rendered;
- (xi) Interest income is recognised on a time-proportion basis using the effective interest method; and
- (xii) Dividends received from financial investments and other financial assets are recognised when the right to receive payment is established.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Employee benefits

The Group operates various post-employment schemes, including both retirement benefits schemes and short-term employee benefits.

(i) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statement as they become payable in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central retirement benefit scheme operated by the local municipal or provincial government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central retirement benefit scheme. The Group has no further payment obligations once the contributions have been paid.

(ii) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

2.27 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27 Current and deferred income tax (Continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Related parties

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant, excluding the impact of any non-market vesting conditions. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

On lapse of share options according to the plan, corresponding amount recognised in employees' share-based compensation reserve is transferred to retained earnings.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.30 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

2.31 Contract assets and contract liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact from adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from contracts with customers on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

The Group adopted HKFRS 9 and HKFRS 15 using the modified retrospective approach where the cumulative impact from adoption is recognised in the opening balance of retained earnings as at 1 April 2018 and that comparatives had not be restated. The new accounting policies and the adjustments to the consolidated financial statements are set out below.

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial investments and other financial assets and financial liabilities, derecognition of financial instruments, impairment of financial investments and other financial assets and hedge accounting. HKFRS 15 replaces HKAS 18 Revenue which covers contracts for goods and services and HKAS 11 Construction Contracts which covers construction contracts. HKFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The summary of accounting policy of HKFRS 9 and HKFRS 15 is disclosed in notes 2.12 and 2.25 to the consolidated financial statements respectively.

Impact on the consolidated financial statements as at 1 April 2018 arising from HKFRS 9 and HKFRS 15

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

Consolidated statement of financial position (extract)	31 March 2018 As originally presented HK\$'000	HKFRS 9 HK\$'000	HKFRS 15 HK\$'000	1 April 2018 Restated HK\$'000
Non-current assets				
Financial assets at fair value through other comprehensive income	–	211,364	–	211,364
Available-for-sale financial assets	162,747	(162,747)	–	–
Current liabilities				
Accrued liabilities, deposits received and other payables – Deposits received	545,116	–	(545,116)	–
Contract liabilities	–	–	545,116	545,116
Equity				
Financial assets at fair value through other comprehensive income revaluation reserve	–	48,617	–	48,617

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(i) HKFRS 9 'Financial instruments'

- *Classification and measurement*

On 1 April 2018 (the date of adoption of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

Except for the investment in equity securities previously classified as available-for-sale financial assets, the Group elected to present its change in FVOCI, there were no changes to the carrying amount of the financial assets and liabilities through transition.

The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK\$162,747,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI and fair value gains of HK\$48,617,000 were recognised.

- *Impairment of financial assets*

The Group has eight types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- (1) trade and bills receivables;
- (2) contract assets;
- (3) receivables under service concession arrangements;
- (4) due from non-controlling equity holders of subsidiaries;
- (5) due from associates;
- (6) deposits and other receivables;
- (7) cash and cash equivalents; and
- (8) pledged deposits.

Impairment of financial assets are described in note 4.1(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(ii) HKFRS 15 'Revenue from contracts with customers'

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service is transferred to a customer.

Management has carried out assessment on the effects of applying the new standard on the Group's consolidated financial statements and has concluded that there is no significant impact except for the reclassification of contract assets and contract liabilities.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risk: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Credit risk

The Group's credit risk is primarily attributable to financial instruments, contractual cash flows of debt instruments carried at fair value through profit or loss, receivables under service concession arrangements, trade and bill receivables, contract assets, deposits and other receivables, due from non-controlling equity holders of subsidiaries, due from associates and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored and controlled on an ongoing basis. It considers available reasonable and supportive forward-looking information.

The credit risk on cash and cash equivalents and pledged deposits are placed in reputable financial institutions with sound credit ratings assigned by international credit rating agencies. Management believes there is no significant credit risk of loss on such assets.

For receivables under service concession arrangements, the customers are primarily local governments or PRC state-owned entities and management considers the credit risk is not high.

The credit risk of the Group's other financial assets, which mainly comprise deposits and other receivables, due from non-controlling equity holders of subsidiaries and due from associates, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Management considers that their credit risks have not increased significantly since initial recognition as each of the counterparties have no history of default and possess strong capability to meet contractual cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

The Group is also exposed to credit risk in relation to debt instruments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

Impairment allowance policies for trade and bills receivables and contract assets

Under HKAS 39 for the periods before 1 April 2018

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.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentration of credit risks.

Under HKFRS 9 for the periods beginning on or after 1 April 2018

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and contract assets from initial recognition. To measure the expected credit losses, trade and bills receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

Management performed a detailed assessment of expected credit losses on the date of adoption of HKFRS 9 and concluded that there was no material impact on the Group's impairment allowance.

Impairment losses on trade and bills receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. During the year, no provision for impairment loss on trade and bills receivables and contract assets was recognised in consolidated income statement in relation to impaired financial assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(b) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The PRC subsidiaries of the Group's exposure to currency exchange rate is minimal as majority of the subsidiaries of the Group operates in the PRC with most of the transactions denominated and settled in Renminbi ("RMB").

Further, the Group has cash and cash equivalents and bank borrowings denominated in US\$. Since HK\$ are pegged to US\$, there is no significant exposure expected on US\$ transactions and balances arising in Hong Kong.

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

(c) Interest rate risk

Interest rate risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk mainly arises from bank deposits and borrowings which bore floating interests. The Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would decrease/increase by approximately HK\$103,138,000 (2018: HK\$78,010,000) respectively.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(d) Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

Financial assets at fair value through profit or loss ("FVPL") and financial assets at fair value through other comprehensive income ("FVOCI") expose the Group to price risk.

The Group's investments in listed equity securities are primarily listed on the stock exchanges of Hong Kong.

Sensitivity analysis

If the price of FVPL had been increase/decreased by 10% at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would increase/decrease by approximately HK\$48,934,000 (2018: HK\$39,716,000) respectively.

If the price of FVOCI had been increased/decreased by 10% at the end of the year and all other variables were held constant, the Group's equity would increase/decrease by approximately HK\$34,923,000 (2018: HK\$Nil) respectively.

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

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial assets.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The Group relies on internally generated funding and borrowings as significant sources of liquidity.

The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

	On demand HK\$'000	Less than three months HK\$'000	Three to twelve months HK\$'000	Over one year HK\$'000	Total HK\$'000
At 31 March 2019					
Trade and bills payables	1,046,026	490,550	873,522	–	2,410,098
Other payables	832,232	363,314	344,037	–	1,539,583
Accrued liabilities	203,515	157,791	13,679	–	374,985
Due to associates	26,093	20,000	–	–	46,093
Borrowings	120,791	612,673	2,795,807	14,133,264	17,662,535
Due to non-controlling equity holders of subsidiaries	173,424	–	45,624	34,617	253,665
	2,402,081	1,644,328	4,072,669	14,167,881	22,286,959

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	On demand HK\$'000	Less than three months HK\$'000	Three to twelve months HK\$'000	Over one year HK\$'000	Total HK\$'000
At 31 March 2018					
Trade and bills payables	724,639	376,984	524,273	–	1,625,896
Other payables	722,934	347,899	300,346	–	1,371,179
Accrued liabilities	206,050	111,268	10,930	–	328,248
Due to associates	17,294	12,195	–	1,201	30,690
Borrowings	128,683	703,383	2,692,042	9,257,865	12,781,973
Due to non-controlling equity holders of subsidiaries	168,712	–	61,705	79,214	309,631
	<u>1,968,312</u>	<u>1,551,729</u>	<u>3,589,296</u>	<u>9,338,280</u>	<u>16,447,617</u>

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Taking into account the Group's financial position, the directors of the Company do not consider it probable that the bank will exercise its discretion to demand repayment earlier than the scheduled payment dates. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements.

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

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, contract assets, receivables under service concession arrangements, deposits and other receivables, amounts due from/(to) associates and non-controlling equity holders of subsidiaries, pledged deposits, cash and cash equivalents, trade and bills payables, contract liabilities, other payables, accrued liabilities and borrowings. The directors consider the carrying amounts of the balances approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

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

(ii) *Financial instruments measured at fair value*

The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

Fair value hierarchy

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2019, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income	13,701	–	335,524	349,225
Financial assets at fair value through profit or loss	692	–	488,648	489,340
Net fair values	14,393	–	824,172	838,565

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For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

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

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

Fair value hierarchy (Continued)

At 31 March 2018, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value				
through profit or loss	817	–	396,342	397,159

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

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

Information about Level 3 fair value measurement

The fair value of financial assets at fair value through other comprehensive income was valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, or by the Group. The Group used market approach to determine its fair value.

Financial assets at fair value through profit or loss comprise financial products with licensed banks in the PRC with annualised interest rate of 3% to 4%. The Group used income method of discounted cash flows to determine its fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

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

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

Information about Level 3 fair value measurement (Continued)

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2019 HK\$'000	2018 HK\$'000
Financial assets at fair value through other comprehensive income:		
At beginning of the financial year	–	–
Adoption of HKFRS 9 (note 3)	211,364	–
At beginning of the financial year (as restated)	211,364	–
Residual interest in a subsidiary disposed of	65,786	–
Changes in fair value recognised in other comprehensive income	60,000	–
Acquisition of subsidiaries (note 42)	4,118	–
Exchange realignment	(5,744)	–
At end of the financial year	335,524	–
Financial assets at fair value through profit or loss:		
At beginning of the financial year	396,342	224,138
Net purchase of financial assets at fair value through profit or loss	92,306	172,204
At end of the financial year	488,648	396,342

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(g) *Categories of financial assets and liabilities*

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

Financial assets

	2019 HK\$'000
At amortised cost	
– Trade and bills receivables	1,242,864
– Contract assets	774,263
– Receivables under service concession agreements	1,141,332
– Other receivables	2,400,856
– Due from associates	227,416
– Due from non-controlling equity holders of subsidiaries	288,194
	<u>6,074,925</u>
– Cash and cash equivalents and pledged deposits	4,617,839
	<u>10,692,764</u>
At fair value	
– Financial assets at fair value through other comprehensive income	349,225
– Financial assets at fair value through profit or loss	489,340
	<u>838,565</u>
	<u>11,531,329</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(g) Categories of financial assets and liabilities (Continued)

Financial assets (Continued)

	2018 HK\$'000
Loan and receivables	
– Trade and bills receivables	1,055,014
– Receivables under service concession agreements	1,146,208
– Other receivables	1,540,301
– Due from associates	562,961
– Due from non-controlling equity holders of subsidiaries	260,479
	<u>4,564,963</u>
– Cash and cash equivalents and pledged deposits	<u>3,081,004</u>
	7,645,967
At fair value	
– Financial assets at fair value through profit or loss	397,159
At cost	
– Available-for-sale financial assets	<u>162,747</u>
	<u><u>8,205,873</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(g) Categories of financial assets and liabilities (Continued)

Financial liabilities

	2019 HK\$'000	2018 HK\$'000
At amortised cost		
– Trade and bills payables	2,410,098	1,625,896
– Contract liabilities	921,267	–
– Other payables	1,539,583	1,371,179
– Accrued liabilities	374,985	328,248
– Borrowings	14,931,614	10,882,052
– Due to associates	46,093	30,690
– Due to non-controlling equity holders of subsidiaries	246,832	307,713
	20,470,472	14,545,778

(h) Capital management

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and owners' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

4.1 Financial risk factors (Continued)

(h) Capital management (Continued)

The capital-to-overall financing ratio at the reporting date was as follows:

	2019 HK\$'000	2018 HK\$'000
Capital		
Total equity	12,902,470	11,154,409
Overall financing		
Borrowings	14,931,614	10,882,052
Due to associates	46,093	30,690
Due to non-controlling equity holders of subsidiaries	246,832	307,713
	15,224,539	11,220,455
Capital-to-overall financing ratio	0.85 times	0.99 times

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment, amortises prepaid land lease payments and the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 2.6, 2.7 and 2.10 to the consolidated financial statements respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Allowance for and written off of irrecoverable receivables

The Group records impairment of trade receivables based on an assessment made by management on the expected credit losses ("ECL") of trade and other receivables. The evaluations focused on the counterparties' settlement history, current ability to pay, forecasts future economic conditions, and took into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operated. Provisions are made where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. The Group would revisit and evaluate those assumptions related with ECL model periodically.

