The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, for the purpose of incorporation in this Listing Document.

Deloitte.
德勤

德勤‧關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

September 24, 2010

The Directors
Sound Global Ltd.
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Sound Global Ltd. (the "Company", previously known as Epure International Ltd.) and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2009 and the three months ended March 31, 2010 (the "Track Record Period") for inclusion in the Listing Document of the Company dated September 24, 2010 (the "Listing Document") in connection with the proposed introduction listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in Singapore on November 7, 2005 under the Singapore Companies Act. Pursuant to a group reorganization, as more fully explained in the section headed "History, Development and Corporate Structure" to the Listing Document (the "Reorganization"), the Company became the holding company of the companies now comprising the Group, other than those acquired or established during the Track Record Period, on April 16, 2006. The Company was listed on the Singapore Exchange Securities Trading Limited ("SGX") on October 6, 2006.

Throughout the Track Record Period and as of the date of this report, the Company had the following principal subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as of: December 31, 2007 Direct	December 31, 2007 Indirect	December 31, 2008 Direct	December 31, 2008 Indirect	December 31, 2009 Direct	December 31, 2009 Indirect	March 31, 2010 Direct	March 31, 2010 Indirect	Date of this report Direct	Date of this report Indirect	Principal activities
			%	%	%	%	%	%	%	%	%	%	
Beijing Sound Environmental Engineering Co., Ltd. ("Beijing Sound") 北京桑德環境工程有限公司 (note i & xii)	The People's Republic of China (the "PRC") November 30, 1999	RMB372,060,437 (note ii)	75	25	75	25	75	25	75	25	75	25	Environmental construction related to water treatment
Beijing Epure International Water Co., Ltd. ("Beijing Epure") 北京伊普國際水務有限公司 (note i & ix)	The PRC December 18, 2006	US$20,000,000	100	—	100	—	100	—	100	—	100	—	Research and development of water treatment technologies and provision of services of technology consultation
Sound International Investment Holdings Limited ("Sound Investment")	The British Virgin Islands (the "BVI") February 22, 2008	US$1	N/A	N/A	100	—	100	—	100	—	100	—	Investment holding
Sound International Engineering Ltd. ("Sound International Engineering")	The BVI July 30, 2009	US$1	N/A	N/A	N/A	N/A	100	—	100	—	100	—	Investment holding
Epure International Engineering Pte. Ltd. ("Epure International Engineering")	Singapore June 26, 2009	S$1	N/A	N/A	N/A	N/A	100	—	100	—	100	—	Investment holding
Beijing Epure Sound Environmental Engineering Technology Co., Ltd. ("Epure Sound Technology") 北京伊普桑德環境工程技術有限公司 (note i & ix)	The PRC July 27, 2007	RMB15,000,000	—	100	—	100	—	100	—	100	—	100	Research and development of water treatment technologies and provision of services of technology consultation
Beijing Hi-Standard Water Treatment Equipment Co., Ltd. ("Hi-Standard Equipment") 北京海斯頓水處理設備有限公司 (note i & x)	The PRC April 6, 2007	RMB66,000,000	N/A	N/A	—	100	—	100	—	100	—	100	Manufacture of wastewater treatment equipment
Xi'an Huqing Water Co., Ltd. ("Xi'an Huqing") 西安戶清水務有限公司 (note i & x)	The PRC September 6, 2007	RMB24,000,000	—	18	—	100	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects, and sales of treated water

