中國水務集團有限公司*

China Water Affairs Group Limited

Stock code : 855

2025 ANNUAL REPORT

* For identification purposes only

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Corporate Information

BOARD OF DIRECTORS

Executive

Mr. Duan Chuan Liang *(Chairman)*
Ms. Ding Bin
Mr. Li Zhong
Mr. Duan Jerry Linnan

Non-executive

Mr. Li Hao (appointed on 28 June 2024)
Mr. Bai Li (appointed on 21 March 2025)
Ms. Wang Xiaoqin
Ms. Liu Yu Jie
Mr. Makoto Inoue (resigned on 28 June 2024)

Independent Non-executive

Mr. Chau Kam Wing
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (appointed on 15 July 2024)
Ms. Zhou Nan (resigned on 15 July 2024)

AUDIT COMMITTEE

Mr. Chau Kam Wing *(Chairman of committee)*
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (appointed on 15 July 2024)
Ms. Zhou Nan (resigned on 15 July 2024)

REMUNERATION COMMITTEE

Mr. Chau Kam Wing *(Chairman of committee)*
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (appointed on 15 July 2024)
Ms. Zhou Nan (resigned on 15 July 2024)

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 Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Admiralty
Hong Kong

LEGAL ADVISERS

As to Bermuda law
Conyers Dill & Pearman

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

PRINCIPAL BANKER

Asian Development Bank
Bank of East Asia
China Construction Bank
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank Co., Ltd

WEBSITE

http://www.chinawatergroup.com

STOCK CODE

855

Corporate Information

City water supply business
- Serving an estimated population of more than 30 million people
- Water pipelines of approximately 151,000 km

Pipeline direct drinking water supply business
- Serving an estimated population of approximately 12 million people

Environmental protection business
Sewage treatment operation and construction (including water environmental renovation construction projects)

Drainage operation

Financial Highlights

	2025 HK$'000	2024 HK$'000	Change
RESULTS HIGHLIGHTS			
Revenue	**11,655,565**	12,858,515	-9.4%
Gross profit	**4,404,978**	4,775,964	-7.8%
Profit for the year	**2,028,078**	2,591,357	-21.7%
Profit for the year attributable to owners of the Company	**1,074,633**	1,533,543	-29.9%
Basic earnings per share (HK$)	**0.66**	0.94	-29.8%
Diluted earnings per share (HK$)	**0.66**	0.94	-29.8%
Total dividend per share (HK cents)	**28**	28	–
– Interim dividend (HK cents)	**13**	13	–
– Final dividend (HK cents)	**15**	15	–

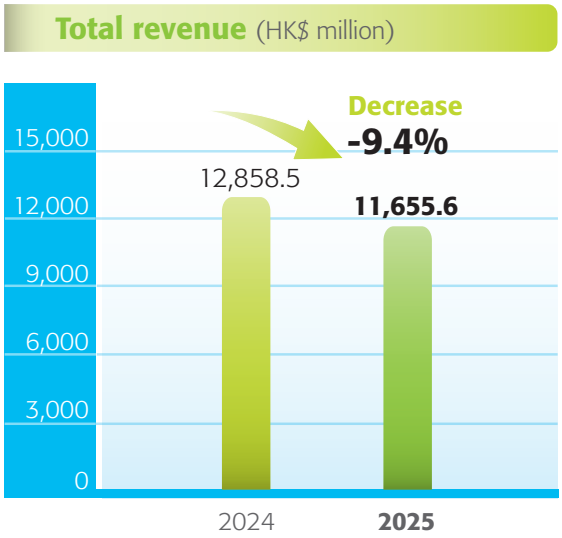
	2025 HK$'000	2024 HK$'000	Change
BALANCE SHEET HIGHLIGHTS AND RATIOS			
Total assets	**65,891,643**	63,242,070	4.2%
Total liabilities	**44,018,957**	41,789,528	5.3%
Net assets	**21,872,686**	21,452,542	2.0%
Net assets per share[1]	**8.07**	7.83	3.1%
Current ratio	**0.82**	0.81	1.2%
Gearing ratio[2]	**66.8%**	66.1%	

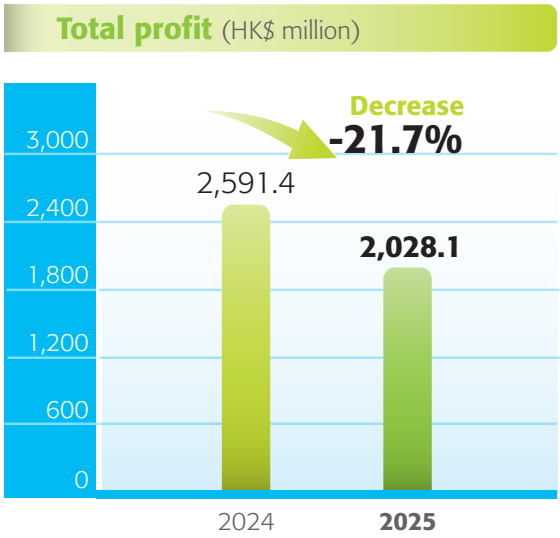
[1] Net assets per share = Equity attributable to owners of the Company/Number of issued shares at year end

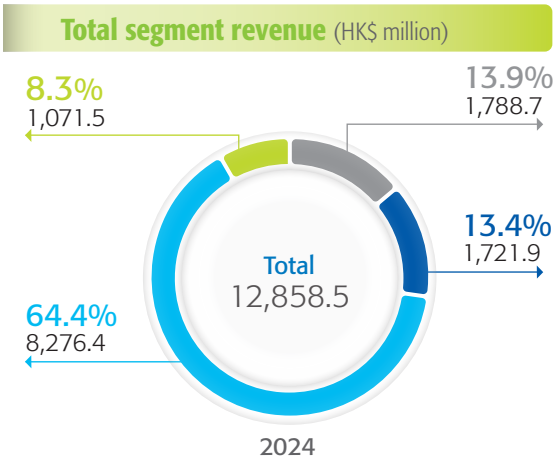
[2] Gearing ratio = Total liabilities/Total assets

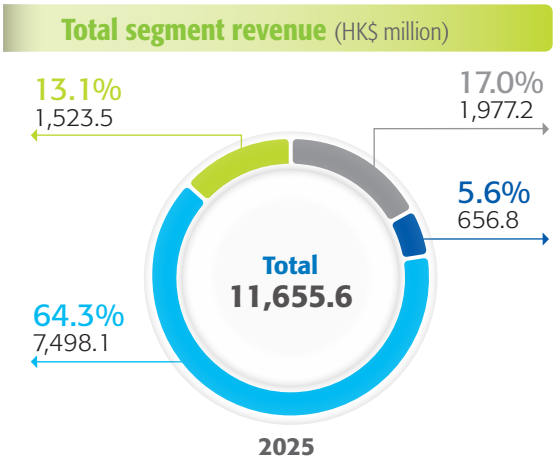
Financial Highlights

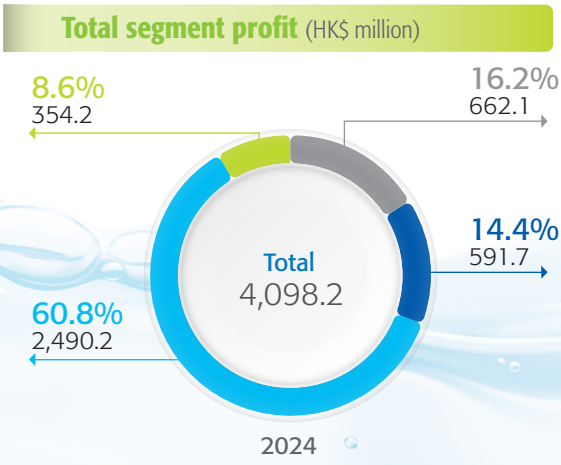
The Group's total revenue and profit for the year:

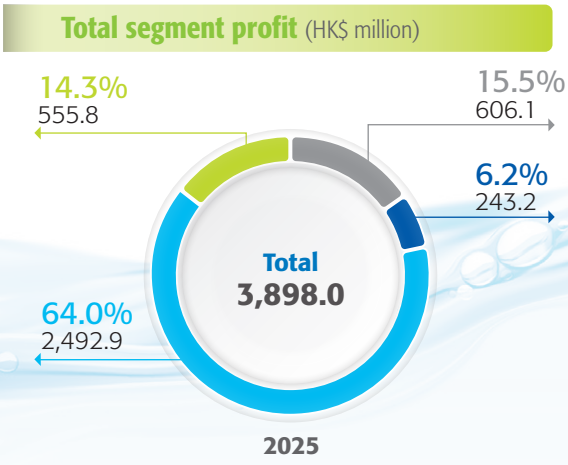








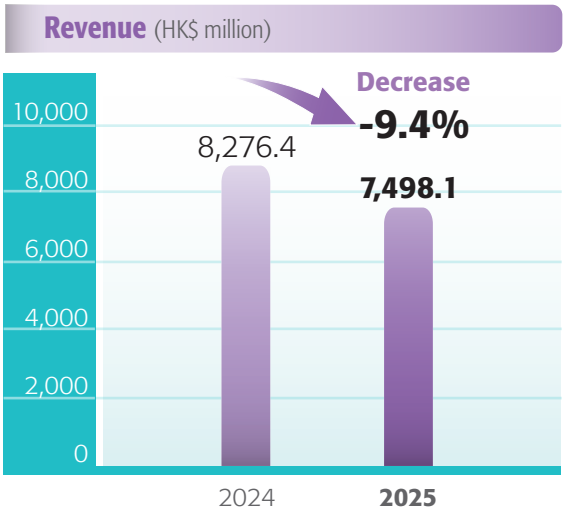


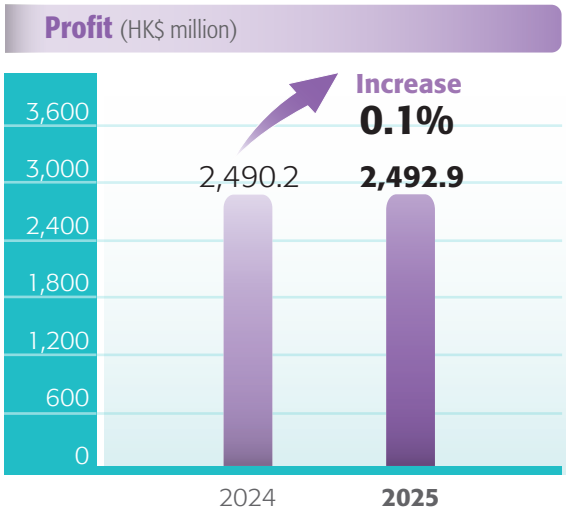


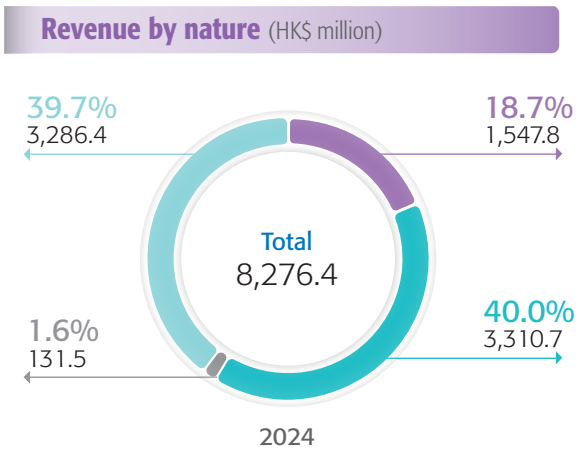
City water supply business | Pipeline direct drinking water supply business | Environmental protection business | Main contractor construction and others

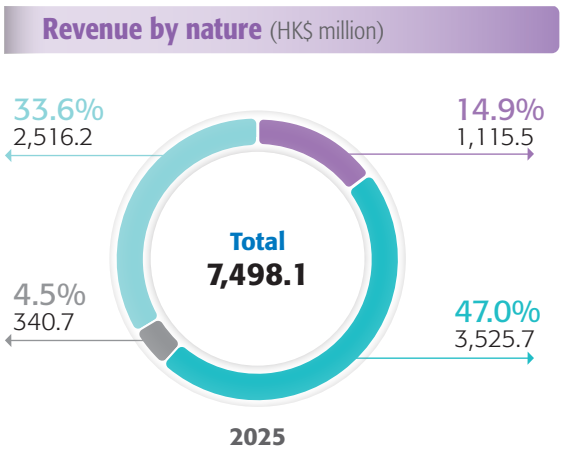
Financial Highlights

1. City Water Supply Business Analysis





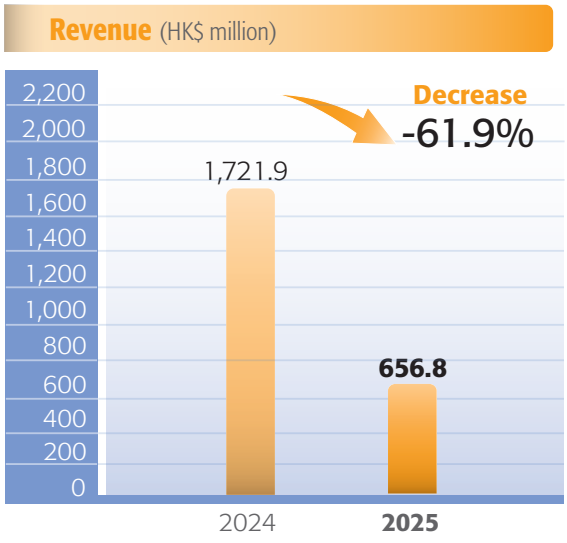


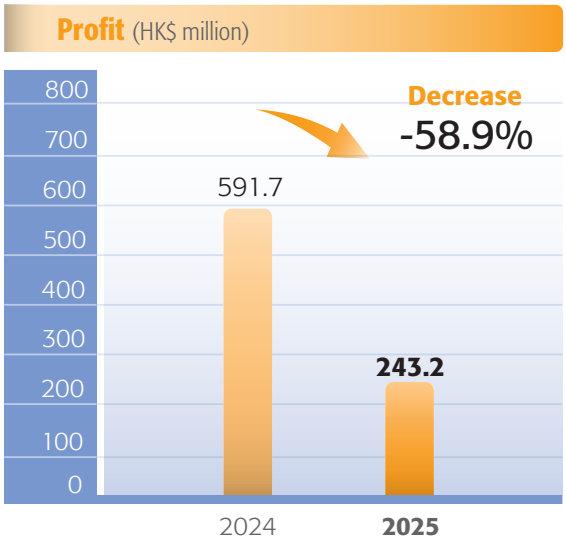


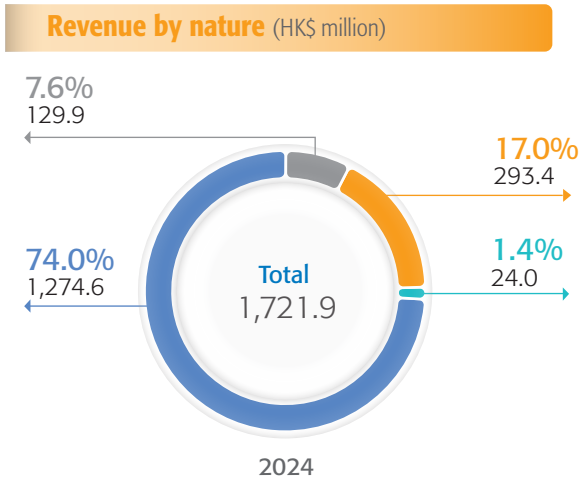
City water supply operations | City water supply installation and maintenance services | City water supply construction services | Others