(iii) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.9 to the consolidated financial statements. The recoverable amounts of CGUs or group of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Management estimates the expected future cash flows from the CGUs or group of CGUs and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Impairment of non-financial assets (other than goodwill) and interests in associates

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill) and interests in associates at each reporting date. These assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or CGU and determines a suitable discount rate in order to calculate the present value of those cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Fair value measurement

A number of assets and liabilities of the Group require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

The classification of an item is based on the lowest level of the input used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- investment properties (note 18);
- financial assets at fair value through profit or loss (note 30); and
- financial assets at fair value through other comprehensive income (note 20).

Detailed information in relation to the fair value measurement of the items above is set out in note 4.1 to the consolidated financial statements.

(vi) Construction contracts

As stated in note 2.16 to the consolidated financial statements, revenue and profit recognition on an uncompleted project (including the Group's Build-Operate-Transfer (the "BOT arrangements")) are dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(viii) Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules.

(ix) Service concession arrangements

The Group uses judgement to assess whether an agreement and the relevant assets fall into the scope of HK(IFRIC) - Int 12 in particular whether the Group or the grantors control the residual interest in the infrastructure at the end of service concession period. As explained in note 2.16 to the consolidated financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future income generated from these infrastructure over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition.

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.16 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

6. SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC on a BOT or Transfer-Operate-Transfer (the "TOT") basis in respect of its water supply and sewage treatment businesses. These service concession arrangements generally involve the Group as an operator (i) constructing water supply and sewage treatment infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; and (iii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 10 to 55 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism.

The Group is generally entitled to use all the property, plant and equipment of the water supply and sewage treatment infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the water supply and sewage treatment infrastructures, and retain the beneficial entitlement to any residual interest in the water supply and sewage treatment infrastructures at the end of the term of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract and, where applicable, supplemental agreements entered into between the Group and the relevant governmental authorities in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the water supply and sewage treatment infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

As at 31 March 2019, the Group had over seventy service concession arrangements on water supply and sewage treatment businesses in the PRC and a summary of the major terms of these service concession arrangements are set out as follows:

Nature of business	Location	Type of service concession arrangement	Practical processing capacity per day (m ³)	Service concession period
Water supply	PRC	TOT/BOT	10,000 – 700,000	1998 – 2065
Sewage treatment	PRC	TOT/BOT	10,000 – 120,000	2006 – 2047

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

7. REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in notes 1 and 48 to these consolidated financial statements.

Revenue derived from the Group's principal activities, which is also the Group's turnover, recognised during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Revenue:		
Water supply operation services	2,213,932	1,965,803
Water supply connection income	1,441,064	1,313,548
Water supply construction services	2,630,500	2,817,513
Sewage treatment and drainage operation services	319,506	278,113
Sewage treatment and water environmental renovation construction services	1,086,107	508,746
Sales of properties	250,991	445,799
Sales of goods	14,282	36,523
Hotel and rental income	102,106	77,734
Finance income	37,770	25,031
Handling income	29,568	23,109
Others	176,385	88,257
Total	8,302,211	7,580,176
Other income:		
Interest income	96,487	127,941
Government grants and subsidies [#]	143,234	69,518
Amortisation of deferred government grants (note 37)	8,158	4,576
Gain on disposal of property, plant and equipment, net	4,874	–
Gain on disposal of prepaid land lease payments	–	9,283
Gain on disposal of available-for-sale financial assets, net	–	664
Dividend income from financial assets	8,833	8,805
Miscellaneous income	38,672	27,684
Total	300,258	248,471

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. SEGMENT INFORMATION

The executive directors have identified the Group's three product and service lines as reportable segments as further described in note 2.4 to the consolidated financial statements.

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

For the year ended 31 March 2019

	City water supply operation and construction HK\$'000	Environmental protection HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue						
From external customers	6,376,124	1,522,337	291,043	112,707	-	8,302,211
From inter-segment	-	-	-	-	-	-
Segment revenue	<u>6,376,124</u>	<u>1,522,337</u>	<u>291,043</u>	<u>112,707</u>	<u>-</u>	<u>8,302,211</u>
Segment profit/(loss)	<u>2,618,675</u>	<u>443,948</u>	<u>(78,692)</u>	<u>9,118</u>	<u>-</u>	<u>2,993,049</u>
Unallocated corporate income						105,910
Unallocated corporate expense						(194,597)
Gain on disposal of subsidiaries, net						117,841
Finance costs						(319,185)
Share of results of associates	65,951	(77)	(1,487)	4,654	-	69,041
Profit before income tax						2,772,059
Income tax expense						(641,776)
Profit for the year						<u>2,130,283</u>
Other segment information						
Additions of investment properties	-	-	35,119	-	-	35,119
Additions to other non-current segment assets	2,627,111	123,405	3,339	126,015	-	2,879,870
Amortisation of deferred government grants	6,396	1,762	-	-	-	8,158
Amortisation of other intangible assets	(397,594)	(6,307)	-	-	-	(403,901)
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	(38,434)	(11,606)	(1,599)	(28,975)	-	(80,614)
Property, plant and equipment written off	(845)	(173)	(5)	(56)	-	(1,079)
(Loss)/gain on disposal of property, plant and equipment	(243)	(47)	(60)	5,224	-	4,874

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019 (Continued)

	City water supply operation and construction HK\$'000	Environmental protection HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Total HK\$'000
Segment assets	19,240,003	3,968,766	3,299,609	2,462,175	28,970,553
Other financial assets					838,565
Interests in associates	468,785	33,042	62,453	111,755	676,035
Other corporate assets					5,339,483
					<u>35,824,636</u>
Segment liabilities	4,144,851	815,200	483,379	120,253	5,563,683
Deferred tax liabilities					882,723
Provision for tax					1,278,874
Other corporate liabilities					15,196,886
					<u>22,922,166</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2018

	City water supply operation and construction HK\$'000	Environmental protection HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
Revenue						
From external customers	6,204,059	813,636	478,659	83,822	-	7,580,176
From inter-segment	-	-	-	-	-	-
Segment revenue	<u>6,204,059</u>	<u>813,636</u>	<u>478,659</u>	<u>83,822</u>	<u>-</u>	<u>7,580,176</u>
Segment profit/(loss)	<u>2,401,861</u>	<u>270,955</u>	<u>88,859</u>	<u>(7,780)</u>	<u>-</u>	<u>2,753,895</u>
Unallocated corporate income						136,750
Unallocated corporate expense						(192,135)
Equity-settled share options expenses						(592)
Gain on disposal of subsidiaries, net						19,566
Fair value gain on financial assets at fair value through profit or loss						181
Change in fair value of derivative financial assets						(26,283)
Finance costs						(289,062)
Share of results of associates	57,639	231	(680)	2,601	-	59,791
Profit before income tax						2,462,111
Income tax expense						(700,587)
Profit for the year						<u>1,761,524</u>
Other segment information						
Additions of investment properties	-	-	12,266	-	-	12,266
Additions to other non-current segment assets	2,821,348	108,451	1,056	161,560	-	3,092,415
Amortisation of deferred government grants	4,105	471	-	-	-	4,576
Amortisation of other intangible assets	(327,589)	(6,463)	-	-	-	(334,052)
Depreciation of property, plant and equipment and amortisation of prepaid land lease payments	(35,923)	(8,586)	(1,638)	(24,927)	-	(71,074)
Property, plant and equipment written off	(1,141)	(374)	(56)	-	-	(1,571)
Loss on disposal of property, plant and equipment	(30)	(72)	-	-	-	(102)
Gain on disposal of prepaid land lease payments	9,283	-	-	-	-	9,283
Reversal of provision for doubtful debts	183	-	-	-	-	183

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

8. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2018 (Continued)

	City water supply operation and construction HK\$'000	Environmental protection HK\$'000	Property development and investment HK\$'000	All other segments HK\$'000	Total HK\$'000
Segment assets	16,038,849	1,965,189	3,025,746	2,106,650	23,136,434
Other financial assets					559,906
Interests in associates	445,282	35,370	66,399	114,228	661,279
Other corporate assets					4,231,668
					<u>28,589,287</u>
Segment liabilities	3,917,588	265,836	217,075	113,431	4,513,930
Deferred tax liabilities					872,508
Provision for tax					1,006,826
Other corporate liabilities					11,041,614
					<u>17,434,878</u>

For the years ended 31 March 2019 and 2018, the Group did not depend on any single customers under each of the segments.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

9. OPERATING PROFIT

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

	2019 HK\$'000	2018 HK\$'000
Cost of sales	4,838,372	4,309,540
Depreciation	57,013	50,221
Amortisation of prepaid land lease payments	23,601	20,853
Amortisation of other intangible assets	403,901	334,052
Operating leases in respect of		
– leasehold land and buildings	23,072	19,191
– other property, plant and equipment	28,376	25,458
Auditors' remuneration		
– Audit services	7,430	7,230
– Non-audit services	50	248
Staff costs (including directors' emoluments – note 14(a)):		
Salaries and wages	727,941	625,245
Pension scheme contribution	133,334	112,809
Equity-settled share options expenses	–	592
	861,275	738,646
(Gain)/loss on disposal of property, plant and equipment, net	(4,874)	102
Gain on disposal of prepaid land lease payments	–	(9,283)
Property, plant and equipment written off	1,079	1,571
Reversal of provision for doubtful debts	–	(183)
Net foreign exchange loss/(gain)	5,397	(2,357)

10. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank loans	430,589	328,042
Interest on other loans	208,263	219,658
Total borrowing costs	638,852	547,700
Less: interest capitalised included in property, plant and equipment, other intangible assets and properties under development (note)	(319,667)	(258,638)
	319,185	289,062

Note: The borrowing costs have been capitalised at rates ranging from 2.28% to 7.50% for the year ended 31 March 2019 (2018: 2.28% to 7.30%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

11. INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

	Note	2019 HK\$'000	2018 HK\$'000
Current income tax:			
– the PRC	(b)	638,021	612,046
Deferred tax (note 38)		3,755	88,541
Total income tax expense		641,776	700,587

(a) The Company was originally incorporated in the Cayman Islands and re-domiciled in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda and, accordingly, is exempted from payment of the Bermuda income tax.

(b) The provision for PRC current income tax is based on a statutory income tax rate of 25% (2018: 25%) of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries operating in the PRC enjoy a preferential income tax rate of 15% (2018: 15%) of their assessable income.

(c) Dividend distribution out of profit of foreign-invested enterprises earned in the PRC subsequent to 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%.

The tax on the Group's profit before tax differs from theoretical amount that would arise using tax rate of the Company as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before income tax	2,772,059	2,462,111
Tax calculated at Hong Kong profits tax rate of 16.5% (2018: 16.5%)	457,390	406,248
Effect of different tax rates of subsidiaries operating in other jurisdictions	237,860	251,106
Tax effect of non-taxable items	(28,079)	(59,067)
Tax effect of non-deductible items	81,598	100,251
Tax concession	(79,568)	(13,565)
LAT	(44,014)	11,385
Tax effect of LAT	11,003	(2,846)
Others	5,586	7,075
Income tax expense	641,776	700,587

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

12. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,369,235,000 (2018: HK\$1,140,518,000) and the weighted average of 1,608,900,859 (2018: 1,570,508,000) ordinary shares in issue during the year.

Diluted earnings per share is the same as basic earnings per share as there were no potential diluted ordinary shares outstanding during the year ended 31 March 2019.

In the calculation of diluted earnings per share attributable to the owners of the Company for the year ended 31 March 2018, the calculation of diluted earnings per share is based on the profit for the year attributable to owners of the Company of HK\$1,140,518,000 and the weighted average of 1,588,036,000 ordinary shares outstanding during the year, being the weighted average number of ordinary shares of 1,570,508,000 used in basic earnings per share calculation and adjusted for the effect of share options existing during the year of 17,528,000.

13. DIVIDENDS

(a) Dividends attributable to the year

	2019 HK\$'000	2018 HK\$'000
Interim dividend of HK\$0.12 (2018: HK\$0.08) per ordinary share	193,068	128,072
Proposed final dividend of HK\$0.16 (2018: HK\$0.15) per ordinary share	257,424	241,335
	450,492	369,407

The final dividends proposed after the reporting date for the year ended 31 March 2019 and 2018 were not recognised as a liability at the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

13. DIVIDENDS (Continued)

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2019 HK\$'000	2018 HK\$'000
Final dividend in respect of the previous financial year of HK\$0.15 (2018: Final dividend and special final dividend of HK\$0.16) per ordinary share	241,335	242,728
Adjustment to the final dividend (note)	–	12,296
	241,335	255,024

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

(c) Dividends recognised as distributions during the year ended 31 March 2019 amounted to HK\$434,403,000 (2018: HK\$383,096,000) or HK\$0.27 (2018: HK\$0.24) per ordinary share.