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as of										Principal activities
			December 31, 2007		December 31, 2008		December 31, 2009		March 31, 2010		Date of this report		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	%	%	
Xi'an Qinqing Water Co., Ltd. ("Xi'an Qinqing") 西安秦清水務有限公司 (note i & x)	The PRC September 18, 2007	RMB25,000,000	—	18	—	100	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Guangxi Liqing Water Co., Ltd. ("Guangxi Liqing") 廣西漓清水務有限公司 (note i & ix)	The PRC October 10, 2008	US$5,000,000	N/A	N/A	—	100	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Yiqing Water Co., Ltd. ("Yiqing Water") 韓城市頤清水務有限公司 (note i & x)	The PRC April 15, 2009	RMB14,200,000	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Shangluo Wastewater Treatment Co., Ltd. ("Shangluo Wastewater") 商洛污水處理有限公司 (note i & x)	The PRC May 12, 2009	RMB2,760,000 (note iii)	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Yulin City Jingzhou Water Co., Ltd. ("Yulin Jingzhou") 榆林市靖州水務有限公司 (note i & x)	The PRC July 7, 2009	RMB2,280,000 (note iv)	N/A	N/A	N/A	N/A	—	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Anyang Mingbo Water Co., Ltd. ("Anyang Mingbo") 安陽明波水務有限公司 (note i & x)	The PRC February 6, 2007	RMB45,000,000	—	15	—	60	—	60	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Yantai Bihai Water Co., Ltd. ("Yantai Bihai") 煙台碧海水務有限公司 (note i & xi)	The PRC February 10, 2010	— (note vii)	—	—	—	—	—	—	—	80	—	80	Construction, management and operation of the municipal wastewater projects

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as of										Principal activities
			December 31, 2007		December 31, 2008		December 31, 2009		March 31, 2010		Date of this report		
			Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	
			%	%	%	%	%	%	%	%	%	%	
Hainan Baichuan Water Co., Ltd. ("Hainan Baichuan") 海南百川水務有限公司 (note i & x)	The PRC November 19, 2009	RMB5,000,000	N/A	N/A	N/A	N/A	N/A	100	—	100	—	100	Management and operation of the municipal wastewater projects
Jiangyan Jiangyuan Wastewater Treatment Ltd. ("Jiangyan Jiangyuan") 姜堰姜源污水處理有限公司 (note i & xii)	The PRC October 28, 2009	RMB49,489,372 (note v)	N/A	N/A	N/A	N/A	N/A	50.2 (note vi)	—	50.2 (note vi)	—	50.2 (note vi)	Construction, management and operation of the municipal wastewater projects
Fushun Qingxi Water Co., Ltd. ("Fushun Qingxi") 撫順清溪水務有限公司 (note i & ix)	The PRC October 20, 2009	US$10,000,000	N/A	N/A	N/A	N/A	N/A	100	—	100	—	100	Construction, management and operation of the municipal wastewater projects
Daye Honglian Water Co., Ltd ("Daye Honglian") 大冶鴻漣水務有限公司 (note i & x)	The PRC April 9, 2010	— (note viii)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100	—	Construction of municipal wastewater projects

Notes:

(i) English names for the PRC established entities are for identification purpose only.

(ii) The registered capital of Beijing Sound is RMB500,000,000, of which RMB372,060,437 has been paid up to the date of this report.

(iii) The registered capital of Shangluo Wastewater is RMB13,800,000, of which RMB2,760,000 has been paid up to the date of this report.

(iv) The registered capital of Yulin Jingzhou is RMB11,400,000, of which RMB2,280,000 has been paid up to the date of this report.

(v) The registered capital of Jiangyan Jiangyuan is RMB67,787,800, of which RMB49,489,372 has been paid up to the date of this report.

(vi) Pursuant to the contract for Chinese-foreign contractual joint venture between the owners of Jiangyan Jiangyuan, the Company has control over Jiangyan Jiangyuan based on the voting procedures for financial and operational decisions and is entitled to 100% of the dividend distributed by such entity.

(vii) The registered capital of Yantai Bihai is RMB38,000,000, nil of which has been paid up to the date of this report.

(viii) The registered capital of Daye Honglian is RMB3,000,000, nil of which has been paid up to the date of this report.

(ix) These PRC established entities are wholly foreign owned enterprises.

(x) These PRC established entities are domestic companies with limited liabilities.