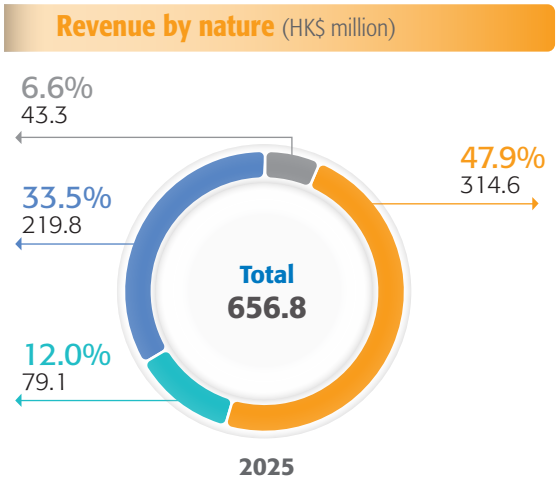
Financial Highlights

2. Pipeline Direct Drinking Water Supply Business Analysis





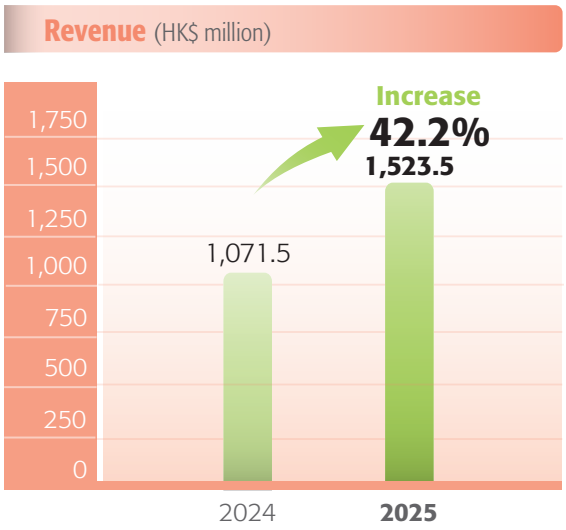


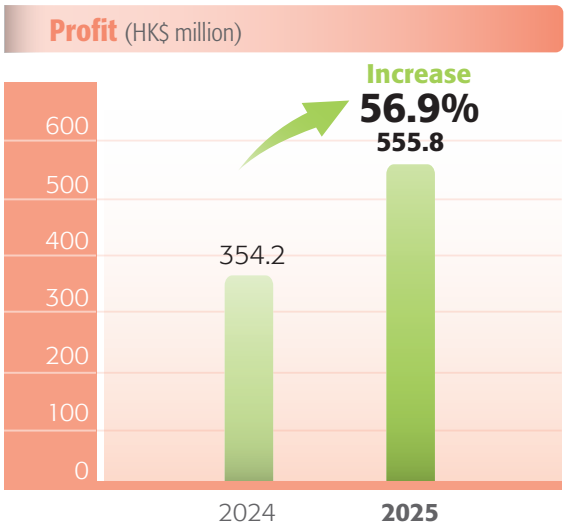


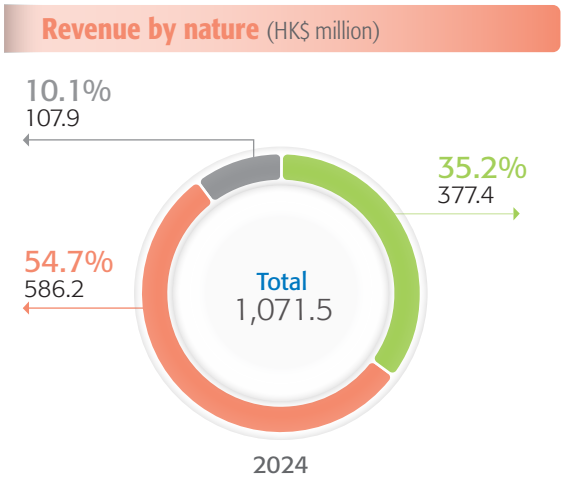
Pipeline direct drinking water supply operations | Pipeline direct drinking water supply installation and maintenance services | Pipeline direct drinking water supply construction services | Others

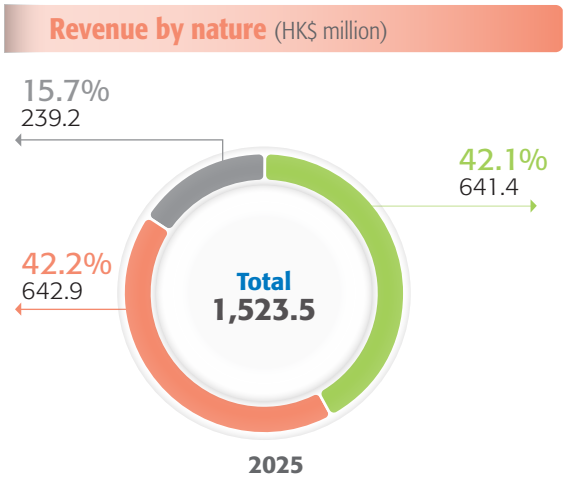
Financial Highlights

3. Environmental Protection Business Analysis









Sewage treatment and drainage operations 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 2025.

FINANCIAL PERFORMANCE

The Group continued its effort to focus on core business through implementation of the urban-rural water supply integration and supply-drainage integration and active development in pipeline direct drinking water supply business to establish a twin-driver business portfolio of water supply and pipeline direct drinking water while optimised its development strategy to enhance project management on core business. The Group put more emphasis on the return of projects and allocated resources by prioritising projects with the best return which in turn led to slowdown in the construction activities and thus decline in relevant construction revenue. For the year under review, the total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments decreased from HK$11,069.8 million to HK$9,678.4 million. This represented a decrease of segments revenue by 12.6%, which was mainly because of overall decrease in installation and maintenance and construction works in "City water supply" and "Pipeline direct drinking water supply" segments during the year.

For the overall result of the year ended 31 March 2025, the Group recorded a revenue of HK$11,655.6 million, representing a decrease of 9.4% from HK$12,858.5 million in last year. The Group recorded a gross profit of HK$4,405.0 million, representing a decrease of 7.8% from HK$4,776.0 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$1,074.7 million, representing a decrease of 29.9% from HK$1,533.5 million in last year. The basic earnings per share decreased by 29.8% to HK$0.66 in current year.

DIVIDENDS

In order to provide consistent return to the equity shareholders of the Company, the board of directors (the "Board") has proposed to pay the equity shareholders of the Company a final dividend of HK15 cents per share. Together with the interim dividend of HK13 cents per share, the total dividends for the year will be HK28 cents (2024: an interim dividend of HK13 cents and a final dividend of HK15 cents amounting to a total of HK28 cents per share) per ordinary share. The dividend payout ratio was increased from approximately 29.8% to approximately 42.4%.

BUSINESS

The Group upholds its business vision of "Water-oriented, Kindness to Society" while striving for its goal of becoming the best integrated operator of raw water, tap water, pipeline direct drinking water, sewage treatment, drainage, water environmental renovation, smart water and related services in the People's Republic of China (the "PRC") and achieving satisfactory results. The Group sustained satisfactory performance in its city water supply, pipeline direct drinking water and environmental protection businesses, covered an estimated population of more than 30 million people in 25 provinces. China faces severe shortage of water resources which is further aggravated by accelerating urbanisation and economic growth. In line with the national call for low-carbon green development as well as to upgrade the Group's water supply services, it is expected that the water sector, particularly the tap water and pipeline direct drinking water, has huge 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.

Chairman's Statement

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.

BUSINESS REVIEW

The Group's total revenue decreased from HK$12,858.5 million for the year ended 31 March 2024 to HK$11,655.6 million for the year ended 31 March 2025, representing a decrease of 9.4%. The Group optimised its development strategy to enhance project management on core business. The Group put more emphasis on the return of projects and allocated resources by prioritising projects with the best return which in turn led to slowdown in the construction activities and thus decline in relevant construction revenue. For the year under review, the total revenue attributable to the "City water supply", "Pipeline direct drinking water supply" and "Environmental protection" segments decreased from HK$11,069.8 million to HK$9,678.4 million. This represented a decrease of segments revenue by 12.6%, which was mainly because of overall decrease in installation and maintenance and construction works in "City water supply" and "Pipeline direct drinking water supply" segments during the year.

(i) City Water Supply Business Analysis

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

For the year under review, the revenue from city water supply segment amounted to HK$7,498.1 million (2024: HK$8,276.4 million), representing a decrease of 9.4% as compared with the last corresponding year. The city water supply segment profit amounted to HK$2,492.9 million (2024: HK$2,490.2 million), representing an increase of 0.1% as compared with the last corresponding year. This was mainly due to the net effect of cost control of cost of sales and overall decrease in installation and maintenance and construction works during the year.

(ii) Pipeline Direct Drinking Water Supply Business Analysis

Pipeline direct drinking water supply projects of the Group are well spread in various provincial cities and regions across China, including Hunan, Hubei, Henan, Hebei, Guizhou, Jiangsu, Jiangxi, Guangdong (including Shenzhen), Guangxi, Beijing, Shanghai, Chongqing, Shandong, Shanxi, Anhui, Zhejiang, Yunnan, Sichuan, Ningxia, Fujian, Heilongjiang, Hainan, Liaoning and Shaanxi.

For the year under review, the revenue from pipeline direct drinking water supply segment amounted to HK$656.8 million (2024: HK$1,721.9 million), representing a decrease of 61.9% as compared with the last corresponding year. The pipeline direct drinking water supply segment profit amounted to HK$243.2 million (2024: HK$591.7 million), representing a decrease of 58.9% as compared with the last corresponding year. This was mainly because of overall decrease in installation and maintenance and construction works during the year.

Chairman's Statement

(iii) Environmental Protection Business Analysis

Environmental protection projects of the Group are well spread in various provincial cities and regions across China, including Beijing, Tianjin, Guangdong (including Shenzhen), Henan, Hebei, Hunan, Hubei, Guizhou, Jiangxi, Shaanxi, Heilongjiang and Sichuan.

For the year under review, the revenue from environmental protection segment amounted to HK$1,523.5 million (2024: HK$1,071.5 million), representing an increase of 42.2% as compared with the last corresponding year. The environmental protection segment profit amounted to HK$555.8 million (2024: HK$354.2 million), representing an increase of 56.9% as compared with the last corresponding year. This was mainly attributable to the increase of sewage treatment operation services from new sewage treatment projects in current year.

(iv) Main Contractor Construction Business Analysis

Main contractor construction projects were carried out by the Group's subsidiary which possesses Grade 1 main contractor qualification for nationwide municipal public construction works in China.

For the year under review, the revenue from external customers of the main contractor construction segment amounted to HK$664.4 million (2024: HK$826.8 million), representing a decrease of 19.7% as compared with the last corresponding year. The main contractor construction segment profit amounted to HK$553.6 million (2024: HK$610.5 million), representing a decrease of 9.3% as compared with the last corresponding year, which was mainly due to the decrease of construction work for water supply projects in current year.

(v) 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$361.3 million (2024: HK$207.5 million). The total property business segment profit amounted to HK$47.8 million (2024: HK$41.1 million), representing an increase of 16.5% as compared with the last corresponding year. This was mainly due to the net effect of fair value gain on investment properties of HK$55,908,000 (2024: HK$Nil) and the write-down of completed properties held for sale of HK$94,789,000 (2024: HK$Nil) and the decrease of profit margin in sales of property projects in current year.

For the year under review, expected credit loss on trade and other receivables amounting to HK$497,735,000 (2024: HK$10,000,000) was recognised due to slow recovery of the PRC's economy (in particular the real estate sector). In addition, the share of results of Kangda International Environmental Company Limited, whose ordinary shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), amounted to HK$52.0 million (2024: HK$39.0 million).

ISSUE OF GUARANTEED BLUE BONDS

On 21 January 2025, the Company (as the issuer) entered into the subscription agreement with Credit Guarantee and Investment Facility ("CGIF") (as the guarantor), a trust fund of the Asian Development Bank, Morgan Stanley & Co. International plc, China International Capital Corporation Hong Kong Securities Limited, Barclays Bank PLC, The Hongkong and Shanghai Banking Corporation Limited and China CITIC Bank International Limited (as the joint global coordinators, joint bookrunners and joint lead managers) in connection with the issue of RMB1,000,000,000 3.45% guaranteed blue bonds due January 2030. The Company intended to use the net proceeds from the bonds issue for repayment of certain offshore indebtedness and in accordance with the Company's green & blue finance framework. Further details of which had been disclosed in the Company's announcement dated 21 January 2025.

Chairman's Statement

PROSPECTS

Into 2025, global geopolitical conflicts are intensifying. Faced with multiple challenges such as escalating trade tensions, slowing external economies, and prolonged domestic demand recovery, the central government has launched a comprehensive policy package-including monetary easing and fiscal expansion-to "stabilize growth and expand domestic demand." The long-term trend of China's economy maintaining steady and positive momentum remains unchanged. Benefiting from a low inflation environment and accelerated marketization of water tariff mechanisms, multiple cities nationwide have already initiated procedures to adjust water tariffs. The recent implementation of water tariff reform plans in Guangzhou and Shenzhen is expected to catalyze similar tariff upward adjustments across other cities. The overall resilience of the water industry has become evident, with improving profitability trends gradually emerging. Coupled with interest rate cuts and reserve requirement ratio reductions in mainland China, a turning point in declining financing costs is emerging, suggesting continued profit recovery for water supply companies.

Looking ahead, the Group will consistently adhere to its mission of "Water oriented and kindness to society" seizing opportunities from policy benefits and technological innovation to promote a sustainable development mode of integrating asset – light and asset – heavy model. We will continue focusing on the core business of differentiated water supply, reinforcing synergistic development between traditional water supply and direct drinking water businesses, and advancing from "safe water usage" to "healthier water consumption" through technological upgrades and service enhancements. The Group will leverage green, low-carbon transformation opportunities to expand coverage of value-added services such as direct drinking water projects, building distinctive competitive advantages and fostering new drivers for sustainable growth. By upgrading differentiated water supply technology and iterating our smart water management systems, we aim to solidify our leadership in the industry while delivering high-quality services to meet public needs and creating long-term value and returns for our shareholders.

Chairman's Statement

MAJOR ACQUISITIONS AND DISPOSALS

The Group had no material acquisition of subsidiaries during the year ended 31 March 2025. Details of the Group's disposals during the year ended 31 March 2025 are set out in note 41 to the consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 March 2025, the Group maintained a satisfactory liquidity level. As at 31 March 2025, the Group has total cash and cash equivalents and pledged deposits of approximately HK$5,450.0 million (31 March 2024: HK$5,550.2 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The gearing ratio, calculated as a percentage of total liabilities to total assets, is 66.8% (31 March 2024: 66.1%) as at 31 March 2025.

As at 31 March 2025, the Group's current liabilities exceeded its current assets by HK$3,789.7 million (31 March 2024: net current liabilities of HK$3,871.7 million). The decrease in net current liabilities was mainly due to drawdown of various long-term loans to repay short-term loans and decrease in capital expenditure of non-current nature during the year ended 31 March 2025. In the opinion of the directors of the Company, after taken into account the cashflow generated from operations, the internal financial resources, available loan and financing facilities and offers, and new loan and financing facilities currently under negotiation, the Group will have sufficient working capital to meet its financial obligation in full as they fall due in the next twelve months.

As at 31 March 2025, the Group's aggregate outstanding borrowings amounted to HK$25,185.2 million (31 March 2024: HK$24,850.3 million), which are mainly in Hong Kong dollars, Renminbi and United States dollars. The increase in overall borrowings was mainly due to the loans raised related to the capital expenditure, repayment of indebtedness and working capital requirements of the Group. 67.1% of such outstanding borrowings was arranged on floating rate basis and the balance of 32.9% was at fixed rate basis. According to the repayment schedule, HK$5,736.0 million was repayable within one year and the balance of HK$19,449.2 million was repayable after one year. As at 31 March 2025, the total unutilised loan facilities, offers and notes registered principle amount available to the Group amounted to HK$13,351.2 million (31 March 2024: HK$9,864.1 million).

During the year under review, the Company continued to deepen its cooperation with the existing banks, broaden the financing channels by cooperating with new banks and financial institutions and optimise its debt structure by means of refinancing outstanding loans repayable within one year with long-term loans which could gradually enhance the Group's liquidity position.

HUMAN RESOURCES

As at 31 March 2025, the Group has employed approximately 11,000 staff. Most of them are stationed in the PRC and 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.

The Company had adopted a share option scheme to incentivise the directors, senior management and employees of the Group. During the year ended 31 March 2025, no option was granted by the Company pursuant to the share option scheme.

Chairman's Statement

TREASURY AND FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopted conservative treasury policies in cash and financial management for the year under review. Cash was generally placed in short-term deposits. The Group's liquidity and financing requirements were reviewed regularly.

As Hong Kong dollar was pegged with the United States dollar, the directors of the Company considered that the Group was exposed to limited risk in this aspect.

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 may result in exchange gain/loss and would also 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. As at 31 March 2025, the Group has entered into cross currency swap contracts of RMB against USD in an aggregate notional amount of approximately USD110.0 million with bank to reduce its exposure to foreign exchange risk arising from its non-Renminbi borrowings. In addition, the Group manages foreign currency risk by closely monitoring the foreign exchange markets, the proportion of its non-Renminbi borrowings and optimising the treasury and financial management strategies.