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For the year ended 31 March 2019

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 March 2019:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000	Total HK\$'000
Executive directors							
Mr. Duan Chuan Liang	-	10,000	12,000	-	18	17	22,035
Ms. Ding Bin	-	480	1,000	-	18	624	2,122
Ms. Liu Yu Jie	-	2,400	2,000	-	18	-	4,418
Mr. Li Zhong	-	1,289	1,400	-	18	1,532	4,239
Non-executive directors							
Mr. Zhao Hai Hu	-	120	-	-	-	558	678
Mr. Zhou Wen Zhi	-	120	-	-	-	-	120
Mr. Makoto Inoue	-	60	-	-	-	-	60
Ms. Wang Xiaojin	-	960	1,000	-	18	897	2,875
Independent non-executive directors							
Mr. Chau Kam Wing	348	-	-	-	-	-	348
Mr. Ong King Keung	300	-	-	-	-	-	300
Mr. Siu Chi Ming	300	-	-	-	-	-	300
Ms. Ho Ping	120	-	-	-	-	-	120
Total	1,068	15,429	17,400	-	90	3,628	37,615

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For the year ended 31 March 2019

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(a) Directors' emoluments (Continued)

For the year ended 31 March 2018:

Name	Fees HK\$'000	Salary HK\$'000	Discretionary bonuses HK\$'000	Allowances and benefits in kind HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK\$'000	Total HK\$'000
Executive directors							
Mr. Duan Chuan Liang	-	10,000	12,000	-	18	16	22,034
Ms. Ding Bin	-	480	1,000	-	18	642	2,140
Ms. Liu Yu Jie	-	2,400	2,000	-	18	-	4,418
Mr. Li Zhong	-	1,289	1,200	592	18	1,597	4,696
Non-executive directors							
Mr. Zhao Hai Hu	-	120	-	-	-	569	689
Mr. Zhou Wen Zhi	-	120	-	-	-	-	120
Mr. Makoto Inoue	-	60	-	-	-	-	60
Ms. Wang Xiaoqin	-	900	1,000	-	18	787	2,705
Independent non-executive directors							
Mr. Chau Kam Wing	348	-	-	-	-	-	348
Mr. Ong King Keung	300	-	-	-	-	-	300
Mr. Siu Chi Ming	300	-	-	-	-	-	300
Ms. Ho Ping	120	-	-	-	-	-	120
Total	1,068	15,369	17,200	592	90	3,611	37,930

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

14. BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2018: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2018: Nil).

(e) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2018: Nil).

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For the year ended 31 March 2019

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The five highest paid individuals in the Group during the year included four directors (2018: four directors), details of whose emoluments have been disclosed in note 14(a) to the consolidated financial statements above. The emoluments paid to the remaining individual during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and other benefits	3,053	3,088
Retirement scheme contribution	105	104
	<u>3,158</u>	<u>3,192</u>

The emoluments fell within the following bands:

	2019	2018
HK\$3,000,001 to HK\$3,500,000	<u>1</u>	<u>1</u>

During the years ended 31 March 2019 and 2018, no emoluments were paid by the Group to the directors and five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office. No directors waived emoluments in respect of the years ended 31 March 2019 and 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Vessels HK\$'000	Construction in progress HK\$'000	Total HK\$'000
At 1 April 2017							
Cost	237,174	44,653	129,073	207,191	28,355	792,585	1,439,031
Accumulated depreciation	(37,690)	(27,036)	(85,846)	(140,992)	(20,646)	-	(312,210)
Net carrying amount	199,484	17,617	43,227	66,199	7,709	792,585	1,126,821
Year ended 31 March 2018							
Opening net carrying amount	199,484	17,617	43,227	66,199	7,709	792,585	1,126,821
Additions	14,381	101	8,829	25,306	-	151,006	199,623
Acquisition of subsidiaries	328,450	-	1,590	2,414	-	-	332,454
Disposals	-	-	(14)	(1,493)	-	-	(1,507)
Disposals of subsidiaries	-	-	-	(111)	-	-	(111)
Written off	(17)	(72)	(1,246)	(236)	-	-	(1,571)
Transfers	63,211	-	22,856	-	-	(86,067)	-
Capital injection	-	-	-	662	-	-	662
Depreciation	(18,107)	(403)	(8,217)	(22,526)	(968)	-	(50,221)
Exchange realignment	32,192	1,075	2,733	4,081	470	48,328	88,879
Closing net carrying amount	619,594	18,318	69,758	74,296	7,211	905,852	1,695,029
At 31 March 2018							
Cost	676,957	47,127	154,171	240,685	30,084	905,852	2,054,876
Accumulated depreciation	(57,363)	(28,809)	(84,413)	(166,389)	(22,873)	-	(359,847)
Net carrying amount	619,594	18,318	69,758	74,296	7,211	905,852	1,695,029
Year ended 31 March 2019							
Opening net carrying amount	619,594	18,318	69,758	74,296	7,211	905,852	1,695,029
Additions	7,394	-	35,523	19,217	-	162,481	224,615
Acquisition of subsidiaries (note 42)	87,795	-	179,813	8,699	-	120,508	396,815
Disposals	(35,433)	-	(2,756)	(1,865)	(934)	-	(40,988)
Disposal of subsidiaries (note 43)	(23,605)	-	(7,555)	(1,964)	(6,023)	(98,505)	(137,652)
Written off	-	-	(73)	(1,006)	-	-	(1,079)
Transfers	36,775	-	12,499	-	-	(49,274)	-
Transfer from properties under development (note 25)	2,995	-	-	-	-	-	2,995
Depreciation	(20,848)	(252)	(13,184)	(22,729)	-	-	(57,013)
Exchange realignment	(24,864)	(646)	(2,460)	(2,627)	(254)	(31,971)	(62,822)
Closing net carrying amount	649,803	17,420	271,565	72,021	-	1,009,091	2,019,900
At 31 March 2019							
Cost	722,188	45,464	374,258	245,035	-	1,009,091	2,396,036
Accumulated depreciation	(72,385)	(28,044)	(102,693)	(173,014)	-	-	(376,136)
Net carrying amount	649,803	17,420	271,565	72,021	-	1,009,091	2,019,900

As at 31 March 2019, the property, plant and equipment with a net carrying amount of HK\$798,255,000 (2018: HK\$674,448,000) were pledged to secure banking facilities granted to the Group (note 35(i)(d)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

17. PREPAID LAND LEASE PAYMENTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2019 HK\$'000	2018 HK\$'000
At 1 April		
Cost	930,701	807,139
Accumulated amortisation	(92,342)	(73,356)
Net carrying amount	838,359	733,783
For the year ended		
Opening net carrying amount	838,359	733,783
Additions	35,706	86,362
Acquisition of subsidiaries (note 42)	95,295	10,030
Capital injection	–	6,880
Disposals	(6,556)	(2,689)
Disposals of subsidiaries (note 43)	(10,407)	(8,579)
Transfer to properties under development (note 25)	–	(6,631)
Amortisation	(23,601)	(20,853)
Exchange realignment	(27,373)	40,056
Closing net carrying amount	901,423	838,359
At 31 March		
Cost	1,012,681	930,701
Accumulated amortisation	(111,258)	(92,342)
Net carrying amount	901,423	838,359

As at 31 March 2019, the prepaid land lease payments included certain land use rights with a net carrying amount of HK\$48,988,000 (2018: HK\$47,149,000) for which the Group is still in the process of obtaining the land use rights certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these land. As confirmed by the Group's legal advisors in previous year and based on the Group's assessment for the year ended 31 March 2019, there is no legal impediment for the Group to obtain these land use rights certificates.

As at 31 March 2019, the prepaid land lease payments with a net carrying amount of HK\$336,809,000 (2018: HK\$358,110,000) were pledged to secure banking facilities granted to the Group (note 35(i)(e)).

Notes to the Consolidated Financial Statements

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18. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000
At fair value		
Opening net carrying amount	909,310	1,172,637
Additions	35,119	12,266
Acquisition of subsidiaries (note 42)	–	112,643
Transfer to properties under development (note 25)	–	(466,606)
Exchange realignment	(32,094)	78,370
Closing net carrying amount	912,335	909,310

As at 31 March 2019, the investment properties with a carrying amount of HK\$315,176,000 (2018: HK\$446,220,000) were pledged to secure banking facilities granted to the Group (note 35(i)(f)).

Investment properties were revalued on 31 March 2019 by RHL Appraisal Limited, independent firm of professional valuer or by the Group.

Residential properties and leasehold land located in the PRC are held within a business model that the Group sells the properties on the open market without the benefit or burden of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could affect the value. Valuations were based on market evidence of recent transaction prices for similar properties and adjusted for the differences.

Industrial properties under development located in the PRC are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties through use.

The fair value of investment properties is a level 3 recurring fair value measurement.

Fair value is determined by applying the direct comparison approach by making reference to the comparable sales transactions as available in the markets, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

18. INVESTMENT PROPERTIES (Continued)

The following table shows the significant unobservable inputs used in the valuation model.

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial properties under development located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK\$8,862 to HK\$11,646 (2018: HK\$3,118 to HK\$12,058)	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\$74,749 to HK\$79,172 (2018: HK\$71,808 to HK\$75,554)	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\$478 to HK\$782 (2018: HK\$471 to HK\$720)	The higher the price, the higher the fair value

There were no changes to the valuation techniques adopted during the year as compared to prior year.

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

19. INTERESTS IN ASSOCIATES

	2019 HK\$'000	2018 HK\$'000
Share of net assets	515,655	500,439
Goodwill	160,380	160,840
	676,035	661,279

All the balances for amounts due from/(to) associates were unsecured, interest-free and repayable on demand as at 31 March 2019 and 2018 except for as follows:

As at 31 March 2019

- The amounts due to associates with carrying amount of HK\$2,480,000 which bore interest rate ranged from 6.0% to 8.0% per annum and repayable on demand.
- The amount due to an associate with carrying amount of HK\$20,000,000 which bore interest rate at 5.0% per annum and was repayable within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

19. INTERESTS IN ASSOCIATES (Continued)

As at 31 March 2018

- (a) The amount due from an associate with carrying amount of HK\$1,138,000 which bore interest rate at 8.0% per annum and was repayable within one year.
- (b) The amount due to an associate with carrying amount of HK\$1,161,000 which bore interest rate at 6.0% per annum and repayable on demand.
- (c) The amount due to an associate with carrying amount of HK\$12,195,000 which bore interest rate at 5.0% per annum and was repayable within one year.

The Group has interests in a number of unlisted associates. In the opinion of the directors, no associates are considered material as at 31 March 2019.

The aggregated amounts of the following financial information of the Group's associates, which are individually immaterial, attributable to the Group using equity method is summarised as follows:

	2019 HK\$'000	2018 HK\$'000
Carrying values	<u>676,035</u>	<u>661,279</u>
Profit before income tax	<u>69,041</u>	<u>59,791</u>
Other comprehensive income	<u>–</u>	<u>–</u>
Total comprehensive income	<u>69,041</u>	<u>59,791</u>

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

As at 31 March 2019 and 2018, the Group has other commitments relating to its investments in the associate as set out in note 44(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Original currency	2019 HK\$'000	2018 HK\$'000
Listed equity securities in Hong Kong	HK\$	13,701	–
Unlisted equity securities outside Hong Kong (note)	RMB	335,524	–
		349,225	–

Note:

The investments were classified as available-for-sale financial assets as at 31 March 2018 (note 20(iii)).

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

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

	2019 HK\$'000	2018 HK\$'000
Change in fair value of available-for-sale financial assets	–	(13,749)
Change in fair value of financial assets at fair value through other comprehensive income	108,617	–
Recycling of reserves upon disposal of available-for-sale financial assets	–	(20,078)
Dividend income from financial assets (note 7)	8,833	8,805

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

(iii) Financial assets previously classified as available-for-sale financial assets

	Original currency	2019 HK\$'000	2018 HK\$'000
Unlisted equity securities outside Hong Kong, at cost	RMB	–	162,747

The unlisted available-for-sale equity securities were previously measured at cost less impairment at each reporting date.

(iv) Non-current assets pledged as security

As at 31 March 2019, the financial assets at fair value through other comprehensive income with carrying amount of HK\$235,294,000 (2018: available-for-sale financial assets of HK\$131,311,000) were pledged as securities for banking facilities granted to the Group (note 35(i)(k)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

21. GOODWILL

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

	2019 HK\$'000	2018 HK\$'000
At 1 April		
Gross carrying amount	817,161	686,427
Accumulated impairment	–	–
Net carrying amount	817,161	686,427
Opening net carrying amount	817,161	686,427
Acquisition of subsidiaries (note 42)	419,143	115,696
Disposal of a subsidiary	–	(4,220)
Exchange realignment	(15,910)	19,258
Closing net carrying amount	1,220,394	817,161
At 31 March		
Gross carrying amount	1,220,394	817,161
Accumulated impairment	–	–
Net carrying amount	1,220,394	817,161

Goodwill acquired through business combinations have been allocated to the following CGUs/group of CGUs for impairment testing:

- water supply CGUs within city water supply operation and construction segment;
- environmental protection CGUs within environmental protection segment; and
- other CGUs, which include gas sales and other operations.