(xi) The PRC established entity is a sino-foreign joint venture.

(xii) Those PRC established entities are sino-foreign cooperative joint ventures.

The financial year end date of all the companies now comprising the Group is December 31.

No audited financial statements have been prepared for Sound Investment, Sound International Engineering and Epure International Engineering since their incorporation as there is no statutory audit requirement in their respective places of incorporation. No audited financial statements have been prepared for Epure Sound Technology, Hi-Standard Equipment, Xi'an Huqing, Xi'an Qinqing, Yiqing Water, Shangluo Wastewater, Yulin Jingzhou, Anyang Mingbo and Hainan Baichuan since their respective dates of establishment as there is no statutory audit requirement for PRC domestic limited enterprise. No statutory audit requirement for all group entities for the three months ended March 31, 2010.

The statutory financial statements of Beijing Sound, Beijing Epure, Guangxi Liqing, Jiangyan Jiangyuan and Fushun Qingxi which were established in the PRC, were prepared in accordance with the relevant accounting principles and financial regulations in the PRC. They were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial year/period	Name of auditor
Beijing Sound	Financial year ended December 31, 2007	Beijing Zhongcai Guoxin CPA Co., Ltd. 北京中財國信會計師事務所有限公司
	Financial year ended December 31, 2008	Beijing Tianyuanquan CPA Co., Ltd. 北京天圓泉會計師事務所有限公司
	Financial year ended December 31, 2009	Beijing Tianyuanquan CPA Co., Ltd. 北京天圓泉會計師事務所有限公司
Beijing Epure	Period from March 13, 2007 to December 31, 2007	Beijing Zhongcai Guoxin CPA Co., Ltd. 北京中財國信會計師事務所有限公司
	Financial year ended December 31, 2008	Beijing Zhongwei Huahao CPA Co., Ltd. 北京中威華浩會計師事務所有限公司
	Financial year ended December 31, 2009	Beijing Zhongpingjian Huahao CPA Co., Ltd. 北京中平建華浩會計師事務所
Guangxi Liqing	Period from October 10, 2008 to December 31, 2008	Beijing Zhongwei Huahao CPA Co., Ltd. 北京中威華浩會計師事務所有限公司
	Financial year ended December 31, 2009	Beijing Zhongpingjian Huahao CPA Co., Ltd. 北京中平建華浩會計師事務所
Jiangyan Jiangyuan	Period from October 28, 2009 to December 31, 2009	Beijing Zhongpingjian Huahao CPA Co., Ltd. 北京中平建華浩會計師事務所
Fushun Qingxi	Period from October 20, 2009 to December 31, 2009	Liaoning Yongsheng CPA Co., Ltd. 遼寧永盛會計師事務所有限公司

The directors of the Company have prepared the consolidated financial statements of the Group for each of the three years ended December 31, 2009 in accordance with Singapore Financial Reporting Standards and for the three months ended March 31, 2010 in accordance with International Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements of the Group for each of the three years ended December 31, 2009 were audited by Deloitte & Touche LLP, Singapore, in accordance with Singapore Standards on Auditing and we have carried out an independent audit on the Underlying Financial Statements for the three months ended March 31, 2010 in accordance with Hong Kong Standards on Auditing. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Listing Documents and the Reporting Accountants" as recommended by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements after making such adjustments as we consider necessary for the preparation of the Financial Information for inclusion in the Listing Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are also responsible for the contents of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as of December 31, 2007, 2008 and 2009 and March 31, 2010 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended December 31, 2009 and for the three months ended March 31, 2010 in accordance with International Financial Reporting Standards.