PLEDGE OF ASSETS

Details of the pledge of assets of the Group for securing certain loan facilities and bills payables at 31 March 2025 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 2025 was HK$406,430,000 (2024: HK$1,347,149,000);

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

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

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

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

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

(i) charges over the Group's bank deposits in amount of HK$678,233,000 as at 31 March 2025 (2024: HK$745,396,000); and

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

Chairman's Statement

CONTINGENT LIABILITIES

As at 31 March 2025, the Group did not have any material contingent liabilities (2024: 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, 30 June 2025

Directors' and Senior Management Biographical Details

DIRECTORS

Chairman and Executive Director

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

Executive Directors

Ms. Ding Bin, aged 49, has over 20 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. Ms. Ding joined the Group in 2007.

Mr. Li Zhong, JP, aged 56, 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 1998. He held various key positions with central state-owned enterprises and well-known multinational enterprises. Since 2002, he has dedicated himself to urban public utilities with a focus on water affairs, as well as the investment, management and operation of infrastructure projects. Since 2004, he has been a director of Shenzhen Bus Group Co., Ltd. Mr. Li also serves as executive director of the China Overseas Friendship Association, the honorary chairman of the Hong Kong Volunteers Association and a Hong Kong member of the standing committee of the Beijing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Li is also the chairman and executive director of Kangda International Environmental Company Limited (stock code: 6136), which is listed on the main board of the Stock Exchange. He joined the Group in 2015.

Mr. Duan Jerry Linnan, aged 34, studied in Beijing Normal University with a major in psychology. Mr. Duan joined the Company as the president assistant in 2011, mainly focusing on hotel operation and intelligent water businesses. At the same time, Mr. Duan assisted the directors of the Company in capital market and investor relations, etc. In 2015, Mr. Duan was appointed as the general manager of the hotel under the Group in Nanjing, and was in charge of the construction, procurement and daily operation of various hotels of the Group. Mr. Duan holds directorship or senior management positions in various subsidiaries of the Company. Mr. Duan is also the executive director and chief executive officer of Kangda International Environmental Company Limited (stock code: 6136), which is listed on the main board of the Stock Exchange. Mr. Duan has comprehensive experiences in human resources and corporate management. Mr. Duan is the son of Mr. Duan Chuan Liang, the substantial shareholder, chairman and executive director of the Company.

Directors' and Senior Management Biographical Details

Non-executive Directors

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

Mr. Bai Li, aged 51, graduated from Nanjing University with a doctorate. He served successively as deputy director and director of the News Department of the General Office of the People's Bank of China (during which time he served as assistant to the mayor of Xicheng District People's Government of Beijing, and concurrently served as secretary of the Party Leadership Group and executive deputy commander of the Beijing Financial Street Construction Command), and secretary of the Youth League Committee of the People's Bank of China (at the division and bureau level). He is currently the Party Secretary and Chairman of Greatwall Life Insurance Co., Ltd., which is a shareholder of the Company holding approximately 5.02% of the Company's total issued shares. He is currently also a director of Financial Street Holdings Co., Ltd. (stock code: 000402.SZ) and a non-independent director of Guangdong Construction Engineering Group Co., Ltd. (stock code: 002060.SZ), which are listed on the Shenzhen Stock Exchange. Mr. Bai is also a non-executive director of China Datang Corporation Renewable Power Co., Limited (stock code: 1798) which is listed on the main board of the Stock Exchange. He joined the Group in 2025.

Ms. Wang Xiaoqin, aged 52, was graduated from the Shenzhen University majoring in International Finance, and obtained 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.

Ms. Liu Yu Jie, aged 61, 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 Stock Exchange of Hong Kong Limited (the "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 Energy Holdings Limited (stock code: 3633), which are listed on the main board of the Stock Exchange. She joined the Group in 2014.

Directors' and Senior Management Biographical Details

Independent Non-executive Directors

Mr. Chau Kam Wing, aged 62, has over 30 years of experience in auditing, taxation and financial management and had been appointed as financial controller of a number of companies listed in Hong Kong. Mr. Chau obtained a Master Degree in Business Administration from the University of San Francisco, United States of America ("USA") 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) which is 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. Siu Chi Ming, aged 44, obtained a Bachelor of Business Administration (Accounting) from Hong Kong Baptist University in 2003. He is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Chartered Governance Institute as well as The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators). Mr. Siu was the executive director and company secretary of Jiu Rong Holdings Limited (stock code: 2358), which is listed on the main board of the Stock Exchange 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 53, was 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 a securities company. She joined the Group in 2017. She is also a member of the audit committee, remuneration committee and nomination committee of the Company.

Mr. Xiao Zhe, aged 39, has over 10 years of working experience in finance and investment. From March 2015 to December 2018, he worked as an investment manager in China Minsheng Investment Group* (中國民生投資集團), where he was responsible for investment management. From May 2013 to March 2015, he worked as an analyst in securities research department of Shenwan Hongyuan Securities Co., Ltd.* (申萬宏源證券有限公司). From March 2010 to May 2013, he worked as an analyst in securities research department of Sinolink Securities Co., Ltd.* (國金證券股份有限公司). Mr. Xiao obtained a bachelor's degree in Materials Science and Engineering in July 2007 and a master's degree in Finance in March 2010 from Shanghai Jiao Tong University in the PRC, respectively. Mr. Xiao joined the Group in 2024. He is also a member of the audit committee and remuneration committee of the Company.

Directors' and Senior Management Biographical Details

SENIOR MANAGEMENT

Mr. Lie Chi Wing, Aston, aged 47, is the company secretary of the Company. He holds a Bachelor Degree of Business Administration (First Class Honors) from The Hong Kong University of Science and Technology. He is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Financial Analyst. Mr. Lie has extensive experience in auditing and corporate advisory services with major international accounting firms. Mr. Lie is also an independent non-executive director of China Rongzhong Financial Holdings Company Limited (stock code: 3963), a company listed on the main board of the Stock Exchange. He joined the Group in 2010.

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

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 2025, the Company has complied with all the applicable provisions of the Corporate Governance Code ("CG Code") as set out in Appendix C1 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 C.2.1, B.2.2 and C.1.6.

Under code provision C.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 B.2.2, 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 C.1.6, 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 9 September 2024 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.

OUR CULTURE

The Group is one of the leading enterprises in the city water supply, pipeline direct drinking water supply and environmental protection industry in Mainland China.

Corporate Governance Report

The Group's core value of "Water-oriented, Kindness to Society" is derived from the Chinese idiom "supreme kindness is like water", which in turn is derived from the ancient saying from Tao Te Ching written by Laozi, a famous ancient Chinese thinker and philosopher: "The supreme goodness is like water, which benefits myriad of things without competing." This saying teaches that water embodies the virtues of fairness, courage, resilience and purity. The Group integrates the philosophy and spirit of water into its corporate management and corporate culture, protects people's livelihood and contributes to social and economic development by providing safe and quality drinking water and direct drinking water, treating wastewater and managing the water environment, so as to achieve good water management in pursuit of perfection.

The Group is guided by this core value towards the relationships with employees, customers, shareholders, governments and other stakeholders, and uses sustainability as our philosophy. The Group strives to make a positive impact on society's key stakeholders and promotes a diverse and inclusive environment where everyone can thrive, belong and make a meaningful impact at work.

The Group has been staying true to its roots and working hard for progress to uphold its business philosophy of "Water-oriented, Kindness to Society", implements and continues the core strategies of water supply integration in urban and rural areas and water supply and drainage integration through steadfast determination, strive for the building up of the "China Water, Nourishing Thousands of Families with Love" brand, take concrete actions in responding to our nation's call and fulfil corporate environmental and social responsibilities.

To meet the expectation of high standard and healthy drinking water from the people, it also stepped up its efforts to develop pipeline direct drinking water to establish a twin-driver business portfolio of "water supply + direct drinking water", by which China Water will facilitate the improvement of the ecological environment and practice the cooperative development of society. The convenience, affordability and environmental friendliness of pipeline direct drinking water are in line with the concept of green and low-carbon development.

The Group is committed to achieving the "dual carbon" goals, actively advancing corporate climate action, comprehensively revising its Environmental and Social Management System (ESMS) documents, guided by the "Green Operation Initiative", the "Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality, and the "Net Zero Emission Work Proposal", and fully implementing the energy-saving and emissions-reduction technological upgrades, efficient utilisation of clean energy, routine application of green office practices, and public welfare activities for water conservation and protection, which are all aimed at achieving high-quality sustainable development.

The Group's Board of Directors set the tone and develop the strategies for our Culture which is reviewed, aligned and endorsed by the Board of Directors or its Board Committee/s on a regular basis. The leadership team role model and cascade the company's culture to all levels via various internal communication platforms and systems.

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 C3 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 2025 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

Corporate Governance Report

BOARD AND BOARD COMMITTEES

As at 31 March 2025, the Board consisted of twelve Directors: comprising four executive Directors, namely Mr. Duan Chuan Liang (Chairman), Ms. Ding Bin, Mr. Li Zhong and Mr. Duan Jerry Linnan; four non-executive Directors, Mr. Li Hao, Mr. Bai Li, Ms. Wang Xiaoqin and Ms. Liu Yu Jie; and four independent non-executive Directors, namely Mr. Chau Kam Wing, Mr. Siu Chi Ming, Ms. Ho Ping and Mr. Xiao Zhe. Two of the independent non-executive Directors, namely Mr. Chau Kam Wing 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.

Mr. Li Hao, Mr. Xiao Zhe and Mr. Bai Li, who were appointed as directors of the Company on 28 June 2024, 15 July 2024 and 21 March 2025 respectively, had obtained legal advices from a law firm qualified to advise on Hong Kong law pursuant to Rule 3.09D of the Listing Rules on 11 June 2024, 23 May 2024 and 28 February 2025 respectively, and they have confirmed that they understood their obligations as a director of a listed issuer.

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 and environmental, social and governance ("ESG") matters. 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, the implementation of ESG strategies 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. Except Mr. Duan Jerry Linnan is the son of Mr. Duan Chuan Liang, 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.

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.

Corporate Governance Report

Audit Committee

The Audit Committee comprises wholly independent non-executive Directors.

Members of the Audit Committee

Mr. Chau Kam Wing *(Chairman)*
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe

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;
- ensuring the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; and
- oversight of the Company's ESG matters.

The Audit Committee had reviewed, evaluated and reported to the Board on ESG related risks and opportunities, developed corresponding objectives and monitored the progress towards the objectives, which include but not limited to environmental risks such as climate change, water resources, pollutant discharge, as well as social risks such as employment, supply chain and corruption.

The Audit Committee is provided with sufficient resources to discharge its responsibilities. For the year ended 31 March 2025, the Audit Committee held two meetings which included the review of the final results for the year ended 31 March 2024, the interim accounts for the six months ended 30 September 2024, the risk management and internal control system and ESG matters of the Company.

Remuneration Committee

The Remuneration Committee comprises wholly independent non-executive Directors.

Members of the Remuneration Committee

Mr. Chau Kam Wing *(Chairman)*
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe

Corporate Governance Report

Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of Directors and senior management and reviewing and/or approving matters relating to share schemes, 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 2025, three meetings were held by the Remuneration Committee which reviewed the remuneration policy and 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 D2 to the Listing Rules are set out in note 14 to the consolidated financial statements. During the year ended 31 March 2025, no equity-based remuneration with performance-related elements was paid to independent non-executive Directors. The remuneration of the members of senior management by band for the year ended 31 March 2025 is set out below:

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

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 2025, the Nomination Committee held three meetings to review the composition of the Board, to assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment and re-appointment of Directors taking into account their experience and qualifications.

Corporate Governance Report

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 shall review the implementation and effectiveness of the board diversity policy on an annual basis to ensure its continuous effectiveness. The Nomination Committee will also assess the merits and contribution brought by the Directors to the Board against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the Company's corporate strategy.

The Board has targeted to maintain at least one female representation in the Board from time to time. During the year ended 31 March 2025, there are four female out of twelve Board members and the target is achieved. The Board will take gender diversity into account in its process of director appointment and will continue to review the target as appropriate.

The Board overall is satisfied with the implementation and effectiveness of the board diversity policy for the year ended 31 March 2025. The Company also 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 2025 are set out in the following table.

		Meetings attended/(held)				
	Notes	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General meeting**
Executive Directors						
Mr. Duan Chuan Liang *(Chairman)*		4/(4)	N/A	N/A	3/(3)	0/(1)
Ms. Ding Bin		4/(4)	N/A	N/A	N/A	0/(1)
Mr. Li Zhong		4/(4)	N/A	N/A	N/A	1/(1)
Mr. Duan Jerry Linnan		4/(4)	N/A	N/A	N/A	0/(1)
Non-executive Directors						
Mr. Li Hao	1	3/(3)	N/A	N/A	N/A	0/(1)
Mr. Bai Li	2	N/A	N/A	N/A	N/A	N/A
Ms. Wang Xiaoqin		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. Makoto Inoue	3	0/(1)	N/A	N/A	N/A	N/A
Independent Non-executive Directors						
Mr. Chau Kam Wing		4/(4)	2/(2)	3/(3)	3/(3)	1/(1)
Mr. Siu Chi Ming		4/(4)	2/(2)	3/(3)	3/(3)	0/(1)
Ms. Ho Ping		4/(4)	2/(2)	3/(3)	3/(3)	0/(1)
Mr. Xiao Zhe	4	3/(3)	1/(1)	1/(1)	N/A	0/(1)
Ms. Zhou Nan	5	1/(1)	1/(1)	2/(2)	N/A	N/A

Corporate Governance Report

Notes:

1. Mr. Li Hao is appointed as a non-executive director on 28 June 2024. His attendance is presented by reference to the number of relevant meetings held during his tenure.

2. Mr. Bai Li is appointed as a non-executive director on 21 March 2025. His attendance is presented by reference to the number of relevant meetings held during his tenure.

3. Mr. Makoto Inoue resigned as a non-executive director on 28 June 2024. His attendance is presented by reference to the number of relevant meetings held during his tenure.

4. Mr. Xiao Zhe is appointed as an independent non-executive director on 15 July 2024. His attendance is presented by reference to the number of relevant meetings held during his tenure.

5. Ms. Zhou Nan resigned as an independent non-executive director on 15 July 2024. Her attendance is presented by reference to the number of relevant meetings held during her tenure.

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, to ensure that independent views and opinions are available to the Board. The Board has reviewed the implementation and effectiveness of the mechanism on an annual basis and the Board believes sufficient independent views and input are available to the Board. 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 2025, 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 2025. Directors have disclosed to the Company the number and nature of offices held in Hong Kong and overseas listed public companies or organisations.

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 2025, 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.

Corporate Governance Report

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 2025.

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 judgements 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 in the Independent Auditor's Report on pages 43 to 51 of this annual 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;

Corporate Governance Report

- considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board;
- ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions; and
- oversees the Company's ESG matters.

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.

ANTI-CORRUPTION AND WHISTLEBLOWING SYSTEM

The Group has incorporated anti-corruption and anti-bribery policies in its standard of business conduct, and anti-corruption training are provided to all staff to promote integrity and enhance awareness about malpractice. Employees and other stakeholders can report suspected misconduct and violations of law and standards to the Group's Internal Audit Department by hotline or email, or to the Audit Committee by e-mail on anonymous basis. During the year, there is no incident involving serious fraud or misconduct have been received from employees nor external parties. The Audit Committee will continuously review and monitor the implementation and effectiveness of the whistleblowing system.

Corporate Governance Report

WORKFORCE DIVERSITY

We always believe that diversity is vital to the Group's sustainable development. We insist on equality in the workplace and strive to build a working atmosphere that fosters mutual respect, inclusion, and mutual helpfulness to promote our employees' happiness and satisfaction. To protect employees' basic human rights and enhance development diversity, we prohibit any type of discrimination or screening in recruitment and promotion based on gender, ethnic origin, religion, social status, or other considerations. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 1.6:1 and the Board considers that the Group has maintained a healthy and reasonable gender diversity in its workforce.

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 seek appropriate external professional advices and determine further escalation and disclosure as required; and
- designated persons authorised to act as spokespersons and respond to external enquiries.

AUDITOR'S REMUNERATION

The remuneration payable by the Company to its auditor, PricewaterhouseCoopers ("PwC"), for the year ended 31 March 2025 amounted to HK$8,800,000 (2024: HK$9,280,000). HK$1,000,000 (2024: HK$200,000) was paid for other non-audit services provided by PwC to the Company and its subsidiaries during the year ended 31 March 2025.