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21. GOODWILL (Continued)

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

	Water supply CGUs HK\$'000	Environmental protection CGUs HK\$'000	Other CGUs HK\$'000	Total HK\$'000
Carrying amount at 31 March 2019	806,299	227,285	186,810	1,220,394
Carrying amount at 31 March 2018	553,025	217,506	46,630	817,161

The recoverable amounts are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections of the underlying operation covering the remaining years till the end of their respective service concessions periods.

The key assumptions used for the value-in-use calculations include forecast future business growth, city water and gas tariff, sewage charges, operating costs (including raw water, gas and electricity costs) until the end of the respective service concession period. Discount rates of 10% to 13% are adopted on water supply, gas supply and sewage treatment respectively to reflect specific risks relating to the relevant CGUs/group of CGUs. Based on the impairment tests prepared, there is no significant impairment for goodwill as at 31 March 2019.

For sensitivity analysis, had there been a 2% reduction of future business growth rate, a 1% reduction of average city water tariff or sewage charges, a 2% increase in operating costs or a 2% increase in discount rate in the value-in-use calculations each in isolation, no significant impairment loss of goodwill is resulted.

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22. OTHER INTANGIBLE ASSETS

	Water supply concession rights		Sewage treatment concession rights		Other operating rights		Total	
	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000	2019 HK\$'000	2018 HK\$'000
At beginning of the year								
Cost	14,144,422	10,777,905	292,071	182,521	–	–	14,436,493	10,960,426
Accumulated amortisation	(1,685,182)	(1,270,835)	(69,886)	(59,778)	–	–	(1,755,068)	(1,330,613)
Net carrying amount	12,459,240	9,507,070	222,185	122,743	–	–	12,681,425	9,629,813
For the year ended								
Opening net carrying amount	12,459,240	9,507,070	222,185	122,743	–	–	12,681,425	9,629,813
Additions	2,573,061	2,701,128	46,488	98,422	–	–	2,619,549	2,799,550
Capital injection	5,779	11,562	–	–	–	–	5,779	11,562
Acquisition of subsidiaries (note 42)	784,391	151,023	–	–	120,000	–	904,391	151,023
Disposal of a subsidiary (note 43)	(20,229)	(157,613)	–	–	–	–	(20,229)	(157,613)
Transfer to receivables under service concession arrangements	–	–	(49,821)	–	–	–	(49,821)	–
Written-off	(1,088)	(2,871)	–	–	–	–	(1,088)	(2,871)
Amortisation	(397,594)	(327,589)	(6,307)	(6,463)	–	–	(403,901)	(334,052)
Exchange realignment	(436,787)	576,530	(6,083)	7,483	–	–	(442,870)	584,013
Closing net carrying amount	14,966,773	12,459,240	206,462	222,185	120,000	–	15,293,235	12,681,425
At 31 March								
Cost	17,313,474	14,144,422	206,777	292,071	120,000	–	17,640,251	14,436,493
Accumulated amortisation	(2,346,701)	(1,685,182)	(315)	(69,886)	–	–	(2,347,016)	(1,755,068)
Net carrying amount	14,966,773	12,459,240	206,462	222,185	120,000	–	15,293,235	12,681,425

As at 31 March 2019, the other intangible assets with a net carrying amount of HK\$933,356,000 (2018: HK\$849,289,000) were pledged as security for banking facilities granted to the Group (note 35(i)(g)).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current			
Deposits for acquisition of equity securities		26,267	9,512
Other deposits		–	958
		26,267	10,470
Prepayments and other receivables	(i)	1,473,838	702,317
		1,500,105	712,787
Current			
Prepayments		201,965	144,234
Other receivables	(ii)	1,347,702	1,148,950
		1,549,667	1,293,184

Notes:

- (i) As at 31 March 2019, the balances mainly included an earnest money which bore interest rate at 8.0% per annum for the proposed acquisition of 29.52% equity interest in Kangda International Environmental Company Limited (“Kangda International”) amounting to HK\$588,235,000 (note 49). The remaining balances mainly represented the prepayments for city water supply and water environmental renovation construction.
- (ii) The balances mainly represented receivables from customers for sewage treatment fees and various municipal service charges on behalf of certain government authorities in the PRC; receivables from certain government authorities for funds advancements; and various other receivables. The balances were unsecured, interest-free and repayable on demand as at 31 March 2019 and 2018, except for the receivables of aggregate carrying amount of approximately HK\$317,165,000 (2018: HK\$593,556,000) which bore interest rates ranged from 5.0% to 8.0% (2018: 5.0% to 12.0%) per annum and were repayable within one year (2018: 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 Consolidated Financial Statements

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24. CONTRACT ASSETS

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

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current			
Relating to service concession arrangements	(i)	249,054	–
Relating to water environmental renovation construction businesses	(ii)	291,725	–
		<u>540,779</u>	<u>–</u>
Current			
Relating to city water supply and water environmental renovation construction businesses	(ii)	233,484	–

Notes:

- (i) Contract assets relating to service concession arrangements for sewage treatment construction services is not due from the customer until the construction of new sewage treatment infrastructure or upgrade services are completed. As a result, a contract assets is recognised over the period in which the construction of new sewage treatment infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK\$249,054,000 will be reclassified as receivables under service concession arrangements after the construction of new sewage treatment infrastructure or upgrade services has completed.
- (ii) Contract assets relating to city water supply and water environmental renovation construction businesses recognised over the period represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK\$525,209,000 will be reclassified as trade receivables at the point that the amount is invoiced to the customer.
- (iii) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets from initial recognition. During the year, no provision for impairment loss on contract assets was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of contract assets and the Group's exposure to credit risk can be found in note 4.1(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

25. PROPERTIES UNDER DEVELOPMENT

	2019 HK\$'000	2018 HK\$'000
At cost		
Opening net carrying amount	1,370,202	690,083
Additions	491,134	778,154
Disposals	(226,557)	–
Acquisition of subsidiaries (note 42)	–	16,545
Transfer to property, plant and equipment (note 16)	(2,995)	–
Transfer from prepaid land lease payments (note 17)	–	6,631
Transfer from investment properties (note 18)	–	466,606
Transfer to properties held for sale (note 26)	(309,534)	(562,445)
Disposal of a subsidiary (note 43)	–	(68,473)
Exchange realignment	(48,360)	43,101
Closing net carrying amount	<u>1,273,890</u>	<u>1,370,202</u>

As at 31 March 2018, the properties under development with carrying amount of approximately HK\$63,435,000 were pledged to secure banking facilities granted to the Group (note 35(i)(h)).

26. PROPERTIES HELD FOR SALE

	2019 HK\$'000	2018 HK\$'000
At cost		
Opening net carrying amount	597,341	288,694
Additions	14,666	79,608
Acquisition of subsidiaries (note 42)	–	7,862
Transfer from properties under development (note 25)	309,534	562,445
Sales for the year	(85,852)	(359,838)
Exchange realignment	(19,500)	18,570
Closing net carrying amount	<u>816,189</u>	<u>597,341</u>

As at 31 March 2018, the properties held for sale with carrying amount of approximately HK\$5,102,000 were pledged to secure banking facilities granted to the Group (note 35(i)(i)).

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

27. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Raw materials and supplies	295,363	180,245
Work-in-progress	220,025	163,783
Finished goods	15,602	3,610
	<u>530,990</u>	<u>347,638</u>

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For the year ended 31 March 2019

28. TRADE AND BILLS RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables (net of allowance for doubtful debts)	1,233,828	1,042,725
Bills receivables	9,036	12,289
	1,242,864	1,055,014

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:

	2019 HK\$'000	2018 HK\$'000
0 to 90 days	612,672	525,625
91 to 180 days	167,899	129,376
Over 180 days	462,293	400,013
	1,242,864	1,055,014

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables from initial recognition. During the year, no provision for impairment loss on trade and bills receivables was recognised in consolidated income statement in relation to impaired trade and bills receivables. Information about the impairment of trade and bills receivables and the Group's exposure to credit risk can be found in note 4.1(a) to the consolidated financial statements.

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

	2019 HK\$'000	2018 HK\$'000
Opening carrying amount	6,612	6,405
Reversal of provision for doubtful debts	–	(183)
Exchange realignment	(233)	390
Closing carrying amount	6,379	6,612

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28. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables that were past due but not impaired relate to customers that have good repayment track records with the Group. The directors of the Company are of the opinion that no allowance for impairment of trade receivables is necessary as there was no recent history of significant default in respect of these trade debtors. The evaluations focused on the counterparties settlement history, current ability to pay, forecast future economic conditions and took into account information specific to the counterparties as well as pertaining to the economic environment in which the counterparties operated. Trade receivables that were neither past due nor impaired related to a large number of independent customers. In general, the Group does not hold any collateral or other credit enhancements over these balances.

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

29. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

The Group recognised financial assets – receivables under service concession arrangements in respect of its sewage treatment business arising from certain BOT and TOT arrangements. Details of the service concession arrangements of the Group are set out in note 5 to the consolidated financial statements.

Receivables under service concession arrangements represented revenue from construction services under BOT and TOT arrangements and bear interest at rate of 3.96% to 6.62% (2018: 3.96% to 5.94%) per annum. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT and TOT arrangements.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK\$'000	2018 HK\$'000
Listed equity securities, at market value:			
– PRC	(i)	693	817
Unlisted debt securities	(ii)	488,647	396,342
		489,340	397,159

Notes:

- (i) Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.
- (ii) The balance comprises financial products with licensed banks in the PRC. The Group used income method of discounted cash flows to determine its fair value.

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31. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 HK\$'000	2018 HK\$'000
Cash at banks/other financial institutions and in hand	2,218,693	2,400,283
Deposits	2,399,146	680,721
	4,617,839	3,081,004
Deposit pledged against banking facilities granted to mortgagees	(513)	(530)
Deposit pledged for bank loans (note 35(i)(j))	(178,866)	(67,045)
Deposit pledged for other loans (note 35(i)(j))	(388,180)	(484,529)
Deposit pledged for bills payables (note 33)	(76,965)	(17,510)
	(644,524)	(569,614)
Cash and cash equivalents	3,973,315	2,511,390

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

The directors of the Company considered that the fair values of the cash at banks/other financial institutions and deposits are not materially different from their carrying amounts because of the short maturity period on their inception.

As at 31 March 2019, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK\$2,354,030,000 (2018: HK\$2,472,904,000), which were deposited with banks/other financial institutions in the PRC or held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

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32. CONTRACT LIABILITIES

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

	2019 HK\$'000	2018 HK\$'000
Non-current		
Deposits from customers for city water supply construction businesses	273,133	–
Current		
Deposits from customers for city water supply operation businesses	160,537	–
Deposits from customers for city water supply and water environmental renovation construction businesses	343,026	–
Deposits from customers for property development and investment businesses	144,571	–
	648,134	–

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised for the year ended 31 March 2019 relates to carried-forward contract liabilities.

	2019 HK\$'000
Revenue recognised that was included in the contract liabilities balance at 1 April 2018	
City water supply operation businesses	135,026
City water supply and water environmental renovation construction businesses	164,411
Property development and investment businesses	35,260
	334,697

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For the year ended 31 March 2019

32. CONTRACT LIABILITIES (Continued)

(ii) Unsatisfied contracts related to city water supply construction

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at 31 March 2019.

	2019 HK\$'000
City water supply construction businesses	273,133

All other contracts related to water supply construction are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

33. TRADE AND BILLS PAYABLES

	2019 HK\$'000	2018 HK\$'000
Trade payables	2,189,887	1,571,278
Bills payables	220,211	54,618
	2,410,098	1,625,896

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

	2019 HK\$'000	2018 HK\$'000
0 to 90 days	1,678,905	1,084,886
91 to 180 days	308,239	194,876
Over 180 days	422,954	346,134
	2,410,098	1,625,896

As at 31 March 2019, the bills payables of HK\$220,211,000 (2018: HK\$54,618,000) were secured by the pledged bank deposits of HK\$76,965,000 (2018: HK\$17,510,000) (note 31).