The comparative consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the three months ended March 31, 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial information for the same period (the "Interim Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the Interim Financial Information consists of making enquires, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31,			Three months ended March 31,	
		2007	2008	2009	2009	2010
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	697,341	1,024,808	1,293,476	135,374	234,037
Cost of sales		(474,257)	(691,220)	(917,963)	(90,332)	(164,054)
Gross profit		223,084	333,588	375,513	45,042	69,983
Other operating income	7	23,349	10,137	13,861	3,536	5,970
Other expenses	8	(3,256)	(39,225)	(28,576)	(17,969)	(7,075)
Distribution expenses		(8,904)	(11,784)	(10,892)	(1,505)	(2,000)
Research and development expenses		(4,697)	(6,000)	(5,256)	(1,220)	(1,113)
Administrative expenses		(16,585)	(30,087)	(38,052)	(6,518)	(8,881)
Share of result of an associate		15	525	21	29	(42)
Finance costs	9	(21,925)	(25,141)	(13,630)	(5,232)	(3,498)
Profit before income tax		191,081	232,013	292,989	16,163	53,344
Income tax (expenses) credit	10	(28,680)	(28,313)	(10,236)	2,222	(7,722)
Profit for the year/period and total comprehensive income		162,401	203,700	282,753	18,385	45,622
Profit for the year/period and total comprehensive income attributable to:						
Owners of the Company		161,173	203,686	281,869	18,164	45,536
Non-controlling interests		1,228	14	884	221	86
		162,401	203,700	282,753	18,385	45,622
Earnings per share (in RMB cents)						
Basic	14	12.97	15.79	21.85	1.41	3.53

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At December 31, 2007 RMB'000	At December 31, 2008 RMB'000	At December 31, 2009 RMB'000	At March 31, 2010 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	18,471	49,992	47,617	47,150
Interest in an associate	20	2,015	2,540	2,561	2,519
Land use rights	18	2,517	47,770	46,612	46,323
Intangible assets	17	—	60,000	50,000	47,500
Goodwill	19	—	41,395	41,395	41,395
Available-for-sale investments	21	9,600	—	—	—
Service concession receivables	22	—	230,158	415,747	438,184
Deferred tax assets	23	—	2,935	7,372	7,372
		32,603	434,790	611,304	630,443
CURRENT ASSETS					
Inventories	25	478	21,863	11,543	16,595
Trade and other receivables	27	470,337	506,194	421,783	420,789
Land use rights	18	63	1,158	1,158	1,158
Amounts due from customers for contract work	26	120,846	237,233	227,089	190,290
Restricted bank balances	28	418,647	369,481	72,208	46,476
Bank balances and cash	28	761,405	772,988	1,237,698	1,255,896
		1,771,776	1,908,917	1,971,479	1,931,204
CURRENT LIABILITIES					
Trade and other payables	29	289,628	544,962	705,468	666,726
Tax payables		8,825	9,970	14,598	20,464
Borrowings — due within one year	30	347,920	391,662	178,700	195,200
Amounts due to customers for contract work	26	6,310	24,311	24,264	15,470
		652,683	970,905	923,030	897,860
NET CURRENT ASSETS		1,119,093	938,012	1,048,449	1,033,344
TOTAL ASSETS LESS CURRENT LIABILITIES		1,151,696	1,372,802	1,659,753	1,663,787
NON-CURRENT LIABILITIES					
Deferred tax liabilities	23	—	16,242	19,509	20,721
Borrowings — due after one year	30	—	—	48,300	50,500
		—	16,242	67,809	71,221
TOTAL ASSETS LESS TOTAL LIABILITIES		1,151,696	1,356,560	1,591,944	1,592,566
CAPITAL AND RESERVES					
Share capital	31	833,368	833,368	833,368	833,368
Reserves		318,328	505,178	739,678	759,198
Equity attributable to owners of the Company		1,151,696	1,338,546	1,573,046	1,592,566
Non-controlling interests		—	18,014	18,898	—
		1,151,696	1,356,560	1,591,944	1,592,566