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.

Corporate Governance Report

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.

The Board had reviewed the shareholders' communication policy and considered that the policy has been properly implemented and was effective.

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.

CONSTITUTIONAL DOCUMENTS

The Company has not amended its constitutional documents during the year ended 31 March 2025.

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 2025.

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 46 to the consolidated financial statements.

Business review and prospects of the Group are set out on pages 10 to 12.

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 170 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2025 and its financial position at that date are set out in the financial statements on pages 52 to 166. The Directors recommended a final dividend of HK15 cents (2024: 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, 19 September 2025 and will be payable on or about Friday, 14 November 2025 to the shareholders whose names appear on the register of members on Tuesday, 30 September 2025.

CLOSURE OF REGISTER OF MEMBERS

For Annual General Meeting

The register of members will be closed from Tuesday, 16 September 2025 to Friday, 19 September 2025 (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, 19 September 2025, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 September 2025.

For Entitlement to Proposed Final Dividend

The register of members will be closed from Monday, 29 September 2025 to Tuesday, 30 September 2025 both days inclusive, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, for registration not later than 4:30 p.m. on Friday, 26 September 2025. 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, 14 November 2025.

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 or other creditor 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.

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.

Directors' Report

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.

The Group is committed to achieving the "dual carbon" goals, actively advancing corporate climate action, comprehensively revising its Environmental and Social Management System (ESMS) documents, guided by the "Green Operation Initiative", the "Outline of the Implementation Plan for Carbon Peaking and Carbon Neutrality, and the "Net Zero Emission Work Proposal", and fully implementing the energy-saving and emissions-reduction technological upgrades, efficient utilisation of clean energy, routine application of green office practices, and public welfare activities for water conservation and protection, which are all aimed at achieving high-quality sustainable development.

To keep stakeholders abreast of the Group's sustainable development performance in respect of its important relevant areas, a separate environmental, social and governance (ESG) report is published on an annual basis. The Company has followed the Environmental, Social and Governance Reporting Code as set out in Appendix C2 to the Listing Rules when preparing its ESG Report. The Company's ESG Report covering the period from 1 April 2024 to 31 March 2025 is available on the websites of both the Company (www.chinawatergroup.com) and the Stock Exchange (www.hkexnews.hk).

Directors' Report

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 17 to the consolidated financial statements respectively. Further details of the Group's investment properties are set out on page 167.

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 38 and 39 to the consolidated financial statements, respectively.

BORROWINGS

Details of the Group's borrowings as at 31 March 2025 are set out in note 34 to the consolidated financial statements.

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

During the year ended 31 March 2025 and subsequent to the reporting date and up to the date of this annual report, the Company repurchased its own shares on The Stock Exchange as follows:

Month/Year	Number of shares repurchased	Highest price per share HK$	Lowest price per share HK$	Aggregate consideration (excluding expenses) HK$
October 2024	380,000	5.17	4.90	1,918,000
February 2025	2,160,000	6.05	5.78	12,948,000
March 2025	2,234,000	5.80	5.45	12,649,000
April 2025	836,000	6.00	5.77	4,968,000

During the year ended 31 March 2025, the Company repurchased a total of 4,774,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$27,515,000. Those repurchased shares were held as treasury shares as at the date of this annual report.

Directors' Report

Subsequent to the reporting date and up to the date of this annual report, the Company repurchased a total of 836,000 ordinary shares of HK$0.01 each in the capital of the Company at an aggregate price of approximately HK$4,968,000. Those repurchased shares were held as treasury shares as at the date of this annual report.

The purchase of the Company's shares was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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 45 and 40 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 45 to the consolidated financial statements. The Company's reserves available for distribution to members at 31 March 2025 amounted to HK$4,903,979,000 (2024: HK$5,417,368,000) which comprised contributed surplus of HK$32,373,000 (2024: HK$32,373,000) and retained earnings of HK$4,871,606,000 (2024: HK$5,384,995,000).

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 OTHERS

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
- major 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
Mr. Li Zhong
Mr. Duan Jerry Linnan

Non-executive Directors

Mr. Li Hao (appointed on 28 June 2024)
Mr. Bai Li (appointed on 21 March 2025)
Ms. Wang Xiaoqin
Ms. Liu Yu Jie
Mr. Makoto Inoue (resigned on 28 June 2024)

Independent Non-executive Directors

Mr. Chau Kam Wing
Mr. Siu Chi Ming
Ms. Ho Ping
Mr. Xiao Zhe (appointed on 15 July 2024)
Ms. Zhou Nan (resigned on 15 July 2024)

In accordance with the Company's Bye-laws, Ms. Ding Bin, Mr. Duan Jerry Linnan, Mr. Bai Li, Mr. Siu Chi Ming and Ms. Ho Ping 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 16 to 19.

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2025, 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' 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' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 March 2025, 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 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 of the Company

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 *(Notes (i)&(ii))*	Corporate and personal	445,443,901	–	27.29%
Ms. Ding Bin	Personal	5,700,000	–	0.35%
Mr. Li Zhong *(Note (iii))*	Personal	37,813,457	–	2.32%
Ms. Wang Xiaoqin	Personal	8,950,000	–	0.55%
Ms. Liu Yu Jie	Personal	12,000,000	–	0.74%
Ms. Ho Ping	Personal	978,000	–	0.06%

Shares of Kangda International Environmental Company Limited ("Kangda International"), an associated corporation of the Company

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in Kangda International
		Long position	Short position	
Mr. Li Zhong	Personal	10,000,000	–	0.47%
Ms. Liu Yu Jie	Personal	10,000,000	–	0.47%
Mr. Duan Jerry Linnan	Personal	10,000,000	–	0.47%
Mr. Chau Kam Wing	Personal	2,000,000	–	0.09%

Directors' Report

Underlying shares of Kangda International

Name of Director	Capacity/ Nature of interest	Number of shares		Approximate percentage of shareholding in Kangda International
		Long position	Short position	
Mr. Duan Chuan Liang *(Note (iv))*	Personal	546,728,004	–	25.55%
Mr. Li Zhong *(Note (v))*	Personal	16,000,000	–	0.75%
Ms. Liu Yu Jie *(Note (v))*	Personal	16,000,000	–	0.75%
Mr. Duan Jerry Linnan *(Note (v))*	Personal	16,000,000	–	0.75%
Mr. Chau Kam Wing *(Note (v))*	Personal	2,000,000	–	0.09%

Notes:

(i) These 445,443,901 shares consist of 218,044,301 shares held by Asset Full Resources Limited ("AFRL"), which is wholly and beneficially owned by Mr. Duan Chuan Liang, and 227,399,600 shares held by Mr. Duan Chuan Liang personally.

(ii) Mr. Duan Chuan Liang and AFRL are also interested in USD8,265,000 senior notes of the Company due May 2026.

(iii) These 37,813,457 shares consist of 8,606,000 shares held by Mr. Li Zhong and 29,207,457 shares held by his spouse, Ms. Lu Hai personally.

(iv) On 2 October 2024, Kangda Holdings Company Limited issued exchangeable bonds to Mr. Duan Chuan Liang, which conferring the right at Mr. Duan's discretion to exchange for 546,728,004 shares of Kangda International up to the last business day of the 36th month from the issue date of the exchangeable bonds.

(v) Being share options pursuant to share option scheme to acquire ordinary shares of Kangda International, and further details of which are set out in the section headed "Share Option Scheme" in the published annual report of Kangda International for the year ended 31 December 2024.

SHARE OPTION SCHEME

The Company adopted the share option scheme on 9 September 2022. Details of the Company's share option scheme are set out in note 39 to the consolidated financial statements. During the year ended 31 March 2025, no share option was granted, exercised, cancelled or lapsed under the share option scheme. As at 1 April 2024 and 31 March 2025, no share option was outstanding under the share option scheme. As at 1 April 2024 and 31 March 2025, 163,232,234 ordinary shares of the Company are available for grant under the scheme mandate of the Company's share option scheme, representing 10.00% of the weighted average number of shares in issue (excluding treasury shares) during the year ended 31 March 2025. As at the date of this annual report, 163,232,234 ordinary shares of the Company are available for grant under the scheme mandate of the Company's share option scheme, representing 10.03% of the issued shares (excluding treasury shares) of the Company.

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' Report

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. Details of the emoluments of the Directors and five highest paid individuals are set out in notes 13 and 14 to the consolidated financial statements.

The Company adopted a share option scheme as an incentive to directors and eligible employees. Details of the scheme is set out in note 39 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2025, 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	Notes	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
Mr. Duan Chuan Liang		Beneficial	445,443,901	–	–	27.29%	–	–
Asset Full Resources Limited	1	Beneficial	218,044,301	–	–	13.36%	–	–
ORIX Corporation	2	Beneficial	445,136,277	–	–	27.27%	–	–
青島海發國有資本投資運營集團有限公司	3	Beneficial	122,772,000	–	–	7.52%	–	–
ORIX (China) Industrial Holdings Limited	2	Beneficial	122,772,000	–	–	7.52%	–	–
長城人壽保險股份有限公司		Beneficial	82,000,000	–	–	5.02%	–	–

Directors' Report

Notes:

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

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

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

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

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 2025.

CONNECTED TRANSACTIONS

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

Continuing connected transactions

On 28 February 2020, the Company and 江西銀麗直飲水設備有限公司 (Jiangxi Yinli Direct Drinking Equipment Co. Ltd.) ("Jiangxi Yinli") entered into the framework agreement pursuant to which Jiangxi Yinli has agreed to supply the pipeline direct drinking system related equipment and services ("Products") to the Group during the term of the framework agreement. Jiangxi Yinli is a non-wholly owned subsidiary of the Company and is principally engaged in research and development, production and sale of pipeline direct drinking equipment, water purification technical consultant services, production, sale and services of water purification equipment, water treatment engineering installation and technical services; research and development and production of water treatment equipment automation control system; development and promotion of intelligent water and Internet of Things system software. ORIX China Investment Corporation ("ORIX CHINA") holds 20% of the equity interest in Jiangxi Yinli. ORIX CHINA is a subsidiary of ORIX Corporation which is a substantial shareholder of the Company. Jiangxi Yinli therefore is a connected subsidiary of the Company. As this existing framework agreement expired on 31 March 2023, a new framework agreement has been entered into on 16 February 2023, covering a term of 3 years commencing from 1 April 2023.

Directors' Report

The expected maximum annual transaction amounts under the new framework agreement for the following periods shall be as follows:

Period	Annual cap
1 April 2023 to 31 March 2024	RMB50,000,000
1 April 2024 to 31 March 2025	RMB80,000,000
1 April 2025 to 31 March 2026	RMB120,000,000

During the year, the Group had continuing connected transactions with Jiangxi Yinli for the purchase of Products amounting to approximately HK$27,786,000 (approximately RMB25,563,000) (2024: HK$43,579,000 (approximately RMB39,657,000)) which were conducted in the ordinary and usual course of the Group's business.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions with Jiangxi Yinli as set out above and have confirmed that these continuing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the board of Directors. The Company has complied with the requirements in Chapter 14A of the Listing Rules in respect of the said continuing connected transactions.

Details of which had been disclosed in the Company's announcement dated 28 February 2020, 26 March 2020 and 16 February 2023.

Save as disclosed above, the Group has not entered into any significant connected transaction or continuing connected transaction which should be disclosed pursuant to the requirement under the Listing Rule.

Directors' Report

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in note 43 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 2025.

IMPORTANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event took place subsequent to 31 March 2025.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out on pages 20 to 30.

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, 30 June 2025

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF CHINA WATER AFFAIRS GROUP LIMITED
(originally incorporated in the Cayman Islands and re-domiciled in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Water Affairs Group Limited (the "Company") and its subsidiaries (together, the "Group"), which are set out on pages 52 to 166, comprise:

- the consolidated statement of financial position as at 31 March 2025;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

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

- Accounting for the service concession arrangements
- Impairment assessments of goodwill and other intangible assets
- Assessment of net realisable value of properties under development and properties held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter

1 Accounting for the service concession arrangements
 	
Refer to notes 2.15, 4(ix), 5, 21 and 28 to the consolidated financial statements
 	
(a) Applicability of HK(IFRIC) Interpretation 12 – Service Concession Arrangements ("HK(IFRIC) Int.12")
 	
The Group entered into a number of service concession arrangements with certain government authorities in the People's Republic of China (the "PRC") in respect of its water supply business.
 	
In preparing the consolidated financial statements for the year ended 31 March 2025, management has reassessed these service concession agreements as to whether the conditions under HK(IFRIC) Int.12 (i.e. the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls- through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.) were fulfilled such that the service concession arrangements should be accounted for in accordance with HK(IFRIC) Int.12.
	Our procedures in relation to management's accounting for the service concession arrangements included:
	
	• Evaluating whether the service concession arrangements of previously acquired or established entities continually fulfil the conditions under HK(IFRIC) Int.12 by inquiring the management and reviewing pertinent board meeting minutes;
	
	• Evaluating whether the service concession arrangements of newly acquired entities fulfil the conditions under HK(IFRIC) Int.12 by:
	
	  • Reading the concession agreements and other relevant documents, including legal opinions as applicable, of the Group's water supply and sewage treatment business; and
	
	  • Assessing the detailed analysis made by management on the terms of the service concession arrangements, by reference to the relevant clauses in the concession agreements.

Independent Auditor's Report

Key Audit Matter

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

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

Management has engaged independent valuer, to determine the applicable gross profit margin, with reference to the gross profit margins of market comparable companies, which is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of revenue relating to construction or upgrade services in connection with water supply infrastructure is considered high due to uncertainty of significant assumptions used.

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

How our audit addressed the Key Audit Matter

Our procedures in relation to management's recognition of revenue and costs relating to construction or upgrade services in connection with water supply infrastructure included:

- Understanding, evaluating and testing the internal controls over the generation of cost data of the construction or upgrade projects and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
- Comparing the actual costs of completed projects to management's prior estimations to assess the accuracy of management's historical cost estimation and reliability and appropriateness of the cost estimation methodology on a sample basis;
- Comparing the estimated total construction costs and cost incurred to date to the latest budget approved by management on a sample basis;
- Checking the construction costs incurred during the year by tracing to supporting documents, such as purchase agreements, materials consumption notes and labour cost records on a sample basis;
- Challenging the reasonableness of the gross profit margin adopted by the management by referencing to the analysis of the gross profit margin of the comparable companies prepared by the management;
- Involving our in-house valuation specialist to assess the reasonableness of the gross profit margin by reference to the comparable companies;
- Testing the mathematical accuracy of the calculation of percentage of completion and revenue and costs recognised during the year; and
- Evaluating the appropriateness of the disclosures made in the consolidated financial statements relating to the accounting treatment of the service concession arrangements.

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

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
2 Impairment assessments of goodwill and other intangible assets	

Refer to notes 2.8, 2.9, 4(iii), 4(iv), 20 and 21 to the consolidated financial statements
 	
As at 31 March 2025, the carrying amounts of goodwill and other intangible assets amounted to HK$1,362.6 million and HK$34,155.8 million respectively.
 	
Goodwill is subject to impairment assessment at least annually or when there is an indication of impairment.
 	
Other intangible assets are subject to impairment assessments when there is an indication of impairment.
 	
The Group's goodwill mainly relates to its city water supply, sewage treatment and drainage and gas sales operations.
 	
The Group's other intangible assets mainly relate to its city water supply operations. During the year ended 31 March 2025, management considered whether there is an indication of impairment for the Group's other intangible assets with reference to the financial performance of the respective entities as compared to their business plans.
 	
Management determined the recoverable amounts of the cash-generating unit based on value-in-use calculations which involve judgements and assumptions in particular on the future business growth driven by town and population planning, forecast city water and gas tariffs and sewage charges, raw water, gas and electricity costs and discount rates, etc, which are subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment of goodwill and other intangible assets is considered high due to uncertainty of significant assumptions used.
 	
Based on the results of the impairment assessments, management concluded that there was no impairment of the other intangible assets and goodwill as at 31 March 2025.
	We evaluated management's assessments as to whether any indication of impairment exist in other intangible assets by:
	
	• Obtaining management's analysis of the indications of impairment and understanding management's rationale for the analysis; and
	
	• Assessing management's analysis by comparing the financial performance of certain entities against their business plans.
	