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34. ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

	Notes	2019 HK\$'000	2018 HK\$'000
Non-current			
Deposits received		–	246,633
Current			
Accrued liabilities		374,985	328,248
Deposits received	(i)	64,514	606,797
Other payables	(ii)	1,539,583	1,371,179
		1,979,082	2,306,224

Notes:

- (i) Deposits received from customers are classified as contract liabilities as at 31 March 2019 upon adoption of HKFRS 15 (note 32).
- (ii) Other payables mainly included water supply and sewage treatment fees and various municipal service charges received on behalf of certain government authorities in the PRC of HK\$413,554,000 (2018: HK\$358,301,000) and payables for other PRC tax surcharges and construction costs.

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35. BORROWINGS

	Notes	Original currency	2019 HK\$'000	2018 HK\$'000
Current				
Bank loans – unsecured	(ii)	RMB	713,174	598,811
Bank loans – secured	(i), (ii)	RMB	914,359	1,050,549
Bank loans – unsecured	(ii)	USD	1,104,747	1,105,160
Other loans – unsecured	(iii)	RMB	28,412	135,695
Other loans – secured	(i), (iii)	RMB	476,471	454,615
Other loans – secured	(i), (iii)	USD	62,400	62,400
Government loans – unsecured	(iv)	RMB	137,920	43,070
			3,437,483	3,450,300
Non-current				
Bank loans – unsecured	(ii)	RMB	1,322,440	615,344
Bank loans – secured	(i), (ii)	RMB	2,221,490	1,511,451
Bank loans – unsecured	(ii)	USD	5,112,621	2,351,912
Other loans – unsecured	(iii)	RMB	351,885	976
Other loans – unsecured	(iii)	USD	2,288,540	2,275,651
Other loans – secured	(i), (iii)	RMB	–	496,604
Other loans – secured	(i), (iii)	USD	59,365	119,894
Government loans – unsecured	(iv)	RMB	137,790	59,920
			11,494,131	7,431,752
			14,931,614	10,882,052

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35. BORROWINGS (Continued)

	2019 HK\$'000	2018 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	2,732,280	2,754,520
In the second year	1,212,008	1,124,956
In the third to fifth years, inclusive	5,902,938	2,174,902
Beyond five years	1,541,605	1,178,849
	11,388,831	7,233,227
Other loans repayable:		
Within one year or on demand	567,283	652,710
In the second year	321,258	559,980
In the third to fifth years, inclusive	2,378,532	2,333,145
	3,267,073	3,545,835
Government loans repayable:		
Within one year or on demand	137,920	43,070
In the second year	21,325	6,776
In the third to fifth years, inclusive	49,116	8,943
Beyond five years	67,349	44,201
	275,710	102,990

Notes:

- (i) The borrowings at 31 March 2019 and 2018 were secured or guaranteed by:
- (a) pledge of water and sewage treatment revenue of certain subsidiaries;
 - (b) charges over shares of certain subsidiaries of the Group;
 - (c) guarantees by certain non-controlling equity holders of subsidiaries of the Group and government authorities;

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35. BORROWINGS (Continued)

Notes: (Continued)

- (i) The borrowings at 31 March 2019 and 2018 were secured or guaranteed by: (Continued)
 - (d) charges over property, plant and equipment in which their aggregate carrying amount as at 31 March 2019 was HK\$798,255,000 (2018: HK\$674,448,000) (note 16);
 - (e) charges over prepaid land lease payments in which their aggregate carrying amount as at 31 March 2019 was HK\$336,809,000 (2018: HK\$358,110,000) (note 17);
 - (f) charges over investment properties in which their aggregate carrying amount as at 31 March 2019 was HK\$315,176,000 (2018: HK\$446,220,000) (note 18);
 - (g) charges over other intangible assets in which their aggregate carrying amount as at 31 March 2019 was HK\$933,356,000 (2018: HK\$849,289,000) (note 22);
 - (h) charges over the properties under development in which their aggregate carrying amount as at 31 March 2019 was HK\$Nil (2018: HK\$63,435,000) (note 25);
 - (i) charges over the properties held for sale in which their aggregate carrying amount as at 31 March 2019 was HK\$Nil (2018: HK\$5,102,000) (note 26);
 - (j) charges over the bank deposits in amount of HK\$567,046,000 as at 31 March 2019 (2018: HK\$551,574,000) (note 31); and
 - (k) charges over the financial assets at fair value through other comprehensive income in which their aggregate carrying amount as at 31 March 2019 was HK\$235,294,000 (2018: available-for-sale financial assets of HK\$131,311,000) (note 20).
- (ii) The effective interest rates of the bank loans ranged from 2.78% to 9.60% (2018: 2.27% to 8.96%) per annum at 31 March 2019.
- (iii) The effective interest rates of the other loans ranged from 3.88% to 7.00% (2018: 3.88% to 7.30%) per annum at 31 March 2019.
- (iv) The effective interest rates of the government loans ranged from 1.20% to 5.00% (2018: 1.20% to 5.00%) per annum at 31 March 2019.

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

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

- (a) the amount due from a non-controlling equity holder of a subsidiary with carrying amount of HK\$65,799,000 as at 31 March 2018 which bore interest rate at 10.0% per annum and repayable on demand;
- (b) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK\$45,624,000 (2018: HK\$61,705,000) as at 31 March 2019 which bore interest rate ranged from 5.2% to 5.5% (2018: 4.8%) per annum and was repayable within one year;
- (c) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK\$5,882,000 (2018: HK\$32,640,000) as at 31 March 2019 which bore interest rate at 4.8% (2018: ranged from 4.8% to 11.7%) per annum and repayable on demand; and
- (d) the amount due to a non-controlling equity holder of a subsidiary with carrying amount of HK\$25,882,000 (2018: HK\$34,146,000) as at 31 March 2019 which bore interest rate at 1.2% (2018: 1.2%) per annum and was repayable in October 2030.

37. DEFERRED GOVERNMENT GRANTS

	2019 HK\$'000	2018 HK\$'000
Opening carrying amount	156,336	145,412
Additions	37,294	–
Acquisition of subsidiaries (note 42)	45,545	6,778
Amortisation (note 7)	(8,158)	(4,576)
Exchange realignment	(5,434)	8,722
Closing carrying amount	225,583	156,336

The deferred government grants mainly related to the Group's acquisition of other intangible assets (note 22).

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38. DEFERRED TAX LIABILITIES

Deferred tax liabilities are calculated on temporary differences under the liability method using applicable taxation rates of the relevant entities.

The movements in deferred tax liabilities during the year, without taking into accounts for the offsetting of balances within the same tax jurisdiction, are as follows:

	Temporary differences on assets recognised under HK(IFRIC) – Int 12 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 2017	306,861	82,568	293,196	48,871	731,496
Charged to profit or loss (note 11)	88,541	–	–	–	88,541
Acquisition of subsidiaries (note 42)	–	8,997	–	–	8,997
Disposal of a subsidiary (note 43)	637	–	–	–	637
Exchange realignment	17,386	4,594	17,878	2,979	42,837
At 31 March 2018	413,425	96,159	311,074	51,850	872,508
Charged/(credited) to profit or loss (note 11)	79,566	–	(75,811)	–	3,755
Acquisition of subsidiaries (note 42)	–	39,639	–	–	39,639
Disposal of subsidiaries (note 43)	(3,843)	–	–	–	(3,843)
Exchange realignment	(13,132)	(3,394)	(10,980)	(1,830)	(29,336)
At 31 March 2019	476,016	132,404	224,283	50,020	882,723

At 31 March 2019, the Group has unused tax losses of HK\$184,824,000 (2018: HK\$139,177,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses will expire in 5 years except for those arising from Hong Kong which do not have expiry.

At 31 March 2019, the deferred tax liabilities of HK\$89,091,000 (2018: HK\$128,983,000) for the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries have not been recognised, because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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39. SHARE CAPITAL

	Notes	Number of shares '000	Par value HK\$'000
Authorised:			
Ordinary shares of HK\$0.01 each At 31 March 2018 and 2019		20,000,000	200,000
Issued and fully paid:			
Ordinary shares of HK\$0.01 each At 1 April 2017		1,517,051	15,171
Repurchased and cancelled	(i)	(23,850)	(239)
Share option exercised	(ii)	115,700	1,157
At 31 March 2018 and 2019		1,608,901	16,089

Notes:

- (i) During the year ended 31 March 2018, the Company repurchased a total of 23,850,000 ordinary shares of the Company at an aggregate cost of approximately HK\$110,286,000 (excluding expenses). The highest price paid and the lowest price paid were HK\$5.25 and HK\$4.19 per share respectively. All repurchased shares were cancelled and the issued share capital of the Company was reduced by the nominal value of these shares accordingly. The premium payable on repurchase was charged against the 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 year ended 31 March 2018, the subscription rights attaching to 47,700,000 and 68,000,000 share options issued pursuant to the share option scheme of the Company were exercised at the subscription price of HK\$3.50 and HK\$3.60 per share respectively, resulting in the issue of aggregate of 115,700,000 shares of HK\$0.01 each for a total cash consideration of approximately HK\$411,750,000 (note 40). The premium received was credited to the share premium account. The related weighted average share price at the time of exercise was HK4.70.

40. SHARE OPTION SCHEME

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

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40. SHARE OPTION SCHEME (Continued)

The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time. The total number of shares which may be allotted and issued upon the exercise of all options to be granted under the Scheme of the Company must not in aggregate exceed 10% of the shares in issue at the date of passing the resolution for adoption of the Scheme. For the purpose of calculating the above, options lapsed in accordance with the Scheme shall not be counted.

The maximum number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

An offer of the grant of an option under the Scheme (the "Option") may be accepted within 28 days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof. An Option may be exercised during such period as the board of directors may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant.

The exercise price of the Option shall be determined at the discretion of the board of directors which shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares. There is no minimum holding period before an Option is exercisable.

Equity-settled share options expenses of HK\$592,000 has been included in the consolidated income statement for the year ended 31 March 2018. It gave rise to a share options reserve. No liabilities were recognised due to equity-settled share-based payment transactions.

During the year ended 31 March 2018, the Options were exercised at exercise price ranged from HK\$3.50 to HK\$3.60 and there were no Options outstanding at 31 March 2019 and 2018.

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41. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on pages 47 to 48.

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

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

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

Other reserves represent (i) the difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in subsidiaries being acquired from and disposed to non-controlling interests respectively; and (ii) share of other reserves of associates.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period and share of the share options reserves of the associates.

In accordance with relevant PRC regulations, certain subsidiaries of the Company are required to appropriate not less than 10% of their profits after tax to the respective statutory reserves, until the respective balances of the fund reach 50% of the respective registered capitals. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to offset against their respective accumulated losses, if any.

42. BUSINESS COMBINATIONS

- (a) On 20 April 2018, the Group entered into an agreement with an independent third party, 公安縣城建設投資有限公司 ("Gongan City Development"), that the Group and Gongan City Development shall establish a new company, 公安縣銀龍水務有限公司 ("Gongan Silver Dragon Water"), to run a water supply business. The Group shall contribute 51% registered capital of Gongan Silver Dragon Water by way of cash (RMB88,712,000) and Gongan City Development shall contribute the remaining 49% interest of Gongan Silver Dragon Water by way of assets and the water supply business in Gongan Silver Dragon Water. The above transaction was completed on 21 June 2018.

The transaction was made as part of the Group's strategy to facilitate the water supply business in the PRC.

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

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42. BUSINESS COMBINATIONS (Continued)

(a) (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	1,030	1,030
Prepaid land lease payments	24,958	24,958
Other intangible assets	66,625	66,625
Inventories	1,049	1,049
Trade receivables	1,895	1,895
Prepayments, deposits and other receivables	5,269	5,269
Cash and cash equivalents	12,044	12,044
Trade payables	(4,705)	(4,705)
Accrued liabilities, deposits received and other payables	(7,893)	(7,893)
Non-controlling interests	(100,272)	(100,272)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		12,044

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

Since its acquisition, Gongan Silver Dragon Water contributed revenue of HK\$71,775,000 and net profit of HK\$11,409,000 to the Group for the period from 21 June 2018 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,306,556,000 and HK\$2,130,263,000 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 2018, nor are they intended to be a projection of future results.

- (b) On 10 May 2018, the Group entered into an agreement with the independent third parties to acquire 91.79% equity interest in 武漢市新洲區長源供水有限公司 (“Wuhan Xinzhou”) at a consideration of RMB174,500,000 (approximately HK\$205,294,000). Wuhan Xinzhou is principally engaged in water supply business. The acquisition was completed on 22 May 2018.

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42. BUSINESS COMBINATIONS (Continued)

(b) (Continued)

The acquisition was made as part of the Group's strategy to facilitate the water supply business in the PRC.

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

	HK\$'000
Purchase consideration – settled by cash	205,294
Fair value of net identified assets acquired	<u>(30,133)</u>
Goodwill	<u>175,161</u>

The goodwill of HK\$175,161,000, 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.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	731	731
Prepaid land lease payments	12,585	12,585
Other intangible assets	120,641	120,641
Inventories	1,464	1,464
Trade receivables	8	8
Prepayments, deposits and other receivables	863	863
Cash and cash equivalents	46,479	46,479
Trade payables	(3,387)	(3,387)
Accrued liabilities, deposits received and other payables	(146,521)	(146,521)
Provision for tax	(35)	(35)
Non-controlling interests	<u>(2,695)</u>	<u>(2,695)</u>
Net identifiable assets attributed to the Group acquired	<u>30,133</u>	<u>30,133</u>
Cash and cash equivalents in business acquired		46,479
Cash outflow on acquisition of business		<u>(205,294)</u>
Net cash outflow arising on acquisition		<u>(158,815)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(b) (Continued)

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

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

Since its acquisition, Wuhan Xinzhou contributed revenue of HK\$42,325,000 and net profit of HK\$9,309,000 to the Group for the period from 22 May 2018 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,307,146,000 and HK\$2,130,311,000 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 2018, nor are they intended to be a projection of future results.

- (c) On 11 September 2018, the Group entered into an agreement with an independent third party, 郟縣城鎮建設投資有限責任公司 (“Jiaxian City Development”), that the Group and Jiaxian City Development shall establish a new company, 郟縣銀龍水務有限公司 (“Jiaxian Silver Dragon Water”), to run a water supply business. The Group shall contribute 80% registered capital of Jiaxian Silver Dragon Water by way of cash (RMB80,000,000) and Jiaxian City Development shall contribute the remaining 20% interest of Jiaxian Silver Dragon Water by way of assets and the water supply business in Jiaxian Silver Dragon Water. The above transaction was completed on 21 September 2018.

The transaction was made as part of the Group’s strategy to facilitate the water supply business in the PRC.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(c) (Continued)

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

	Fair value	Carrying amount
	HK\$'000	HK\$'000
Property, plant and equipment	1,294	1,294
Prepaid land lease payments	10,658	10,658
Other intangible assets	103,998	103,998
Trade receivables	80	80
Prepayments, deposits and other receivables	2,650	2,650
Trade payables	(6,605)	(6,605)
Accrued liabilities, deposits received and other payables	(45,834)	(45,834)
Due to non-controlling interests	(5,620)	(5,620)
Borrowings	(37,092)	(37,092)
Non-controlling interests	(23,529)	(23,529)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		–

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

Since its acquisition, Jiaxian Silver Dragon Water contributed revenue of HK\$6,011,000 and net loss of HK\$3,722,000 to the Group for the period from 21 September 2018 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,305,003,000 and HK\$2,130,521,000 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 2018, nor are they intended to be a projection of future results.

- (d) On 18 December 2018, the Group entered into an agreement with the independent third parties to acquire 100% equity interest in 漢川銀龍水務有限公司 (“Hanchuan Water”) (formerly known as 湖北川東環保能源開發有限公司) and its subsidiary (“Hanchuan Water Group”) at a consideration of RMB180,000,000 (approximately HK\$211,765,000). Hanchuan Water Group is principally engaged in water supply and sewage treatment business. The acquisition was completed on 24 January 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(d) (Continued)

The acquisition was made as part of the Group's strategy to facilitate the water supply and sewage treatment business in the PRC.

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

	HK\$'000
Purchase consideration – settled by cash	211,765
Fair value of net identified assets acquired	<u>(116,964)</u>
Goodwill	<u>94,801</u>

The goodwill of HK\$94,801,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	117,880	117,880
Prepaid land lease payments	5,506	5,506
Other intangible assets	64,706	26,153
Inventories	68	68
Trade receivables	2,163	2,163
Prepayments, deposits and other receivables	1,058	1,058
Cash and cash equivalents	3,368	3,368
Trade payables	(19,537)	(19,537)
Accrued liabilities, deposits received and other payables	(983)	(983)
Borrowings	(2,353)	(2,353)
Provision for tax	272	272
Deferred government grants	(45,545)	(45,545)
Deferred tax liabilities	<u>(9,639)</u>	<u>–</u>
Net identifiable assets attributed to the Group acquired	<u>116,964</u>	<u>88,050</u>
Cash and cash equivalents in business acquired		3,368
Cash outflow on acquisition of business		<u>(211,765)</u>
Net cash outflow arising on acquisition		<u>(208,397)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(d) (Continued)

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

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

Since its acquisition, Hanchuan Water Group contributed revenue of HK\$4,297,000 and net profit of HK\$740,000 to the Group for the period from 24 January 2019 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,329,269,000 and HK\$2,134,425,000 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 2018, nor are they intended to be a projection of future results.

(e) On 31 December 2018, the Group entered into an agreement with an independent third party to acquire 70% equity interest in Create Capital Development Limited ("Create Capital") and its subsidiaries ("Create Capital Group") at a consideration of HK\$40,000,000. Create Capital Group is principally engaged in liquefied natural gas ("LNG") supply business. The acquisition was completed on 31 December 2018.

The acquisition was made as part of the Group's strategy to expand into the LNG supply business in the PRC.

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

	HK\$'000
Purchase consideration – debt waiver	40,000
Debt assignment from vendor	(28,582)
Fair value of net identified liabilities acquired	<u>130,407</u>
Goodwill	<u>141,825</u>

The goodwill of HK\$141,825,000, which is not deductible for tax purposes, comprises the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(e) (Continued)

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Fair value HK\$'000	Carrying amount HK\$'000
Property, plant and equipment	204,427	204,427
Prepaid land lease payments	16,598	16,598
Other intangible assets	120,000	–
Inventories	4,807	4,807
Trade receivables	2,617	2,617
Prepayments, deposits and other receivables	4,205	4,205
Due from non-controlling equity holder of a subsidiary	8,885	8,885
Cash and cash equivalents	3,691	3,691
Trade payables	(4,974)	(4,974)
Accrued liabilities, deposits received and other payables	(397,961)	(397,961)
Borrowings	(58,235)	(58,235)
Due to non-controlling equity holder of a subsidiary	(28,582)	(28,582)
Deferred tax liabilities	(30,000)	–
Non-controlling interests	24,115	24,115
Net identifiable liabilities attributed to the Group acquired	(130,407)	(220,407)
Cash and cash equivalents in business acquired		3,691
Cash outflow on acquisition of business		–
Net cash inflow arising on acquisition		3,691

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

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

Since its acquisition, Create Capital Group contributed revenue of HK\$16,038,000 and net profit of HK\$787,000 to the Group for the period from 31 December 2018 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,343,532,000 and HK\$2,131,987,000 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 2018, nor are they intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

- (f) On 24 January 2019, the Group entered into an agreement with an independent third party, 重慶市墊江縣自來水有限公司 (“Dianjiang County Water Company”), that the Group and Dianjiang County Water Company shall establish a new company, 重慶墊江水務有限公司 (“Dianjiang Water”), to run a water supply business. The Group shall contribute 56% registered capital of Dianjiang Water by way of cash (RMB140,000,000) and Dianjiang County Water Company shall contribute the remaining 44% interest of Dianjiang Water by way of assets and the water supply business in Dianjiang Water. The above transaction was completed on 28 March 2019.

The transaction was made as part of the Group’s strategy to facilitate the water supply business in the PRC.

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

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

	Fair value HK\$’000	Carrying amount HK\$’000
Property, plant and equipment	1,222	1,222
Prepaid land lease payments	8,680	8,680
Other intangible assets	322,640	322,640
Inventories	8,176	8,176
Trade receivables	903	903
Due from non-controlling interests	30,057	30,057
Prepayments, deposits and other receivables	1,445	1,445
Cash and cash equivalents	2,997	2,997
Trade payables	(6,545)	(6,545)
Accrued liabilities, deposits received and other payables	(106,530)	(106,530)
Borrowings	(133,570)	(133,570)
Non-controlling interests	(129,475)	(129,475)
Net identifiable assets attributed to the Group acquired	–	–
Cash and cash equivalents in business acquired and net cash inflow arising on transaction		2,997

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

42. BUSINESS COMBINATIONS (Continued)

(f) (Continued)

Since its acquisition, Dianjiang Water did not contributed any revenue or profit to the Group for the period from 28 March 2019 to 31 March 2019.

Had the combination been taken place on 1 April 2018, the revenue and the net profit of the Group for the year ended 31 March 2019 would have been HK\$8,368,422,000 and HK\$2,129,463,000 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 2018, nor are they intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

43. DISPOSAL OF SUBSIDIARIES

- (a) During the year ended 31 March 2019, the Group disposed of the entire interest in 新余市仙女湖游船有限公司 (“Xinyu City Fairy Lake”) at a consideration of RMB87,000,000 (approximately HK\$102,353,000). Xinyu City Fairy Lake is principally engaged in sightseeing business. The disposal was completed in January 2019 and the Group recognised a gain on disposal of approximately HK\$106,460,000.

The net assets of Xinyu City Fairy Lake at the date of disposal were as follows:

	Carrying amount HK\$'000
Property, plant and equipment	8,004
Inventories	89
Prepayments, deposits and other receivables	1,916
Cash and cash equivalents	171
Trade payables	(676)
Accrued liabilities, deposits received and other payables	(4,997)
Provision for tax	(92)
Non-controlling interests	(9,580)
	<hr/>
Net assets attributed to the Group disposed of	(5,165)
Release of exchange fluctuation reserve upon disposal	1,007
	<hr/>
	(4,158)
Consideration – settled by cash	(102,353)
Transaction costs	51
	<hr/>
Gain on disposal of a subsidiary	(106,460)
	<hr/>
Cash consideration received	64,890
Cash and cash equivalents disposed of	(171)
	<hr/>
Net cash inflow arising on disposal of a subsidiary	64,719
	<hr/>

- (b) The above represent material disposals of subsidiaries for the year ended 31 March 2019 (note 43(a)). There were other immaterial disposals of subsidiaries took place during the year which are not disclosed, resulted in a net gain of approximately HK\$11,381,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

44. COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

	2019 HK\$'000	2018 HK\$'000
Contracted, but not provided for		
– Other intangible assets	332,477	220,567
– Property, plant and equipment	20,844	22,232
	353,321	242,799

(b) Operating lease arrangement

As lessee

The Group leases certain of its leasehold land, properties and plant and machinery under operating lease arrangements for initial period ranging from one to twenty years (2018: 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:

	2019 HK\$'000	2018 HK\$'000
Within one year	46,649	37,020
In the second to fifth years, inclusive	151,329	139,634
After five years	176,696	211,358
	374,674	388,012

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

44. COMMITMENTS AND GUARANTEES (Continued)

(b) Operating lease arrangement (Continued)

As lessor

The Group leases its investment properties under operating lease arrangements for terms ranging from one to ten years (2018: 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:

	2019 HK\$'000	2018 HK\$'000
Within one year	37,557	33,105
In the second to fifth years, inclusive	52,591	54,945
After five years	5,631	701
	95,779	88,751

- (c) As at 31 March 2019, the Group had commitment to make direct capital injections to its associates operating in the PRC of approximately HK\$3,971,000 (2018: HK\$4,115,000).
- (d) As at 31 March 2018, the Group had commitment, which is contracted but not provided for, to make acquisition of equity securities of approximately HK\$85,903,000. The relevant deposits of approximately HK\$9,512,000 were paid as at 31 March 2018.
- (e) As at 31 March 2019, the Group had given guarantees to the banks for mortgage loans granted to purchasers of certain subsidiaries' properties of approximately HK\$1,722,000 (2018: HK\$2,623,000).

In the opinion of the directors of the Company, the financial impact arising from the above guarantees is insignificant due to low applicable default rate and accordingly, they are not accounted for in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions:

(a) Compensation of key management personnel of the Group:

	2019 HK\$'000	2018 HK\$'000
Total remuneration of directors and other members of key management during the year		
– Short term employee benefits	48,990	47,243
– Retirement scheme contribution	728	692
– Equity-settled share options expenses	–	592
	<u>49,718</u>	<u>48,527</u>

(b) Other transactions

(i) Subscription of equity interest in a subsidiary

On 21 June 2018, the Group and certain subscribers entered into the subscription agreements pursuant to which the subscribers agreed to subscribe for an aggregate of approximately 4.39% equity interest in Gold Tact Environmental Investment (Shenzhen) Co. Ltd. (“Gold Tact”), a wholly owned subsidiary of the Company at the total subscription price of approximately RMB138 million, equivalent to HK\$162 million. Gold Tact and its subsidiaries are principally engaged in sewage treatment and drainage operation and water related construction, solid waste and hazardous waste business, environmental sanitation and water environment management in the PRC. Mr. Li Zhong, Ms. Liu Yu Jie, Ms. Wang Xiaoqin, being the directors of the Company, certain directors of the Company’s subsidiaries and various employees/consultant of the Group have equity interests in those subscribers.