	Our procedures in relation to management's impairment assessments of goodwill and other intangible assets included:
	
	• Assessing the reasonableness of the key assumptions of the value-in-use calculations by:
	
	  • Understanding the internal controls over the impairment assessment of goodwill and other intangible assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors;
	
	  • Comparing the forecast against current year business results to assess if there is any inconsistency in the revenue and cost structure;
	
	  • Challenging the future business growth with reference to the town and population planning published by the corresponding county or city government and the capacity expansion plan of the related project; and
	
	  • Evaluating the forecast city water and gas tariffs, sewage charges, raw water, gas and electricity costs with reference to the current year level, price information published by the government, estimated inflation rate and available market forecast.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
As the assessment of indication of impairment for other intangible assets and the value-in-use calculations for impairment assessments of goodwill and other intangible assets required the use of significant judgements and estimates by management, we considered it as a key audit matter.	• Challenging the reasonableness of the estimated value-in-use calculations and the discount rate applied; • Checking the mathematical accuracy of the value–in-use calculations; • Evaluating the sensitivity analysis performed by management on the key assumptions as stated above and assessed the potential impacts of a range of possible outcomes; and • Evaluating the appropriateness of the disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that management's assessment on whether any indication of impairment exists in respect of other intangible assets and the impairment assessments of goodwill and other intangible assets to be supportable by available evidence.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
3 Assessment of net realisable value of properties under development and properties held for sale	
Refer to notes 2.12, 4(x), 24 and 25 to the consolidated financial statements. As at 31 March 2025, the properties under development ("PUD") and properties held for sale ("PHS") of the Group amounted to HK$610.2 million and HK$1,328.9 million respectively. Properties under development and completed properties held for sale are key components of the net asset value attributable to equity holders. As at 31 March 2025, the Group held properties under development and completed properties held for sale in the PRC through subsidiaries. The assessment of their net realisable value requires management to apply significant judgement. Management determined the carrying value of properties under development and completed properties held for sale based on their net realisable value, which involves estimating the future sales price and anticipated costs to completion. These estimates are based on recent market transaction prices of comparable properties and projected development costs. As a result of this assessment, write-downs of HK$94,789,000 were made against the carrying amounts of the PHS for the year ended 31 March 2025. Given the inherent estimation uncertainty in determining net realisable value, management's assumptions, judgements, and estimates are critical in the valuation process. The key areas of judgement include estimating the future sales price and the anticipated costs to completion of the development.	Our procedures in relation to management's assessment of net realisable value of properties under development and completed properties held for sale includes: • Understanding management's controls and processes for determining the net realisable value of the development properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgements involved in determining assumptions to be applied; • Obtaining management's assessment of the net realisable value of the underlying properties and, on a sample basis, assessing the reasonableness of key assumptions applied by management; • Comparing the estimated future sales price, on a sample basis, against contracted sales prices of the underlying properties and/or recent market transaction prices of comparable properties, where applicable; • Testing the anticipated costs to completion on properties under development, on a sample basis, the projected development costs against construction contracts, latest budgets, and/or other supporting documents, where applicable; and • Evaluating the appropriateness of related disclosures made in the consolidated financial statements. Based on the audit procedures performed, we found that the estimates used in the calculation of the net realisable value of development properties were supportable in light of 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 HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basic for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Cho Kin Lun (practising certificate number: P05514).

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2025

Consolidated Income Statement

For the year ended 31 March 2025

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

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2025

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

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

Consolidated Statement of Financial Position

As at 31 March 2025

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

Consolidated Statement of Financial Position

As at 31 March 2025

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

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

Duan Chuan Liang
Director

Ding Bin
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Equity attributable to owners of the Company													
	Share capital HK$'000	Proposed final dividend HK$'000	Share premium HK$'000 (note 40)	Capital redemption reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 40)	Other reserves HK$'000 (note 40)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 40)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2023	**16,323**	**293,818**	**281,716**	**3,304**	**32,373**	**(179,136)**	**96,808**	**(74,418)**	**8,149**	**1,331,059**	**11,183,158**	**12,993,154**	**8,178,980**	**21,172,134**
Arising from acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	236,360	236,360
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	72,395	–	–	–	72,395	(233,585)	(161,190)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	41,497	41,497
Final dividend 2023 (note 12)	–	(293,818)	–	–	–	–	–	–	–	–	–	(293,818)	–	(293,818)
Interim dividend 2024 (note 12)	–	–	–	–	–	–	–	–	–	–	(212,202)	(212,202)	–	(212,202)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(186,682)	(186,682)
Transactions with owners	**–**	**(293,818)**	**–**	**–**	**–**	**–**	**–**	**72,395**	**–**	**–**	**(212,202)**	**(433,625)**	**(142,410)**	**(576,035)**
Proposed final dividend 2024 (note 12)	**–**	**244,848**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,848)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138,364**	**(138,364)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,533,543	1,533,543	1,057,814	2,591,357
Other comprehensive (loss)/income														
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	(111,890)	–	–	(111,890)	–	(111,890)
– Currency translation	–	–	–	–	–	(1,189,287)	–	–	–	–	–	(1,189,287)	(428,635)	(1,617,922)
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	(875)	(4,253)	–	–	(5,128)	–	(5,128)
– Recycling of currency translation differences upon disposal of a subsidiary	–	–	–	–	–	26	–	–	–	–	–	26	–	26
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**(1,189,261)**	**–**	**(875)**	**(116,143)**	**–**	**1,533,543**	**227,264**	**629,179**	**856,443**
Balance at 31 March 2024	**16,323**	**244,848**	**281,716**	**3,304**	**32,373**	**(1,368,397)**	**96,808**	**(2,898)**	**(107,994)**	**1,469,423**	**12,121,287**	**12,786,793**	**8,665,749**	**21,452,542**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2025

	Equity attributable to owners of the Company														
	Share capital HK$'000	Proposed final dividend HK$'000	Treasury shares HK$'000 (note 38)	Share premium HK$'000 (note 40)	Capital redemption reserve HK$'000 (note 40)	Contributed surplus HK$'000 (note 40)	Exchange fluctuation reserve HK$'000	Share options reserve HK$'000 (note 40)	Other reserves HK$'000 (note 40)	Financial assets at fair value through other comprehensive income revaluation reserve HK$'000	Statutory reserves HK$'000 (note 40)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 April 2024	**16,323**	**244,848**	**–**	**281,716**	**3,304**	**32,373**	**(1,368,397)**	**96,808**	**(2,898)**	**(107,994)**	**1,469,423**	**12,121,287**	**12,786,793**	**8,665,749**	**21,452,542**
Share repurchase	–	–	(27,515)	–	–	–	–	–	–	–	–	–	(27,515)	–	(27,515)
Share repurchase expenses	–	–	(85)	–	–	–	–	–	–	–	–	–	(85)	–	(85)
Transactions with non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	(11,194)	–	–	–	(11,194)	(209,956)	(221,150)
Deregistration or disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,021)	(1,021)
Capital injection by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	55,280	55,280
Final dividend 2024 (note 12)	–	(244,848)	–	–	–	–	–	–	–	–	–	–	(244,848)	–	(244,848)
Interim dividend 2025 (note 12)	–	–	–	–	–	–	–	–	–	–	–	(212,153)	(212,153)	–	(212,153)
Dividend paid to non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(670,461)	(670,461)
Transactions with owners	**–**	**(244,848)**	**(27,600)**	**–**	**–**	**–**	**–**	**–**	**(11,194)**	**–**	**–**	**(212,153)**	**(495,795)**	**(826,158)**	**(1,321,953)**
Proposed final dividend 2025 (note 12)	**–**	**244,132**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(244,132)**	**–**	**–**	**–**
Transfer to statutory reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190,028**	**(190,028)**	**–**	**–**	**–**
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	1,074,663	1,074,663	953,415	2,028,078
Other comprehensive (loss)/income															
– Change in fair value of financial assets at fair value through other comprehensive income (note 19(ii))	–	–	–	–	–	–	–	–	–	13,397	–	–	13,397	–	13,397
– Currency translation	–	–	–	–	–	–	(223,049)	–	–	–	–	–	(223,049)	(92,267)	(315,316)
– Share of other comprehensive income of an associate	–	–	–	–	–	–	–	–	3,395	13,673	–	–	17,068	–	17,068
– Recycling of currency translation differences upon deregistration or disposal of subsidiaries	–	–	–	–	–	–	(1,130)	–	–	–	–	–	(1,130)	–	(1,130)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(224,179)**	**–**	**3,395**	**27,070**	**–**	**1,074,663**	**880,949**	**861,148**	**1,742,097**
Balance at 31 March 2025	**16,323**	**244,132**	**(27,600)**	**281,716**	**3,304**	**32,373**	**(1,592,576)**	**96,808**	**(10,697)**	**(80,924)**	**1,659,451**	**12,549,637**	**13,171,947**	**8,700,739**	**21,872,686**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2025

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

1 CORPORATE INFORMATION

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

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

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 46 to the consolidated financial statements. The Company and its subsidiaries are together defined to as the "Group" hereafter.

These financial statements are presented in Hong Kong Dollars ("HK$"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 30 June 2025.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

As at 31 March 2025, the Group's current liabilities exceeded its current assets by approximately HK$3,790 million. Whilst the Group has cash and cash equivalents of HK$4,772 million, the current liabilities are significant which would require the Group to accelerate its collection of receivables and to secure sufficient financing to meet with its obligation as and when they fall due.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

During the year, the Group adopted the following new and amended standards which are mandatory for the year ended 31 March 2025.

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

The above new and amended standards adopted by the Group did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) New standards and amendments to standards that have been issued but are not effective for the financial year beginning on 1 April 2024 and have not been early adopted

The following standards and amendments to standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2025 or later periods, but the Group has not early adopted them.

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

Except for the new standards and amendments to standards mentioned below, the Group is in the process of making an assessment of the impact of these new standard and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

(b) New standards and amendments to standards that have been issued but are not effective for the financial year beginning on 1 April 2024 and have not been early adopted (Continued)

Presentation and Disclosure in Financial Statements – HKFRS 18

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

The key new concepts introduced in HKFRS 18 relate to:

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(a) Subsidiaries

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

(b) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(b) Business combinations (Continued)

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

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

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

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

(d) Disposal of subsidiaries

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(e) Separate financial statements

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

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

2.3 Associates

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

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

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

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

2.4 Segment reporting

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

The Group has identified the following reportable segments:

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Segment reporting (Continued)

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

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

The measurement policies the Group use for reporting segment results under HKFRS 8 are the same as those used in its consolidated financial statements prepared under HKFRSs, except that finance costs, share of results of associates, corporate income, corporate expense, income tax expense, expected credit loss on other receivables and gain/loss on deregistration or disposal of subsidiaries, net are excluded from segment results.

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

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

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

No asymmetrical allocations have been applied to reportable segments.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

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

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

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

(d) Disposal of foreign operation and partial disposal

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

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

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

2.6 Property, plant and equipment

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

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

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

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

Buildings	Shorter of lease term or 50 years
Leasehold improvements	Shorter of lease term or 5 years
Plant and machinery	6 to 30 years
Furniture, equipment and motor vehicles	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.10).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

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

2.7 Investment properties

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

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.7 Investment properties (Continued)

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

2.8 Goodwill

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

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

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

2.9 Intangible assets (other than goodwill)

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

The Group's intangible assets (other than goodwill) represent the rights to operate sewage treatment infrastructures and water supply infrastructures in the People's Republic of China (the "PRC"). These intangible assets are amortised on a straight-line basis over the terms of operation ranging from 10 to 55 years. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment as described in note 2.10 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Impairment of non-financial assets and investment in associates

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

2.11 Financial investments and other financial assets

2.11.1 Classification

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

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

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

2.11.2 Recognition and derecognition

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.3 Measurement

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

(a) Debt instruments

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

– Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial investments and other financial assets is included in other income, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other income, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial investments and other financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial investment and other financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement and recognised in other income, net. Interest income from these financial investments and other financial assets is included in other income, net using the effective interest rate method. Foreign exchange gains and losses are presented in administrative expenses and impairment expenses are presented as separate line item in the consolidated income statement.

– FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement in the period in which it arises.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.3 Measurement (Continued)

(b) Equity instruments

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

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

2.11.4 Impairment

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.11 Financial investments and other financial assets (Continued)

2.11.5 Offsetting financial instruments

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

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

2.12 Properties under development and held for sale

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

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

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

2.13 Inventories

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

2.14 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Further information about the Group's accounting for trade receivables and the Group's impairment policies are described in note 2.11.4 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

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

Consideration received or receivable by the Group for the construction services

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

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

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangements) is accounted for in accordance with the policy set out for "Financial investments and other financial assets" in note 2.11 to the consolidated financial statements.

An intangible asset (other intangible assets) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (other intangible assets) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2.9 to the consolidated financial statements.

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Service concession arrangements (Continued)

Construction or upgrade services

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over time by measuring the progress towards complete satisfaction of the service. Contract costs are recognised as expenses by measuring the progress towards complete satisfaction of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

The Group uses the input method to determine the appropriate amount to recognise in a given period. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

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

Revenue relating to construction or upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" in note 2.24 to the consolidated financial statements.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 2.24 to the consolidated financial statements.

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

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the water supply infrastructures and sewage treatment infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the water supply infrastructures and sewage treatment infrastructures are recognised and measured in accordance with the policy set out for "Provisions" in note 2.18 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Government grants

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

2.17 Cash and cash equivalents

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

2.18 Provisions

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Leases

Leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight–line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated financial position based on their nature.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.20 Share capital and repurchase of shares

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

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

2.21 Trade payables

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

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

Trade payables and liabilities under supplier finance arrangement are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

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

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

Borrowings are classified as current liabilities unless the Group has a right to defer settlement of the liability for at least 12 months after the end of the reporting period. Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification.

2.23 Borrowing costs

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition

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

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

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

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

(i) Revenues from the water supply operations services and gas sales are recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the water and gas and the Group has present right to payment;

(ii) Revenue from construction contracts is recognised over time by reference to the progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract;

(iii) Revenue from sewage treatment and drainage operations services is recognised over the period when the services are rendered and the Group's performance provides all of the benefits received and consumed simultaneously by the customer;

(iv) Water supply installation and maintenance income is recognised over time by reference to the progress towards complete satisfaction of the service. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract;

(v) Revenue from sale of properties is recognised when or as the control of the asset is transferred to the customer. The revenue is recognised at a point in time when the customer obtains control of the completed property;

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Revenue recognition (Continued)

(vi) Sales of goods is recognised at the point in time when the control of the product is transferred to the customer which generally coincides with delivery and acceptance of the product sold;

(vii) Revenue from hotel services is recognised based on the period in which such services have been rendered;

(viii) Rental income receivable from operating lease is recognised in consolidated income statement on a straight-line basis over the period covered by the lease term;

(ix) Finance income on receivables under service concession arrangements is recognised using the effective interest method; and

(x) Handling income is recognised over time when services are rendered.

2.25 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit–impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is recognised in "other income, net" in the consolidated income statement.

2.26 Dividend income

Dividends are received from financial assets at FVOCI. Dividends are recognised in "Other income, net" in the consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

2.27 Employee benefits

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

(i) Retirement benefits schemes

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.27 Employee benefits (Continued)

(ii) Short-term employee benefits

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

2.28 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.28 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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

2.29 Share-based payments

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

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

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

2.30 Dividend distribution

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

2.31 Contract assets and contract liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

3.1 Financial risk factors

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

(a) Credit risk

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

For financial assets whose impairment losses are measured using expected credit loss ("ECL") model, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognise their ECL, as follows:

– Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

– Stage 2: If the credit risk has increased significantly since its initial recognition but not yet deemed to be credit-impaired, the financial instrument is included in stage 2.

– Stage 3: If the financial instrument is credit-impaired, the financial instrument is included in stage 3.

The Group considers the credit risk characteristics of different financial instruments when determining if there is significant increase in credit risk. For financial instruments with or without significant increase in credit risk, lifetime or 12-month expected credit losses are provided respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at year end with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

- actual or expected significant changes in the operating results of the counterparty; and
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

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

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

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

Impairment allowance policies for trade and bills receivables and current portion of contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables and current portion of contract assets.

To measure the expected credit losses, trade and bills receivables and current portion of contract assets have been grouped based on shared credit risk characteristics and aging. The current portion of contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade and bills receivables for the same types of contracts. The Group has therefore concluded that the expected loss rate for trade and bills receivables a reasonable approximation of the loss rates for the current portion of contract assets.

The expected loss rates are based on the payment profiles of customers over 12 months before 31 March 2025 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP of the relevant industry in which it sells its goods or services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

Impairment allowance policies for trade and bills receivables and current portion of contract assets (Continued)

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

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

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk (Continued)

Impairment allowance policies for other financial assets at amortised cost

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

Expected loss rate of other financial assets at amortised cost is assessed to be low. As at 31 March 2025, the amount of loss allowance provision for other financial assets at amortised cost was not material, as counterparties are expected to be capable of meeting their contractual cash flows obligation in the near term.

(b) Foreign currency risk

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

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

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

Currently, the Group has no material derivative financial instruments to hedge against its foreign currency risk. The Group manages foreign currency risk by closely monitoring the proportion of its non-Renminbi borrowings and assets.

(c) Interest rate risk

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

The Group's exposure to interest rate risk mainly arises from bank deposits and borrowings which bore floating interests. The Group has no material derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(c) Interest rate risk (Continued)

Sensitivity analysis

If the interest rates had been increased/decreased by 100 basis points at the end of the year and all other variables were held constant, the Group's profit after income tax and equity would decrease/increase by approximately HK$197,352,000 (2024: HK$193,001,000) respectively.

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

(d) Price risk

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

Financial assets at FVPL and financial assets at FVOCI expose the Group to price risk.

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

Sensitivity analysis

If the price of FVPL had been increased/decreased by 10% at the end of the year and all other variables ware held constant, the Group's profit after income tax and equity would increase/decrease by approximately HK$544,000 (2024: HK$49,167,000) respectively.

If the price of FVOCI had been increased/decreased by 10% at the end of the year and all other variables were held constant, the Group's equity would increase/decrease by approximately HK$36,121,000 (2024: HK$34,532,000) respectively.

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk

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

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

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

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2025					
Lease liabilities	–	17,940	52,046	558,724	628,710
Trade and bills payables	5,860,165	565,827	1,661,097	–	8,087,089
Accrued liabilities and other payables	1,466,431	643,148	170,732	–	2,280,311
Amounts due to associates	11,517	–	18,478	–	29,995
Borrowings	11,797	1,449,360	4,429,884	25,093,789	30,984,830
Amounts due to non-controlling equity holders of subsidiaries	185,611	423	26,883	781,394	994,311
	7,535,521	2,676,698	6,359,120	26,433,907	43,005,246

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.1 Financial risk factors (Continued)

(e) Liquidity risk (Continued)

	On demand HK$'000	Less than three months HK$'000	Three to twelve months HK$'000	Over one year HK$'000	Total HK$'000
At 31 March 2024					
Lease liabilities	–	14,769	42,304	459,021	516,094
Trade and bills payables	4,873,824	878,612	1,096,926	–	6,849,362
Accrued liabilities and other payables	1,925,404	301,750	361,743	–	2,588,897
Amounts due to associates	3,083	–	18,681	–	21,764
Borrowings	94,488	1,284,350	5,867,985	24,116,539	31,363,362
Amounts due to non-controlling equity holders of subsidiaries	91,582	–	35,275	825,254	952,111
	6,988,381	2,479,481	7,422,914	25,400,814	42,291,590

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

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements

(i) Financial instruments not measured at fair value

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

(ii) Financial instruments measured at fair value

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

Fair value hierarchy

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

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

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

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

At 31 March 2025, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	**1,116**	**–**	**360,098**	**361,214**
Financial assets at fair value through profit or loss	**–**	**–**	**5,435**	**5,435**
	1,116	**–**	**365,533**	**366,649**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements (Continued)

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

Fair value hierarchy (Continued)

At 31 March 2024, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through other comprehensive income	1,427	–	343,893	345,320
Financial assets at fair value through profit or loss	–	–	491,668	491,668
	1,427	–	835,561	836,988

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

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

Information about Level 3 fair value measurement

Financial assets at FVOCI mainly comprise unlisted equity securities which were valued by the Group or APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using market approach to determine the fair value.

Financial assets at FVPL comprise investments in unlisted exchangeable bonds and wealth management products and structured deposits issued by various licensed banks in the PRC. The unlisted exchangeable bonds were valued by APAC Appraisal and Consulting Limited, an independent firm of professional valuer, using option pricing model to determine the fair value. As for wealth management products and structured deposits issued by various licensed banks in the PRC, the Group used income approach of discounted cash flows to determine the fair value.

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.2 Fair value measurements (Continued)

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

Information about Level 3 fair value measurement (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.3 Categories of financial assets and liabilities

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

Financial assets

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

Financial liabilities

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

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

3 FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

3.4 Capital management

The Group's capital management objectives include:

(i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;

(ii) to support the Group's stability and growth; and

(iii) to provide capital for the purpose of strengthening the Group's risk management capability.

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

No changes were made in the objectives, policies or processes during the current and previous years. The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to owners, return capital to owners, issue new shares or raise new debts, or sell assets to reduce debt.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Depreciation and amortisation

The Group depreciates the property, plant and equipment and the right-of-use assets, and amortises the intangible assets (other than goodwill) in accordance with the accounting policies stated in notes 2.6, 2.19 and 2.9 to the consolidated financial statements respectively. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of these assets.

(ii) Allowance for and written off of irrecoverable receivables

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

(iii) Impairment of goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8 to the consolidated financial statements. The recoverable amounts of CGUs or group of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates. Management estimates the expected future cash flows from the CGUs or group of CGUs and determines a suitable discount rate in order to calculate the present value of those cash flows.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Fair value measurement

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

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

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

The Group measures a number of items at fair value:

– investment properties (note 17);

– financial assets at fair value through other comprehensive income (note 19); and

– financial assets at fair value through profit or loss (note 29).

There is significant estimation in relation to the valuation of the items above. Detailed information in relation to the fair value measurement of the financial assets at FVPL and financial assets at FVOCI is set out in note 3.2 to the consolidated financial statements. The fair value measurement of the investment properties is set out in note 17 to the consolidated financial statements.

(vi) Construction contracts

As stated in note 2.15 to the consolidated financial statements, revenue and profit recognition on an uncompleted project are dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. However, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the reporting date, which would affect the revenue and profit recognised in future years as an adjustment to the amounts record to date.

(vii) Income taxes and deferred taxation

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(vii) Income taxes and deferred taxation (Continued)

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

(viii) Land appreciation tax ("LAT")

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

(ix) Service concession arrangements

The Group uses judgement to assess whether an agreement and the relevant assets fall into the scope of HK(IFRIC) – Int 12. As explained in note 2.15 to the consolidated financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public– to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

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

The fair value of the construction and upgrade services under the service concession arrangements is calculated as the estimated total construction cost plus a profit margin. The profit margins are assessed by the Group, based on prevailing market rate applicable to similar construction services rendered. Revenue and costs relating to construction or upgrade services are accounted for in accordance with the accounting policy in note 2.15 to the consolidated financial statements.

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

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

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

5 SERVICE CONCESSION ARRANGEMENTS

The Group entered into a number of service concession arrangements with certain government authorities in the PRC in respect of its water supply and sewage treatment businesses. These service concession arrangements generally involve the Group as an operator (i) constructing water supply and sewage treatment infrastructures or paying a specific amount to obtain the water supply and sewage treatment infrastructures depending on the type of arrangements; and (ii) operating and maintaining the water supply and sewage treatment infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 10 to 55 years (the "Service Concession Periods").

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

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

As at 31 March 2025, the Group has service concession arrangements on water supply and sewage treatment businesses in the PRC and a summary of the major terms of these service concession arrangements are set out as follows:

Nature of business	Location	Practical processing capacity per day (m^3)	Service concession period
Water supply	PRC	3,000 – 700,000	10 to 55 years
Sewage treatment	PRC	10,000 – 100,000	20 to 30 years

During the year, the Group recognised water supply construction service income of HK$2,605,706,000 (2024: HK$4,561,084,000), sewage treatment construction service income of HK$643,199,000 (2024: HK$585,072,000) and finance income of HK$58,550,000 (2024: HK$54,811,000) as revenue under the line item "revenue and other income" from service concession arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

6 REVENUE AND OTHER INCOME

The Group's principal activities are disclosed in notes 1 and 46 to these consolidated financial statements.

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

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

Notes:

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

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

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

7 SEGMENT INFORMATION

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

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

For the year ended 31 March 2025

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

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

7 SEGMENT INFORMATION (Continued)

For the year ended 31 March 2025 (Continued)

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

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

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

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

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

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

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

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

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

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

8 OPERATING PROFIT

Profit from operation is arrived at after charging the following:

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

9 FINANCE COSTS

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

10 INCOME TAX EXPENSE

Income tax expense in the consolidated income statement represents:

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

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

(b) The provision for PRC current income tax is based on a statutory income tax rate of 25% (2024: 25%) of the assessable income of the Group as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain subsidiaries operating in the PRC enjoy a preferential income tax rate of 5% to 15% (2024: 5% to 15%) of their assessable income.

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

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

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

Notes to the Consolidated Financial Statements
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11 EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$1,074,663,000 (2024: HK$1,533,543,000) and the weighted average of 1,631,799,000 (2024: 1,632,322,000) ordinary shares in issue during the year.

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

12 DIVIDENDS

(a) Dividends attributable to the year

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

The final dividends proposed after the reporting date for the year ended 31 March 2025 and 2024 were not recognised as a liability at the reporting date. In addition, the final dividend is subject to the shareholders' approval at the forthcoming annual general meeting.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 March 2025:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	8,200	–	–	18	–	8,218
Ms. Ding Bin	–	840	–	–	18	407	1,265
Mr. Li Zhong	–	1,289	–	–	18	1,184	2,491
Mr. Duan Jerry Linnan	–	240	–	–	18	1,920	2,178
Non-executive directors							
Mr. Li Hao (appointed on 28 June 2024)	–	46	–	–	–	–	46
Mr. Bai Li (appointed on 21 March 2025)	–	–	–	–	–	–	–
Ms. Wang Xiaoqin	–	1,340	–	–	18	1,143	2,501
Ms. Liu Yu Jie	–	2,400	–	–	18	–	2,418
Mr. Makoto Inoue (resigned on 28 June 2024)	–	15	–	–	–	–	15
Independent non-executive directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	300	–	–	–	–	–	300
Mr. Xiao Zhe (appointed on 15 July 2024)	214	–	–	–	–	–	214
Ms. Zhou Nan (resigned on 15 July 2024)	87	–	–	–	–	–	87
Total	1,249	14,370	–	–	108	4,654	20,381

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For the year ended 31 March 2025

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

(a) Directors' emoluments (Continued)

For the year ended 31 March 2024:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Executive directors							
Mr. Duan Chuan Liang	–	10,000	–	–	18	5	10,023
Ms. Ding Bin	–	480	–	–	18	363	861
Mr. Li Zhong	–	1,289	–	–	18	1,121	2,428
Mr. Duan Jerry Linnan	–	240	–	–	18	960	1,218
Non-executive directors							
Mr. Makoto Inoue	–	60	–	–	–	–	60
Ms. Wang Xiaoqin	–	1,200	–	–	18	1,190	2,408
Ms. Liu Yu Jie (subsequently re-designated to non-executive director with effect from 12 April 2023)	–	2,400	–	–	18	–	2,418
Mr. Zhao Hai Hu (resigned on 8 March 2024)	–	112	–	–	–	303	415
Independent non-executive Directors							
Mr. Chau Kam Wing	348	–	–	–	–	–	348
Mr. Siu Chi Ming	300	–	–	–	–	–	300
Ms. Ho Ping	300	–	–	–	–	–	300
Ms. Zhou Nan	300	–	–	–	–	–	300
Total	1,248	15,781	–	–	108	3,942	21,079

Notes to the Consolidated Financial Statements

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

(b) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2024: Nil).

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

During the year, no consideration was provided to or receivable by third parties for making available directors' services (2024: Nil).

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

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2024: Nil).

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

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2024: Nil).

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

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

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

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

The emoluments fell within the following bands

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

During the years ended 31 March 2025 and 2024, no emoluments were paid by the Group to the directors and five highest paid employees of the Group as an inducement to join the Group or upon joining the Group or as compensation for loss of office. No directors waived emoluments in respect of the years ended 31 March 2025 and 2024.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 April 2023						
Cost	2,171,392	41,738	1,010,485	340,209	531,336	4,095,160
Accumulated depreciation	(241,985)	(23,664)	(241,195)	(250,197)	–	(757,041)
Net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
Year ended 31 March 2024						
Opening net carrying amount	1,929,407	18,074	769,290	90,012	531,336	3,338,119
Additions	6,015	–	24,094	25,409	356,774	412,292
Acquisition of subsidiaries	–	–	132	1,777	165	2,074
Disposals	–	–	(4,473)	(1,057)	–	(5,530)
Disposal of a subsidiary	–	–	–	(3)	–	(3)
Written off	(109)	–	(48)	(120)	–	(277)
Transfers	71,456	–	64,275	35	(135,766)	–
Transfer from properties held for sale	11,540	–	–	–	–	11,540
Depreciation	(65,122)	(247)	(58,439)	(26,500)	–	(150,308)
Exchange realignment	(108,651)	(90)	(42,585)	(5,452)	(28,633)	(185,411)
Closing net carrying amount	1,844,536	17,737	752,246	84,101	723,876	3,422,496
At 31 March 2024						
Cost	2,136,852	41,738	1,039,274	341,024	723,876	4,282,764
Accumulated depreciation	(292,316)	(24,001)	(287,028)	(256,923)	–	(860,268)
Net carrying amount	1,844,536	17,737	752,246	84,101	723,876	3,422,496
Year ended 31 March 2025						
Opening net carrying amount	**1,844,536**	**17,737**	**752,246**	**84,101**	**723,876**	**3,422,496**
Additions	**1,391**	–	**10,868**	**18,396**	**260,836**	**291,491**
Disposals	–	–	**(1,710)**	**(324)**	–	**(2,034)**
Disposal of subsidiaries	**(809,935)**	–	**(173,677)**	**(783)**	**(9,692)**	**(994,087)**
Written off	–	–	**(478)**	**(501)**	–	**(979)**
Transfers	**29,757**	–	**34,733**	**98**	**(64,588)**	–
Depreciation	**(58,003)**	**(242)**	**(63,614)**	**(24,835)**	–	**(146,694)**
Exchange realignment	**(20,721)**	**(47)**	**(8,239)**	**(1,002)**	**(7,557)**	**(37,566)**
Closing net carrying amount	**987,025**	**17,448**	**550,129**	**75,150**	**902,875**	**2,532,627**
At 31 March 2025						
Cost	**1,222,575**	**41,738**	**869,345**	**345,991**	**902,875**	**3,382,524**
Accumulated depreciation	**(235,550)**	**(24,290)**	**(319,216)**	**(270,841)**	**–**	**(849,897)**
Net carrying amount	**987,025**	**17,448**	**550,129**	**75,150**	**902,875**	**2,532,627**

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

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

16 RIGHT-OF-USE ASSETS

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

As at 31 March 2025, it was included in the leasehold land and land use right with a net carrying amount of HK$66,208,000 (2024: HK$75,067,000) for which the Group is still in the process of obtaining the land use right certificates. In the opinion of the directors of the Company, the Group has obtained the rights to use these land. As confirmed by the Group's legal advisors in previous year and based on the Group's assessment for the year ended 31 March 2025, there is no legal impediment for the Group to obtain these land use right certificates.

As at 31 March 2025, the leasehold land and land use right with a net carrying amount of HK$230,164,000 (2024: HK$339,674,000) were pledged to secure loan facilities granted to the Group (note 34(i)(e)).

The Group leases various leasehold land, properties and plant and machinery. Rental contracts are typically made for fixed periods ranging from one year to twenty years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Additions to the leasehold land and land use right during the year ended 31 March 2025 were HK$19,642,000 (2024: HK$180,480,000).

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

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

Depreciation charge for the year ended 31 March 2025 amounted to HK$52,212,000 (2024: HK$41,983,000) has been included in cost of sales in the consolidated income statement.