The above related party transaction also constitutes connected transactions as defined in Chapter 14A of the Listing Rules.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

45. RELATED PARTY TRANSACTIONS (Continued)

(b) Other transactions (Continued)

(ii) Formation of a joint venture

On 21 February 2019, the Company, Toray Industries, Inc, ORIX China Investment Corporation (“ORIX China”) and Xinyu Silver Dragon Water Equipment Co. Ltd. entered into the joint venture agreement to establish the joint venture company which will be principally engaged in, among others, production and sale of pipeline direct drinking equipment, water purification equipment and other water treatment equipment and services (“JV Company”). The registered capital of the JV Company shall be RMB50 million. The total investment of the JV Company shall be RMB120 million. The Company shall contribute RMB27.5 million in cash towards the registered capital of the JV Company and hold 55% of the equity interest in the JV Company. ORIX China is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company.

The above related party transaction also constitutes connected transactions as defined in Chapter 14A of the Listing Rules.

46. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings
	HK\$'000
At 1 April 2017	11,328,967
Changes from financing cash flows	(802,100)
Increase arising from acquisition of subsidiaries	32,413
Others	34,334
Exchange differences	288,438
	<hr/>
At 31 March 2018 and 1 April 2018	10,882,052
Changes from financing cash flows	3,894,160
Increase arising from acquisition of subsidiaries (note 42)	304,872
Decrease arising from disposal of subsidiaries (note 43)	(11,765)
Others	37,415
Exchange differences	(175,120)
	<hr/>
At 31 March 2019	14,931,614

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

Notes	2019 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	372	452
Interests in subsidiaries	2,090,753	1,975,621
Interest in an associate	187,245	187,245
Financial assets at fair value through other comprehensive income	13,701	–
Other receivables	588,235	–
	<u>2,880,306</u>	<u>2,163,318</u>
Current assets		
Due from subsidiaries	5,006,320	4,789,832
Due from associates	7,318	7,508
Prepayments, deposits and other receivables	31,157	214,224
Pledged deposits	193,750	38,750
Cash and cash equivalents	2,065,698	563,311
	<u>7,304,243</u>	<u>5,613,625</u>
Current liabilities		
Due to subsidiaries	171,293	169,522
Accrued liabilities, deposits received and other payables	90,557	77,709
Borrowings	1,167,147	1,167,559
	<u>1,428,997</u>	<u>1,414,790</u>
Net current assets	<u>5,875,246</u>	<u>4,198,835</u>
Total assets less current liabilities	<u>8,755,552</u>	<u>6,362,153</u>
Non-current liabilities		
Borrowings	7,699,488	4,752,761
Deferred government grants	2,370	2,370
	<u>7,701,858</u>	<u>4,755,131</u>
Net assets	<u>1,053,694</u>	<u>1,607,022</u>
EQUITY		
Share capital	39	16,089
Reserves	47(b)	1,590,933
Total equity	<u>1,053,694</u>	<u>1,607,022</u>

Approved and authorised for issue by the board of directors on 27 June 2019 and are signed on its behalf by:

Duan Chuan Liang
Director

Ding Bin
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company

	Proposed final dividend HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	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
Balance at 1 April 2017	242,728	695,182	498,920	2,825	(152)	96,216	(918)	10,346	1,545,147
Share options exercised (note 39)	-	410,593	-	-	-	-	-	-	410,593
Share repurchase (note 39)	-	(110,047)	-	-	-	-	-	-	(110,047)
Share repurchase expenses	-	(535)	-	-	-	-	-	-	(535)
Equity settled share options expenses (note 40)	-	-	-	-	-	592	-	-	592
Final dividend 2017 (note 13)	(242,728)	-	(12,296)	-	-	-	-	-	(255,024)
Interim dividend 2018 (note 13)	-	-	(128,072)	-	-	-	-	-	(128,072)
Transactions with owners	(242,728)	300,011	(140,368)	-	-	592	-	-	(82,493)
Proposed final dividend 2018 (note 13)	241,335	-	(241,335)	-	-	-	-	-	-
Transfer to capital redemption reserve (note 41)	-	-	-	239	-	-	-	(239)	-
Profit for the year	-	-	-	-	-	-	-	128,603	128,603
Other comprehensive income/(loss)									
- Change in fair value of available- for-sale financial assets	-	-	-	-	(49)	-	-	-	(49)
- Currency translation	-	-	-	-	-	-	(476)	-	(476)
- Recycling of reserves upon disposal of available-for-sale financial assets	-	-	-	-	201	-	-	-	201
Total comprehensive income/ (loss) for the year	-	-	-	-	152	-	(476)	128,603	128,279
Balance at 31 March 2018	241,335	995,193	117,217	3,064	-	96,808	(1,394)	138,710	1,590,933

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

	Proposed final dividend HK\$'000	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2018	241,335	995,193	117,217	3,064	96,808	(1,394)	138,710	1,590,933
Share premium reduction	-	(995,193)	995,193	-	-	-	-	-
Final dividend 2018 (note 13)	(241,335)	-	-	-	-	-	-	(241,335)
Interim dividend 2019 (note 13)	-	-	(193,068)	-	-	-	-	(193,068)
Transactions with owners	(241,335)	(995,193)	802,125	-	-	-	-	(434,403)
Proposed final dividend 2019 (note 13)	257,424	-	(257,424)	-	-	-	-	-
Loss for the year	-	-	-	-	-	-	(119,641)	(119,641)
Other comprehensive income								
- Currency translation	-	-	-	-	-	716	-	716
Total comprehensive income/(loss) for the year	-	-	-	-	-	716	(119,641)	(118,925)
Balance at 31 March 2019	257,424	-	661,918	3,064	96,808	(678)	19,069	1,037,605

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

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

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

The contributed surplus represented (i) reduction in issued share capital pursuant to a capital restructuring on 25 July 2003; and (ii) the share premium reductions. Under the Companies Law of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if: (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The share options reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2019 are as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK\$2	–	100%	Investment holding
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK\$1	–	100%	Investment holding
GT Water Holdings Limited	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary shares of HK\$100,545,366 (2018: Ordinary share of HK\$1)	100%	–	Investment holding
Hang Da Holdings (HK) Limited	Hong Kong	Ordinary shares of HK\$10,000	100%	–	Investment holding
Legend Target Limited	Hong Kong	Ordinary share of HK\$1	–	80.66%	Investment holding
China Water Property (Hong Kong) Investment Limited(i)	Hong Kong	Ordinary shares of HK\$10,000	–	70%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
Oceanup Investments Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
Ming Hing Waterworks Engineering (PRC) Ltd.	BVI/Hong Kong	100 ordinary shares of US\$1 each	–	100%	Investment holding
Business Decade Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
New Prospect Global Limited	BVI/Hong Kong	10,000 ordinary shares of US\$1 each	–	80.66%	Investment holding
New Prime Holdings Limited	BVI/Hong Kong	1 ordinary share of US\$1	100%	–	Investment holding
Create Capital Development Limited(i)	BVI/Hong Kong	100 ordinary shares of US\$1 each	–	70%	Investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US\$1 each	–	100%	Investment holding

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For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Jianhe Holdings Group Limited	Bermuda/Hong Kong	10,000 ordinary shares of HK\$0.01 each	–	80.66%	Investment holding
銀龍水務投資有限公司#	PRC	Registered capital of RMB1,000,000,000	100%	–	Investment holding
上海倍臣水務發展有限公司^	PRC	Registered capital of RMB404,000,000	–	100%	Investment holding
上海銀龍股權投資有限公司^	PRC	Registered capital of RMB1,000,000,000	–	100%	Investment holding
江河水務有限公司^	PRC	Registered capital of RMB225,000,000	–	100%	Investment holding
河南銀龍供水有限公司*	PRC	Registered capital of RMB287,000,000	–	100%	Investment holding
深圳金達環境控股有限公司 (formerly known as 金達環保投資(深圳)有限公司)*	PRC	Registered capital of RMB602,282,275 (2018 : RMB327,220,000)	–	88.07% (2018: 100%)	Investment holding
深圳市金信安水務集團有限公司#	PRC	Registered capital of RMB400,000,000	–	100%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	100%	Investment holding
河南國源水務有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding, construction and operation of water conservation and hydropower related projects
荊州水務集團有限公司(ii)*	PRC	Registered capital of US\$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
Gongan Silver Dragon Water (i)^	PRC	Registered capital of RMB173,944,431	–	51%	City water supply and water supply infrastructure
Wuhan Xinzhou (i)^	PRC	Registered capital of RMB15,160,000	–	91.79%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
漢川市新河自來水有限公司(i) [^]	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
新余水務集團有限公司 [#]	PRC	Registered capital of RMB150,000,000	60%	–	City water supply and water supply infrastructure
宜豐縣銀龍水務有限公司*	PRC	Registered capital of RMB52,800,000	55%	–	City water supply and water supply infrastructure
江河港武水務(常州)有限公司(ii) [^]	PRC	Registered capital of RMB237,000,000	–	40%	City water supply and water supply infrastructure
重慶市永川區橋立水務有限公司 [#]	PRC	Registered capital of RMB200,000,000	100%	–	City water supply and water supply infrastructure
Dianjiang Water (i) [*]	PRC	Registered capital of RMB250,000,000	56%	–	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB60,000,000	60%	–	City water supply and water supply infrastructure
高安市昌西供水有限公司 [^]	PRC	Registered capital of RMB2,000,000	–	60%	City water supply and water supply infrastructure
高安市八景供水有限公司 [^]	PRC	Registered capital of RMB5,000,000	–	60%	City water supply and water supply infrastructure
高安市新街供水有限公司 [^]	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
高安市沙湖供水有限公司 [^]	PRC	Registered capital of RMB500,000	–	60%	City water supply and water supply infrastructure
高安瑞西供水有限公司 [^]	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
長沙(中國水務)集團有限公司 (formerly known as 長沙(中國水務)有限公司)*	PRC	Registered capital of RMB200,000,000	–	90%	City water supply and water supply infrastructure
寧鄉中水煤城供水有限公司 [^]	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure
寧鄉市銀龍農村水務有限公司 [^]	PRC	Registered capital of RMB20,000,000	–	90%	City water supply and water supply infrastructure
惠州中水水務發展有限公司*	PRC	Registered capital of RMB200,000,000 (2018 : RMB100,000,000)	20%	50%	City water supply and water supply infrastructure
惠州大亞灣溢源淨水有限公司 [^]	PRC	Registered capital of RMB248,612,103	–	59.78%	City water supply and water supply infrastructure
河源市水業集團發展有限公司 [^]	PRC	Registered capital of RMB100,000,000	–	62.66%	City water supply and water supply infrastructure
和平縣天平供水有限公司 [^]	PRC	Registered capital of RMB18,800,000	–	90%	City water supply and water supply infrastructure
博羅縣長寧閩恒供水有限公司 [#]	PRC	Registered capital of HK\$16,800,000	–	100% (2018: 70%)	City water supply and water supply infrastructure
博羅縣羅浮山清景供水有限公司 [^]	PRC	Registered capital of RMB10,000,000	–	100% (2018: 70%)	City water supply and water supply infrastructure
龍川縣眾誠水務有限公司 [^]	PRC	Registered capital of RMB10,000,000	–	100% (2018: 70%)	City water supply and water supply infrastructure
深圳市大工業區水務有限公司 [^]	PRC	Registered capital of RMB45,500,000	–	56.04%	City water supply, water supply infrastructure, drainage operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
武陟國源水務有限公司 [^]	PRC	Registered capital of RMB31,000,000 (2018 : RMB30,000,000)	–	100%	City water supply and water supply infrastructure
平頂山石龍區國源水務有限公司 [^]	PRC	Registered capital of RMB25,000,000	–	60%	City water supply and water supply infrastructure
葉縣國源水務有限公司 [^]	PRC	Registered capital of RMB37,000,000 (2018 : RMB47,000,000)	–	83.78% (2018: 87.23%)	City water supply and water supply infrastructure
夏邑縣聽辰自來水有限公司(i) [^]	PRC	Registered capital of RMB4,649,530	–	100%	City water supply and water supply infrastructure
Jiaxian Silver Dragon Water (i) [^]	PRC	Registered capital of RMB100,000,000	–	80%	City water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK\$51,000,000	–	70%	City water supply and water supply infrastructure
河南鹿邑銀龍供水有限公司 [^]	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(扶溝)供水有限公司 [^]	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司 [^]	PRC	Registered capital of RMB14,000,000	–	100%	City water supply and water supply infrastructure
廣東仁化銀龍供水有限公司*	PRC	Registered capital of RMB27,260,000	–	73%	City water supply and water supply infrastructure
江西萬年銀龍水務有限責任公司*	PRC	Registered capital of US\$52,090,000 (2018 : US\$47,090,000)	–	100%	City water supply
吉安水務集團有限公司 [^]	PRC	Registered capital of RMB120,000,000	–	70%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
吉安銀龍水務有限公司 [^]	PRC	Registered capital of RMB87,320,000	–	50.4%	City water supply and water supply infrastructure
蘆溪水務有限公司*	PRC	Registered capital of RMB62,308,750	30%	30%	City water supply and water supply infrastructure
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	26%	25%	City water supply and water supply infrastructure
萍鄉市春雨水業有限公司 [^]	PRC	Registered capital of RMB10,000,000	–	51%	City water supply and water supply infrastructure
懷化銀龍水務有限公司*	PRC	Registered capital of RMB30,000,000	30%	56.55%	City water supply and water supply infrastructure
懷化沅辰水務有限公司*	PRC	Registered capital of RMB76,581,697	–	65%	City water supply and water supply infrastructure
九江彭澤銀龍水務有限公司*	PRC	Registered capital of RMB102,734,375 (2018 : RMB90,454,375)	49%	11%	City water supply and water supply infrastructure
運城銀龍水務有限公司 [^]	PRC	Registered capital of RMB85,964,273	–	51%	City water supply and water supply infrastructure
運城市鹽湖區舜源城鄉供排水 有限公司 [^]	PRC	Registered capital of RMB20,000,000	–	51%	City water supply and water supply infrastructure
運城弘益水務有限公司 (formerly known as 運城市空港開發區弘益 供水有限公司)*	PRC	Registered capital of RMB100,000,000	–	64.52%	City water supply and water supply infrastructure
隆堯銀龍水務有限公司 [^]	PRC	Registered capital of RMB55,000,000	–	73%	City water supply and water supply infrastructure
常德安鄉銀龍水務有限公司 [^]	PRC	Registered capital of RMB50,000,000	–	70%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
江西黃崗山水務發展有限公司 [^]	PRC	Registered capital of RMB80,000,000	–	75%	City water supply and water supply infrastructure
鶴崗三立水務有限公司 [^]	PRC	Registered capital of RMB63,488,000	–	55%	City water supply, water supply infrastructure and drainage operation
分宜銀龍水務有限公司 [^]	PRC	Registered capital of RMB75,000,000	66.67%	33.33%	City water supply and water supply infrastructure
上栗銀龍水務有限公司 [^]	PRC	Registered capital of RMB14,500,000	–	60%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司 [#]	PRC	Registered capital of RMB55,500,000 (2018 : RMB31,500,000)	–	100%	City water supply and water supply infrastructure
宜春銀龍水務有限公司 [#]	PRC	Registered capital of RMB38,000,000	–	100%	City water supply
海南興水城鄉供水有限公司 [^]	PRC	Registered capital of RMB15,830,000	–	56.85%	City water supply
北京江河京威水務有限公司 [^]	PRC	Registered capital of RMB10,000,000	–	70%	City water supply
昌邑鵬昊自來水有限公司 [^]	PRC	Registered capital of RMB65,000,000	–	100%	City water supply and water supply infrastructure
青島鵬昊水務有限公司 [^]	PRC	Registered capital of RMB15,791,985	–	100%	City water supply and water supply infrastructure
江西銀龍水環境建設有限責任公司 [^]	PRC	Registered capital of RMB400,000,000	–	70.46% (2018: 80%)	City water supply and water environmental renovation infrastructure
寶雞市金信安水務有限公司 [^]	PRC	Registered capital of RMB42,680,000	–	100%	Sewage treatment
寶雞市陳倉金信安水務有限公司 [^]	PRC	Registered capital of RMB12,000,000	–	100%	Sewage treatment