The expense relating to short-term leases or leases with low-value assets amounted to HK$9,921,000 (2024: HK$8,964,000) have been included in the consolidated income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

17 INVESTMENT PROPERTIES

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

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

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

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

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

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

17 INVESTMENT PROPERTIES (Continued)

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

Properties	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Industrial property under development located in the PRC	Level 3	Direct comparison approach	Market price of car park per space	HK$456,522 to HK$495,652 (2024: HK$450,549)	The higher of market price, the higher of fair value
		Income capitalisation method	Market unit rents per square meter per month	HK$225 to HK$270 (2024: HK$227 to HK$273)	The higher of market price, the higher of fair value
			Market yield	4.7% (2024: 4.8%)	The higher of market yield, the lower of fair value
Residential properties located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$91,631 to HK$101,568 (2024: HK$93,983 to HK$102,540)	The higher of market price, the higher of fair value
Leasehold land located in the PRC	Level 3	Direct comparison approach	Market sale rate per square meter, taking into account of individual factors such as location and size, etc.	HK$489 to HK$580 (2024: HK$473 to HK$480)	The higher of market price, the higher of fair value

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

18 INVESTMENT IN ASSOCIATES

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

As at 31 March 2025, the Group owned 28.46% (2024: 28.46%) equity interest of Kangda International Environmental Company Limited ("Kangda International"). The shares of Kangda International are listed on the Mainboard of The Stock Exchange of Hong Kong Limited (stock code: 6136) and it was accounted for as an associate of the Group. As at 31 March 2025, the market value of Kangda International was HK$641,920,000 (2024: HK$556,331,000). In the opinion of the directors, Kangda International is considered the principal associate of the Group.

The financial year end date for Kangda International is 31 December. For the purpose of applying the equity method of accounting, the consolidated financial statements of Kangda International for the years ended 31 December 2024 and 2023 have been used, taking into account any known changes in the subsequent period from 1 January 2025 to 31 March 2025 that would have materially affected the results.

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

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

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries

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

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

18 INVESTMENT IN ASSOCIATES (Continued)

Summary of financial information for Kangda International and its subsidiaries (Continued)

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

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

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

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

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

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

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

(iii) Non-current assets pledged as security

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

20 GOODWILL

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

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

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

– city water supply CGUs within city water supply segment;

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

– environmental protection CGUs within environmental protection segment; and

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

Notes to the Consolidated Financial Statements
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20 GOODWILL (Continued)

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

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

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

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

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

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

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

20 GOODWILL (Continued)

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

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

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

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

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

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

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

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

21 OTHER INTANGIBLE ASSETS

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

23 CONTRACT ASSETS

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

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

Notes:

(i) Contract assets relating to service concession arrangements for sewage treatment construction services is not due from the customer until the construction of new sewage treatment infrastructure or upgrade services are completed. As a result, a contract asset is recognised over the period in which the construction of new sewage treatment infrastructure or upgrade services are performed to represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$2,080,110,000 (2024: HK$1,798,014,000) will be reclassified as receivables under service concession arrangements and/or other intangible assets after the construction of new sewage treatment infrastructure or upgrade services has completed.

(ii) Contract assets relating to water supply and water environmental renovation construction businesses recognised over the period represent the entity's right to consideration for the services transferred to date. The carrying amount of approximately HK$2,936,615,000 (2024: HK$2,220,961,000) will be reclassified as trade receivables at the point that the amount is invoiced to the customer.

(iii) The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets from initial recognition. During the year, no provision for impairment loss on contract assets was recognised in consolidated income statement in relation to impaired financial assets. Information about the impairment of contract assets and the Group's exposure to credit risk can be found in note 3.1(a) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

24 PROPERTIES UNDER DEVELOPMENT

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

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

25 PROPERTIES HELD FOR SALE

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

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

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

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

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

26 INVENTORIES

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

27 TRADE AND BILLS RECEIVABLES

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

27 TRADE AND BILLS RECEIVABLES (Continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables from initial recognition. During the year ended 31 March 2025, expected credit loss of HK$40,840,000 (2024: HK$10,000,000) on trade receivables was recognised in the consolidated income statement in relation to impaired financial assets. Information about the loss allowance provision to trade and bills receivables and the Group's exposure to credit risk can be found in note 3.1(a) to the consolidated financial statements.

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

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

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

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

28 RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

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

Receivables under service concession arrangements represented revenue from construction services under service concession arrangements and the finance income is calculated using the effective interest rate ranged from 3.96% to 6.62% (2024: 3.96% to 6.62%) per annum. The amounts are not yet due for payment and will be settled by cash receipt to be generated during the operating periods of the service concession arrangements.

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

29 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Notes:

(i) Fair values of the unlisted exchangeable bonds have been determined by reference to the valuation using option pricing model.

(ii) The balance comprises wealth management products and structured deposits with various licensed banks in the PRC. The Group used income approach of discounted cash flows to determine its fair value. The balance is expected to be recovered within one year, bearing an expected return rate ranging from 1.5% to 2.25% (2024: 1.3% to 3.6%).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

30 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

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

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

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

As at 31 March 2025, the Group had cash and cash equivalents and pledged deposits denominated in RMB amounting to approximately HK$5,060,924,000 (2024: HK$5,102,545,000), which were deposited with banks/other financial institutions in the PRC or held in hand. The RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Notes to the Consolidated Financial Statements
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31 CONTRACT LIABILITIES

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

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

(i) Revenue recognised in relation to contract liabilities

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

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

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

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

Notes to the Consolidated Financial Statements

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32 TRADE AND BILLS PAYABLES

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

Note:

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

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

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

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

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

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

33 ACCRUED LIABILITIES, DEPOSITS RECEIVED AND OTHER PAYABLES

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

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

34 BORROWINGS

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

34 BORROWINGS (Continued)

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

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

34 BORROWINGS (Continued)

Notes:

(i) The borrowings at 31 March 2025 and 2024 were secured or guaranteed by:

(a) pledge of water and sewage treatment revenue of certain subsidiaries;

(b) charges over shares of certain subsidiaries of the Group;

(c) guarantees by certain non-controlling equity holders of subsidiaries of the Group;

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

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

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

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

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

36 DEFERRED GOVERNMENT GRANTS

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

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

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37 DEFERRED TAX LIABILITIES

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

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

	Temporary differences on assets recognised under HK(IFRIC) – Int. 12	Fair value adjustments arising from acquisition of subsidiaries	Revaluation of properties	Accelerated tax depreciation	Expected credit loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2023	827,310	163,105	220,303	48,103	11,256	1,270,077
Acquisition of subsidiaries	14,436	–	–	–	2,500	16,936
Charged/(credited) to profit or loss (note 10)	322,309	(2,273)	–	(1,223)	2,500	321,313
Exchange realignment	(25,830)	(6,155)	(6,015)	(2,405)	(563)	(40,968)
At 31 March 2024	1,138,225	154,677	214,288	44,475	15,693	1,567,358
Disposal of a subsidiary	–	–	–	(26,844)	–	(26,844)
Charged/(credited) to profit or loss (note 10)	6,304	–	13,977	(1,131)	–	19,150
Exchange realignment	(10,741)	(1,547)	(2,409)	(445)	(157)	(15,299)
At 31 March 2025	**1,133,788**	**153,130**	**225,856**	**16,055**	**15,536**	**1,544,365**

At 31 March 2025, the Group has unused tax losses of HK$735,360,000 (2024: HK$858,077,000) available for offsetting against future taxable profits of the companies which incurred these losses. Deferred tax assets have not been recognised in respect of these tax losses due to the unpredictability of future profit streams. The unused tax losses will expire in 5 years except for those arising from Hong Kong which do not have expiry.

At 31 March 2025, the deferred tax liabilities of HK$233,939,000 (2024: HK$229,659,000) for the aggregate amount of temporary differences associated with undistributed earnings of foreign owned PRC subsidiaries have not been recognised, because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

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38 SHARE CAPITAL

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

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

39 SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 9 September 2022. The purpose of the Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards the success of the Company. Eligible participants of the Scheme include (a) any full-time or part-time employee of any member of the Group or associated company; (b) any consultant or adviser of any member of the Group or associated company; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company. The Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted.

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

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

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39 SHARE OPTION SCHEME (Continued)

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

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

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

As at 31 March 2025 and 2024, no share option is granted and exercised under the Scheme.

40 RESERVES

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

The share premium mainly includes shares issued at a premium.

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

41 DEREGISTRATION OR DISPOSAL OF SUBSIDIARIES

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

42 COMMITMENTS AND GUARANTEES

(a) Capital commitments

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

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

(b) Operating lease arrangement

As lessor

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

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

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

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

42 COMMITMENTS AND GUARANTEES (Continued)

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

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

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

43 RELATED PARTY TRANSACTIONS

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

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

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

(b) Sales to an associate:

In addition to those disclosed elsewhere in the consolidated financial statements, the Group had the following significant related party transactions:

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

The Group provided construction services of approximately HK$6,980,000 (2024: HK$53,243,000) to subsidiaries of Kangda International, an associate of the Group. The services were made with reference to the terms negotiated between both parties.

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

43 RELATED PARTY TRANSACTIONS (Continued)

(c) Purchases from a connected subsidiary:

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

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

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

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

44 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Movements of financial liabilities arising from financing activities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(a) Statement of financial position of the Company

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

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

Duan Chuan Liang
Director

Ding Bin
Director

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

45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

(b) Movement of reserves of the Company

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

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45 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

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

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

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

The share premium mainly includes shares issued at a premium.

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

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

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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES

(a) General information of principal subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2025 are as follows:

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
China Water Supply Group Limited	Hong Kong	Ordinary shares of HK$2	–	100%	Investment holding
Fortune Trend Holdings Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
GT Water Holdings Limited	Hong Kong	Ordinary shares of RMB113,911,451	–	100%	Investment holding
Gold Tact (Hong Kong) Limited	Hong Kong	Ordinary shares of HK$100,545,366	100%	–	Investment holding
Hang Da Holdings (HK) Limited	Hong Kong	Ordinary shares of HK$10,000	–	100%	Investment holding
China Water (Hong Kong) Investment Limited	Hong Kong	Ordinary shares of HK$10,000	–	70%	Investment holding
Dragon Wealthy Corporation Limited	Hong Kong	Ordinary share of HK$1	–	100%	Investment holding
China Water Group (HK) Limited	British Virgin Islands ("BVI")/Hong Kong	4 ordinary shares of US$1 each	–	100%	Investment holding
China Water International Limited	BVI/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Oceanup Investments Limited	BVI/Hong Kong	1 ordinary share of US$1	–	100%	Investment holding
Ming Hing Waterworks Engineering (PRC) Ltd.	BVI/Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding
New Prime Holdings Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Create Capital Development Limited	BVI/Hong Kong	100 ordinary shares of US$1 each	–	70%	Investment holding
Broad Intelligence Group Limited	BVI/Hong Kong	1 ordinary share of US$1	100%	–	Investment holding
Silver Dragon Water Supply Group Limited	Bermuda/Hong Kong	10,009 ordinary shares of HK$0.01 each	100%	–	Investment holding
Goldtrust Water Holdings Limited	Cayman Islands/ Hong Kong	100 ordinary shares of US$1 each	–	100%	Investment holding

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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
銀龍水務投資有限公司#	PRC	Registered capital of RMB2,000,000,000	–	100%	Investment holding
上海倍臣水務發展有限公司^	PRC	Registered capital of RMB404,000,000	–	100%	Investment holding
上海銀龍股權投資有限公司^	PRC	Registered capital of RMB1,000,000,000	–	100%	Investment holding
江河水務有限公司^	PRC	Registered capital of RMB225,000,000	–	100%	Investment holding
河南銀龍供水有限公司*	PRC	Registered capital of RMB287,000,000	–	100%	Investment holding
銀龍水杯子直飲水(江西)集團有限公司^	PRC	Registered capital of RMB61,000,000	–	100%	Investment holding
深圳市金信安水務集團有限公司#	PRC	Registered capital of RMB400,000,000	–	100%	Investment holding
深圳金達環境科技控股有限公司* (formerly known as 深圳金達環境控股有限公司)	PRC	Registered capital of RMB602,282,275	–	97.12%	Investment holding
廣東新晟環保集團有限公司^	PRC	Registered capital of RMB323,890,000	–	97.12%	Investment holding
北京銀龍康興實業發展有限公司#	PRC	Registered capital of RMB800,000,000	–	100%	Investment holding
北京銀龍元泰實業發展有限公司^	PRC	Registered capital of RMB500,000,000	–	100%	Investment holding
北京銀龍興盛實業發展有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding
河南國源水務有限公司^	PRC	Registered capital of RMB300,000,000	–	100%	Investment holding, construction and operation of water conservation and hydropower related projects

Notes to the Consolidated Financial Statements
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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
荊州水務集團有限公司 (i)*	PRC	Registered capital of US$60,589,200	36.9%	14.1%	Investment holding, city water supply and water supply infrastructure
荊州市海潤鄉鎮供水有限公司^	PRC	Registered capital of RMB20,000,000	–	51%	City water supply and water supply infrastructure
江陵銀龍水務有限公司#	PRC	Registered capital of RMB80,000,000 (2024: RMB19,000,000)	–	51% (2024: 100%)	City water supply and water supply infrastructure
公安縣銀龍水務有限公司^	PRC	Registered capital of RMB173,944,431	–	51%	City water supply and water supply infrastructure
武漢市新洲區長源供水有限公司^	PRC	Registered capital of RMB15,160,000	–	91.79%	City water supply and water supply infrastructure
漢川市新河自來水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
石首銀龍水務有限公司^	PRC	Registered capital of RMB58,823,529	–	51%	City water supply and water supply infrastructure
新余水務集團有限公司#	PRC	Registered capital of RMB268,000,000	–	60%	City water supply and water supply infrastructure
宜豐縣銀龍水務有限公司*	PRC	Registered capital of RMB117,800,000 (2024: RMB52,800,000)	–	55%	City water supply and water supply infrastructure
江河港武水務(常州)有限公司 (i)^	PRC	Registered capital of RMB237,000,000	–	40%	City water supply and water supply infrastructure
重慶市永川區僑立水務有限公司#	PRC	Registered capital of RMB200,000,000	–	100%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
重慶墊江水務有限公司*	PRC	Registered capital of RMB250,000,000	–	56%	City water supply and water supply infrastructure
高安水務有限公司*	PRC	Registered capital of RMB133,000,000	–	60%	City water supply and water supply infrastructure
高安市昌西供水有限公司^	PRC	Registered capital of RMB2,000,000	–	60%	City water supply and water supply infrastructure
高安市八景供水有限公司^	PRC	Registered capital of RMB5,000,000	–	60%	City water supply and water supply infrastructure
高安市新街供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
高安市沙湖供水有限公司^	PRC	Registered capital of RMB500,000	–	60%	City water supply and water supply infrastructure
高安瑞西供水有限公司^	PRC	Registered capital of RMB1,000,000	–	60%	City water supply and water supply infrastructure
寧鄉水務集團有限公司*	PRC	Registered capital of RMB500,000,000	–	90%	City water supply and water supply infrastructure
寧鄉中水煤城供水有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure
寧鄉市銀龍農村水務有限公司^	PRC	Registered capital of RMB20,000,000	–	90%	City water supply and water supply infrastructure
寧鄉中水銀龍供水服務有限公司^	PRC	Registered capital of RMB5,000,000	–	90%	City water supply and water supply infrastructure

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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
湘潭響塘供水有限公司^	PRC	Registered capital of RMB50,000,000	–	80%	City water supply and water supply infrastructure
惠州中水水務發展有限公司*	PRC	Registered capital of RMB200,000,000	–	70%	City water supply and water supply infrastructure
惠州大亞灣溢源淨水有限公司^	PRC	Registered capital of RMB248,612,103	–	74.38%	City water supply and water supply infrastructure
惠州豫鹿實業有限公司^	PRC	Registered capital of RMB20,000,000	–	70%	City water supply and water supply infrastructure
河源市水業集團發展有限公司^	PRC	Registered capital of RMB100,000,000	–	62.67%	City water supply and water supply infrastructure
和平縣天平供水有限公司^	PRC	Registered capital of RMB18,800,000	–	90%	City water supply and water supply infrastructure
博羅縣長寧閩恒供水有限公司#	PRC	Registered capital of HK$16,800,000	–	100%	City water supply and water supply infrastructure
博羅縣羅浮山清景供水有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
龍川縣眾誠水務有限公司^	PRC	Registered capital of RMB10,000,000	–	100%	City water supply and water supply infrastructure
雷州市華洋水務有限公司^	PRC	Registered capital of RMB70,000,000	–	57.14%	City water supply and water supply infrastructure
深圳市大工業區水務有限公司^	PRC	Registered capital of RMB45,500,000	–	56.04%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

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46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
武陟國源水務有限公司^	PRC	Registered capital of RMB41,333,300	–	75%	City water supply and water supply infrastructure
平頂山石龍區國源水務有限公司^	PRC	Registered capital of RMB25,000,000	–	60%	City water supply and water supply infrastructure
葉縣國源水務有限公司^	PRC	Registered capital of RMB27,000,000	–	77.78%	City water supply and water supply infrastructure
葉縣銀龍農村供水有限公司^	PRC	Registered capital of RMB1,000,000	–	77.78%	City water supply and water supply infrastructure
夏邑縣聰辰自來水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
郟縣銀龍水務有限公司*	PRC	Registered capital of RMB100,000,000	–	80%	City water supply and water supply infrastructure
周口銀龍水務有限公司*	PRC	Registered capital of HK$51,000,000	–	70%	City water supply and water supply infrastructure
河南鹿邑銀龍供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(扶溝)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
河南銀龍(西華)供水有限公司^	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure
獲嘉縣新水水務有限公司#	PRC	Registered capital of RMB100,000,000	–	100%	City water supply and water supply infrastructure

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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
寶豐縣銀龍水務有限公司*	PRC	Registered capital of RMB200,000,000	–	70%	City water supply and water supply infrastructure
舞鋼市銀龍水務有限公司#	PRC	Registered capital of RMB20,000,000	–	100%	City water supply and water supply infrastructure
周口上善水務有限公司*	PRC	Registered capital of RMB156,862,700	–	51%	City water supply and water supply infrastructure
新河縣銀龍水務有限公司^	PRC	Registered capital of RMB3,000,000	–	100%	City water supply and water supply infrastructure
魯山縣銀龍水務有限公司*	PRC	Registered capital of RMB120,108,000	–	80%	City water supply and water supply infrastructure
漯河銀龍水務有限公司^	PRC	Registered capital of RMB109,530,000 (2024: RMB83,040,600)	–	75.3% (2024: 81.88%)	City water supply and water supply infrastructure
廣東仁化銀龍供水有限公司*	PRC	Registered capital of RMB27,260,000	–	73%	City water supply and water supply infrastructure
江西萬年銀龍水務有限責任公司*	PRC	Registered capital of US$60,690,000	–	100%	City water supply
吉安水務集團有限公司^	PRC	Registered capital of RMB120,000,000	–	70%	City water supply and water supply infrastructure
吉安銀龍水務有限公司^	PRC	Registered capital of RMB87,320,000	–	50.4%	City water supply and water supply infrastructure
蘆溪水務有限公司*	PRC	Registered capital of RMB106,308,750 (2024: RMB94,108,750)	–	60%	City water supply and water supply infrastructure

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
萍鄉水務有限公司*	PRC	Registered capital of RMB282,000,000	–	51%	City water supply and water supply infrastructure
萍鄉市春雨水業有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	City water supply and water supply infrastructure
懷化銀龍水務有限公司*	PRC	Registered capital of RMB66,741,780	–	86.55%	City water supply and water supply infrastructure
懷化沅辰水務有限公司*	PRC	Registered capital of RMB76,581,697	–	65%	City water supply and water supply infrastructure
九江彭澤銀龍水務有限公司*	PRC	Registered capital of RMB102,734,375	–	60%	City water supply and water supply infrastructure
運城銀龍水務有限公司*	PRC	Registered capital of RMB85,964,273	–	51%	City water supply and water supply infrastructure
運城弘益水務有限公司*	PRC	Registered capital of RMB100,000,000	–	64.52%	City water supply and water supply infrastructure
夏縣銀龍水務有限公司*	PRC	Registered capital of RMB35,000,000	–	56.4%	City water supply and water supply infrastructure
隆堯銀龍水務有限公司*	PRC	Registered capital of RMB55,000,000	–	73%	City water supply and water supply infrastructure
常德安鄉銀龍水務有限公司*	PRC	Registered capital of RMB50,000,000	–	70%	City water supply and water supply infrastructure
江西黃崗山水務發展有限公司*	PRC	Registered capital of RMB80,000,000	–	75%	City water supply and water supply infrastructure

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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
鶴崗三立水務有限公司*	PRC	Registered capital of RMB153,708,300	–	55%	City water supply, water supply infrastructure and drainage operation
分宜銀龍水務有限公司*	PRC	Registered capital of RMB112,000,000	–	100%	City water supply and water supply infrastructure
上栗銀龍水務有限公司^	PRC	Registered capital of RMB169,000,000 (2024: RMB146,500,000)	–	60%	City water supply and water supply infrastructure
鞏義市銀龍源盛水務有限公司*	PRC	Registered capital of RMB30,000,000	–	65%	City water supply and water supply infrastructure
鉛山縣銀龍水務有限公司#	PRC	Registered capital of RMB139,600,000	–	100%	City water supply and water supply infrastructure
宜春銀龍水務有限公司#	PRC	Registered capital of RMB38,000,000	–	100%	City water supply
海南興水城鄉供水有限公司^	PRC	Registered capital of RMB15,830,000	–	56.85%	City water supply
昌邑鵬昊自來水有限公司^	PRC	Registered capital of RMB65,000,000	–	100%	City water supply and water supply infrastructure
貴州黔東水務有限公司*	PRC	Registered capital of RMB95,308,000	–	90%	City water supply, water supply infrastructure and sewage treatment
銀龍水杯子直飲水集團有限公司^ (formerly known as 銀龍水杯子直飲水(湖南)集團有限公司)	PRC	Registered capital of RMB1,000,000,000	–	100%	Direct drinking water operation and construction
長沙水杯子直飲水工程設備有限公司*	PRC	Registered capital of RMB100,000,000	–	51%	Direct drinking water operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Nanjing Aquacup Technology Corporation Limited^	PRC	Registered capital of RMB68,239,184	–	51%	Direct drinking water operation and construction
南京水杯子淨水科技有限公司^	PRC	Registered capital of RMB20,010,000	–	51%	Direct drinking water operation and constructure
江蘇海德能淨水科技有限公司^	PRC	Registered capital of RMB10,000,000	–	51%	Direct drinking water operation and constructure
江西銀龍水環境建設有限責任公司^	PRC	Registered capital of RMB400,000,000	–	77.70%	Municipal public construction
寶雞市陳倉金信安水務有限公司^	PRC	Registered capital of RMB12,000,000	–	97.12%	Sewage treatment
荊州中水環保有限公司^	PRC	Registered capital of RMB63,749,400	–	97.12%	Sewage treatment operation and construction
萬年縣中水環保有限公司^	PRC	Registered capital of RMB53,000,000	–	97.12%	Sewage treatment operation and construction
分宜中水環保有限公司^	PRC	Registered capital of RMB68,000,000 (2024: RMB38,000,000)	–	97.12%	Sewage treatment operation and construction
鉛山縣中水環保有限公司^	PRC	Registered capital of RMB13,470,000	–	97.12%	Sewage treatment operation and construction
天津正坤水處理有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12%	Sewage treatment operation and construction
天津重科水處理有限公司^	PRC	Registered capital of RMB14,000,000	–	97.12%	Sewage treatment operation and construction

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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
邯鄲市峰峰錦晟污水處理有限公司^	PRC	Registered capital of RMB1,000,000	–	97.12%	Sewage treatment operation and construction
邯鄲成晟水務有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12%	Sewage treatment operation and construction
邯鄲市峰峰礦區世晟中水處理有限公司^	PRC	Registered capital of RMB6,000,000	–	97.12%	Sewage treatment
鹿邑新晟中水環保有限公司^	PRC	Registered capital of RMB20,000,000 (2024: RMB6,000,000)	–	97.12%	Sewage treatment operation and construction
鹿邑金達環保有限公司^	PRC	Registered capital of RMB15,000,000	–	97.12%	Sewage treatment operation and construction
長沙(中國水務)環保有限責任公司*	PRC	Registered capital of RMB346,616,000	18.75%	78.91%	Sewage treatment operation and construction
中原水務集團有限公司^	PRC	Registered capital of RMB500,000,000	–	97.12% (2024: 59.11%)	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement
孟州市城市污水處理有限公司^	PRC	Registered capital of RMB60,000,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
中原水務範縣污水處理有限公司^	PRC	Registered capital of RMB12,023,700	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction

Notes to the Consolidated Financial Statements

For the year ended 31 March 2025

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
中原水務範縣第二污水處理有限公司^	PRC	Registered capital of RMB15,000,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
中原水務(西華)污水處理有限公司^	PRC	Registered capital of RMB12,600,000	–	97.12% (2024: 59.11%)	Sewage treatment operation and construction
北京同晟水淨化有限公司^	PRC	Registered capital of RMB13,000,000	–	97.12%	Sewage treatment operation and construction
高安新晟中水環保有限公司^	PRC	Registered capital of RMB16,000,000	–	97.12%	Sewage treatment
鎮平新晟中水環保有限公司^	PRC	Registered capital of RMB21,000,000	–	97.12%	Sewage treatment
惠州大亞灣清源環保有限公司^	PRC	Registered capital of RMB20,000,000	–	67.98%	Sewage treatment
深圳市大通水務有限公司^	PRC	Registered capital of RMB108,780,000	–	97.12%	Drainage operation and construction
金中環保(陸河)有限公司^	PRC	Registered capital of RMB48,900,000	–	70%	Drainage operation, sewage treatment operation and construction
漢川銀龍水務有限公司^	PRC	Registered capital of RMB43,000,000	–	100%	Sewage treatment operation and construction
惠州中海節能環保技術服務有限公司(i)^	PRC	Registered capital of RMB10,000,000	–	49.53%	Energy conservation and environmental protection
北京上河元有限公司^	PRC	Registered capital of RMB171,600,000	–	100%	Property investment
北京中水建投實業有限公司^	PRC	Registered capital of RMB211,350,000	–	100%	Property development and investment
河南銀龍房地產開發有限責任公司^	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment

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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(a) General information of principal subsidiaries (Continued)

Name	Place of incorporation/ establishment/ operation	Particulars of issued capital/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
寧鄉水務置業有限公司^	PRC	Registered capital of RMB20,000,000	–	100%	Property development and investment
重慶金錦駿昌實業有限公司^	PRC	Registered capital of RMB61,200,000	–	100%	Property development and investment
新余仙女湖新城房地產開發有限公司^	PRC	Registered capital of RMB20,500,000	–	93.10%	Property development and investment
杭州臨普貿易有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
杭州銀龍中水實業發展有限公司^	PRC	Registered capital of RMB30,000,000	–	100%	Property development and investment
鹿邑縣銀龍欣源置業有限公司^	PRC	Registered capital of RMB50,000,000	–	100%	Property development and investment
新余仙女湖新城旅游開發有限公司*	PRC	Registered capital of RMB144,948,500	22.77%	70.33%	Development and infrastructure of sightseeing area
江蘇河海置業有限公司*	PRC	Registered capital of RMB57,500,000	–	100%	Hotel operation

Notes:

* registered as Sino-foreign joint ventures under the PRC law

\# registered as wholly-foreign owned enterprises under the PRC law

^ registered as a limited liability company under the PRC law

(i) accounted for as subsidiaries of the Group because the directors are of the opinion that the Group has power over the investee through control of the board of the subsidiaries, exposure to variable returns from the investee and the ability to use its power to affect those variable returns.

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

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

46 PARTICULARS OF PRINCIPAL SUBSIDIARIES AND ASSOCIATES (Continued)

(b) General information of associates

Particulars of the Group's associates with their principal activities as at 31 March 2025 are as follows:

Name	Place of establishment/ operation	Particulars of registered capital	Group's effective interest held/ profit sharing	Principal activities
梧州粵海江河水務有限公司	PRC	RMB110,000,000	49%	City water supply
廣西梧州自來水工程有限公司	PRC	RMB5,000,000	49%	City water supply
惠州大亞灣泓溢供水有限公司	PRC	RMB10,000,000	36.45%	City water supply and water supply infrastructure
常州禹安水務有限公司	PRC	RMB72,963,100	29%	Sewage treatment operation and sewage treatment infrastructure
Hangzhou Liangyun	PRC	RMB800,000,000	47.82%	Warehousing, storage, trading and distribution of oil related products
Kangda International Environmental Company Limited	Cayman Islands	HK$50,000,000	28.46%	Construction and operations in urban water treatment businesses, water environment comprehensive remediation and rural water improvement

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

47 EVENT AFTER REPORTING PERIOD

On 21 March 2025, the Company, Silver Dragon and Silver Dragon Water Affairs Investments Co., Ltd. (being the "Target Company") (each a wholly-owned subsidiary of the Company), entered into the equity investment agreement with Taikang Assets, pursuant to which, Taikang Asset has conditionally agreed to invest RMB1.5 billion (equivalent to approximately HK$1.6 billion) into the Target Company by cash, which shall be completed and settled in two tranches of RMB1.3 billion and RMB0.2 billion respectively, in return for the equity interests in the Target Company.

Upon the first completion, the Company (through Silver Dragon) and Taikang Asset will hold approximately 83.95% and 16.05% equity interest in the Target Company, respectively. Upon the second completion, the Company (through Silver Dragon) and Taikang Asset will hold approximately 81.93% and 18.07% equity interest in the Target Company, respectively. On the same day, the Company, Silver Dragon, the Target Company and Taikang Asset also entered into the shareholders' agreement which sets out the rights and obligations of the parties thereto in relation to the management and operations of the Target Company and shall take effect from the first completion date.

The first completion took place on 15 May 2025 and the Company (through Silver Dragon) and Taikang Asset hold approximately 83.95% and 16.05% equity interest in the Target Company, respectively.

Taikang Asset is expected to receive annual dividend payment of 5.8% of the investment amount paid by Taikang Asset ("Expected Dividend Distribution").

In addition, the Company has a buy-back option to acquire the equity interest in the Target Company held by Taikang Asset at investment amount upon the earliest of the expiry of the fifth anniversary after 15 May 2025, which may be extended for up to three times (each time for a period of two years), or the occurrence of certain events ("Specific Events"). The exercise period of the option is 15 November 2029 to 15 February 2030.

If the Company does not exercise this option within the exercisable period, it will trigger certain remedial actions. In such scenario, the Expected Divided Distribution shall be stepped up by an additionally 3% of the investment amount. In addition, the Company, Silver Dragon and the Target Company will be required to undertake actions to ensure the Taikang Asset receives an amount equal to its investment amount plus any outstanding dividends. Such remedial actions include, among others, (i) prioritising the distribution of the Target Company and its subsidiaries ("Target Group") annual distributable profits to Taikang Asset; (ii) ceasing repayment (or waiver) of shareholder loans and related party loans by the Target Group; (iii) increasing the cashflow of the Target Company through disposals, dividend distribution or liquidation of Target Group members; (iv) increasing the ratio of directors to be appointed by Taikang Asset in Target Company; and (v) granting a right to Taikang Asset to appoint a chief financial officer to key Target Group members.

48 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 June 2025.

Particulars of Properties Held for Investment

For the year ended 31 March 2025

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 10 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	000998684	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 2025

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	93.10%	250,000	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	93.10%	104,000	Commercial/ residential	Construction in progress

Note: Insignificant properties held under development are not included.

Particulars of Properties Held for Sale

For the year ended 31 March 2025

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	93.10%	39,000	Commercial	Completed
武漢市經濟技術開發區龍陽大道與四新南路交匯處	100%	11,000	Commercial	Completed
鹿邑縣明道路西側、紫氣大道北側	100%	25,000	Commercial/ residential	Completed
鹿邑縣西迎賓大道東側、永興路南側	100%	59,000	Commercial/ residential	Completed
鹿邑縣衛真西路北側隱山路西側	100%	99,000	Commercial/ residential	Completed

Note: Insignificant properties held for sale are not included.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**11,655,565**	12,858,515	14,194,953	12,949,828	10,345,533
Profit before income tax	**2,750,145**	3,369,658	4,019,295	3,916,222	3,529,621
Income tax expense	**(722,067)**	(778,301)	(930,950)	(939,093)	(867,547)
Profit for the year	**2,028,078**	2,591,357	3,088,345	2,977,129	2,662,074
Attributable to:					
Owners of the Company	**1,074,663**	1,533,543	1,856,786	1,893,573	1,692,464
Non-controlling interests	**953,415**	1,057,814	1,231,559	1,083,556	969,610
	2,028,078	2,591,357	3,088,345	2,977,129	2,662,074

ASSETS AND LIABILITIES

	At 31 March				
	2025	2024	2023	2022	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**65,891,643**	63,242,070	61,164,288	57,064,442	47,038,047
Total liabilities	**(44,018,957)**	(41,789,528)	(39,992,154)	(36,581,698)	(30,088,019)
Non-controlling interests	**(8,700,739)**	(8,665,749)	(8,178,980)	(7,513,532)	(6,437,485)
Equity attributable to owners of the Company	**13,171,947**	12,786,793	12,993,154	12,969,212	10,512,543