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
寶雞市大通水務有限公司 [^]	PRC	Registered capital of RMB5,000,000	–	88.07% (2018: 100%)	Sewage treatment
荊州中水環保有限公司 [^]	PRC	Registered capital of US\$8,200,000	– (2018: 100%)	88.07% (2018: –)	Sewage treatment operation and construction
萬年縣中水環保有限公司 [^]	PRC	Registered capital of RMB53,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
分宜中水環保有限公司 [^]	PRC	Registered capital of RMB18,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
鉛山縣中水環保有限公司 [^]	PRC	Registered capital of US\$2,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
天津正坤水處理有限公司 [^]	PRC	Registered capital of RMB2,300,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
天津重科水處理有限公司 [^]	PRC	Registered capital of RMB1,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
邯鄲市峰峰錦晟污水處理有限公司 [^]	PRC	Registered capital of RMB1,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
邯鄲成晟水務有限公司 [^]	PRC	Registered capital of RMB21,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
邯鄲市峰峰礦區世晟中水處理有限公司 [^]	PRC	Registered capital of RMB6,000,000	–	88.07% (2018: 100%)	Sewage treatment
鹿邑新晟中水環保有限公司 [^]	PRC	Registered capital of RMB6,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
鹿邑金達環保有限公司 [^]	PRC	Registered capital of RMB15,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
北京同晟水淨化有限公司 [^]	PRC	Registered capital of RMB13,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
高安新晟中水環保有限公司 [^]	PRC	Registered capital of RMB6,000,000	–	88.07% (2018: 100%)	Sewage treatment
常州市大通水務有限公司 [^]	PRC	Registered capital of RMB5,000,000	–	88.07% (2018: 100%)	Sewage treatment operation and construction
鎮平新晟中水環保有限公司 [^]	PRC	Registered capital of RMB6,000,000	–	88.07% (2018: 100%)	Sewage treatment
惠州大亞灣清源環保有限公司 [^]	PRC	Registered capital of RMB15,000,000	–	61.65% (2018: 70%)	Sewage treatment
深圳市大通水務有限公司 [^]	PRC	Registered capital of RMB108,780,000 (2018: RMB30,000,000)	–	88.07% (2018: 100%)	Drainage operation and construction
金中環保(陸河)有限公司 [^]	PRC	Registered capital of RMB48,900,000	–	70%	Drainage operation, sewage treatment operation and construction
Hanchuan Water(i) [^]	PRC	Registered capital of RMB43,000,000	–	100%	Sewage treatment operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
惠州中海節能環保技術服務有限公司 [^]	PRC	Registered capital of RMB10,000,000	–	44.92% (2018: 51%)	Energy conservation and environmental protection
北京上河元酒店有限公司 [^]	PRC	Registered capital of RMB171,600,000	–	100%	Property investment
北京中水建投實業有限公司 [^]	PRC	Registered capital of RMB211,350,000	–	100%	Property development and investment
荊州水務隆錦置業有限公司 [^]	PRC	Registered capital of RMB80,000,000	–	51%	Property development and investment
周口銀龍置業有限公司 [^]	PRC	Registered capital of RMB8,000,000	–	70%	Property development and investment
河南銀龍房地產開發有限責任公司 [^]	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment
寧鄉水務置業有限公司 [^]	PRC	Registered capital of RMB20,000,000	–	90%	Property development and investment
重慶金錦駿昌實業有限公司 [^]	PRC	Registered capital of RMB61,200,000	–	60%	Property development and investment
新余仙女湖新城房地產開發有限公司 [^]	PRC	Registered capital of RMB20,500,000	–	63.63%	Property development and investment
杭州臨普貿易有限公司 [^]	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
杭州銀龍中水實業發展有限公司 [^]	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
鹿邑縣銀龍欣源置業有限公司(i) [^]	PRC	Registered capital of RMB10,000,000	–	100%	Property development and investment
新余仙女湖新城旅遊開發有限公司 [*]	PRC	Registered capital of RMB144,948,500	22.77%	40.86%	Development and infrastructure of sightseeing area
江蘇河海置業有限公司 [^]	PRC	Registered capital of RMB57,500,000	–	85.51% (2018: 63.48%)	Hotel operation

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Notes:

- * registered as Sino-foreign joint ventures under the PRC law
- # registered as wholly-foreign owned enterprises under the PRC law
- ^ registered as a limited liability company under the PRC law
- (i) acquired/incorporated/established/injected during the year ended 31 March 2019
- (ii) accounted for as subsidiaries of the Group because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(b) General information of associates

Particulars of the Group's associates with water supply and sewage treatment as their principal activities as at 31 March 2019 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
廣州市增城自來水有限公司	PRC	RMB167,500,000	40.82%	City water supply and water supply infrastructure
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
雷州市華洋水務有限公司	PRC	RMB50,000,000	24%	City water supply
常州禹安水務有限公司	PRC	RMB72,963,100	29%	Sewage treatment operation and sewage treatment infrastructure

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49. EVENT AFTER THE REPORTING PERIOD

On 3 April 2019, the Group entered into an agreement with Kangda Holdings Company Limited and Mr. Zhao Sizhen, pursuant to which the Group agreed to acquire 600,000,000 ordinary shares of HK\$0.01 each in the share capital of Kangda International (the "Sale Shares") at a total consideration of HK\$1,200,000,000, the shares of which are listed on the mainboard of The Stock Exchange of Hong Kong Limited (stock code: 6136). Kangda International and its subsidiaries are principally engaged in urban water treatment, water environmental comprehensive remediation and rural water improvement. The Sale Shares represented approximately 29.52% of the entire issued share capital of Kangda International. The consideration was fully paid by the Group and the transaction was completed on 4 April 2019.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2019.

Particulars of Properties Held for Investment

For the year ended 31 March 2019

Location	Type	Lot number/ Reference number	Lease term
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
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
重慶市銅梁區蒲呂街道辦事處產業大道66號	Industrial	N/A	Expiring on 18 July 2065

Note: Insignificant properties held for investment are not included.

Particulars of Properties Held Under Development

For the year ended 31 March 2019

Location	Interest attributable to the Group in percentage	Floor area on completion in sq. m. (approx.)	Type of development	Stage of completion
江西省新余市仙女湖大道北側	63.63%	190,000	Commercial/ residential	Construction in progress
江西省新余市清宜公路以南界水河東側及天仙路東側	63.63%	122,000	Commercial/ residential	Construction in progress
江西省新余市仙女湖大道北側	63.63%	41,000	Commercial/ residential	Construction in progress
鹿邑縣明道路西側、紫氣大道北側	100%	73,000	Commercial/ residential	Construction in progress
鹿邑縣西迎賓大道東側、永興路南側	100%	30,000	Commercial/ residential	Construction in progress
鹿邑縣衛真西路北側隱山路西側	100%	123,000	Commercial/ residential	Construction in progress
重慶市銅梁區蒲呂街道辦事處產業大道66號	60%	29,000	Industrial	Construction in progress

Note: Insignificant properties held under development are not included.

Particulars of Properties Held For Sale

For the year ended 31 March 2019

Location	Interest attributable to the Group in percentage	Floor area on completion in sq. m. (approx.)	Type of development	Stage of completion
江西省新余市仙女湖區環湖路南側	63.63%	39,000	Commercial	Completed
湖北省荊州市沙市區江津東路與三灣路交匯處	51%	91,000	Commercial	Completed
武漢市經濟技術開發區龍陽大道與芳草一路交匯處	100%	11,000	Commercial	Completed

Note: Insignificant properties held for sale are not included.

Five-Year Financial Summary

RESULTS

	2019 HK\$'000	Year ended 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated)	2015 HK\$'000 (Restated)
Revenue	8,302,211	7,580,176	5,707,895	4,739,902	3,622,109
Profit before income tax	2,772,059	2,462,111	1,962,625	1,505,226	1,242,018
Income tax expense	(641,776)	(700,587)	(583,279)	(405,374)	(346,517)
Profit for the year	2,130,283	1,761,524	1,379,346	1,099,852	895,501
Attributable to:					
Owners of the Company	1,369,235	1,140,518	853,634	608,112	532,815
Non-controlling interests	761,048	621,006	525,712	491,740	362,686
	2,130,283	1,761,524	1,379,346	1,099,852	895,501

ASSETS AND LIABILITIES

	2019 HK\$'000	At 31 March			
		2018 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Restated)	2015 HK\$'000 (Restated)
Total assets	35,824,636	28,589,287	25,631,709	19,971,063	16,075,613
Total liabilities	(22,922,166)	(17,434,878)	(16,668,776)	(11,524,621)	(8,862,907)
Non-controlling interests	(4,932,004)	(3,985,825)	(3,347,629)	(3,183,070)	(2,674,732)
Equity attributable to owners of the Company	7,970,466	7,168,584	5,615,304	5,263,372	4,537,974