STATEMENTS OF FINANCIAL POSITION

		At December 31,			At March 31,
		2007	2008	2009	2010
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	335	77	38	44
Investments in subsidiaries	24	431,000	431,000	724,503	724,503
		431,335	431,077	724,541	724,547
CURRENT ASSETS					
Trade and other receivables	27	51,177	109,915	86,791	84,845
Restricted bank balances	28	412,209	367,793	35,923	36,049
Bank balances and cash	28	1,565	2,637	2,236	3,141
		464,951	480,345	124,950	124,035
CURRENT LIABILITIES					
Trade and other payables	29	3,412	3,074	2,398	10,640
Tax payable		2,066	622	107	107
Borrowings — due within one year	30	—	40,047	—	—
		5,478	43,743	2,505	10,747
NET CURRENT ASSETS		459,473	436,602	122,445	113,288
TOTAL ASSETS LESS CURRENT LIABILITIES		890,808	867,679	846,986	837,835
TOTAL ASSETS LESS TOTAL LIABILITIES		890,808	867,679	846,986	837,835
CAPITAL AND RESERVES					
Share capital	31	833,368	833,368	833,368	833,368
Reserves	32	57,440	34,311	13,618	4,467
		890,808	867,679	846,986	837,835

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Merge reserve	Capital reserve	Statutory surplus fund	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2007	515,752	(88,296)	7,010	29,970	208,471	672,907	25,963	698,870
Profit for the year and total comprehensive income	—	—	—	—	161,173	161,173	1,228	162,401
Issue of new shares	327,000	—	—	—	—	327,000	—	327,000
Share issue expenses	(9,384)	—	—	—	—	(9,384)	—	(9,384)
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	(27,191)	(27,191)
Balance at December 31, 2007	833,368	(88,296)	7,010	29,970	369,644	1,151,696	—	1,151,696
Profit for the year and total comprehensive income	—	—	—	—	203,686	203,686	14	203,700
Transfer to reserve fund	—	—	—	3,036	(3,036)	—	—	—
Dividends paid	—	—	—	—	(43,836)	(43,836)	—	(43,836)
Acquisition of Anyang Mingbo	—	—	27,000	—	—	27,000	18,000	45,000
Balance at December 31, 2008	833,368	(88,296)	34,010	33,006	526,458	1,338,546	18,014	1,356,560
Profit for the year and total comprehensive income	—	—	—	—	281,869	281,869	884	282,753
Transfer to reserve fund	—	—	—	27,523	(27,523)	—	—	—
Dividends paid	—	—	—	—	(47,369)	(47,369)	—	(47,369)
Balance at December 31, 2009	833,368	(88,296)	34,010	60,529	733,435	1,573,046	18,898	1,591,944
Profit for the period and total comprehensive income	—	—	—	—	45,536	45,536	86	45,622
Acquisition of additional interest in a subsidiary	—	—	984	—	—	984	(18,984)	(18,000)
Deemed distribution to the ultimate holding company (note iv)	—	—	—	—	(27,000)	(27,000)	—	(27,000)
Balance at March 31, 2010	833,368	(88,296)	34,994	60,529	751,971	1,592,566	—	1,592,566
Unaudited								
Balance at January 1, 2009	833,368	(88,296)	34,010	33,006	526,458	1,338,546	18,014	1,356,560
Profit for the period and total comprehensive income	—	—	—	—	18,164	18,164	221	18,385
Balance at March 31, 2009 (unaudited)	833,368	(88,296)	34,010	33,006	544,622	1,356,710	18,235	1,374,945

Notes:

(i) The merger reserve arose, pursuant to the Reorganization in 2006, from the use of the whole proceeds of the interest free loan granted by the Company's holding company, Sound Water (BVI) Limited, a company incorporated in the BVI, to finance the acquisition of the subsidiary, Beijing Sound. The amount was calculated as the difference between the loan amount of US$18.8 million (equivalent to RMB150,896,000) and the share capital of the subsidiary acquired of RMB62,600,000.

(ii) This reflects (a) the fair value of the 2,157,000 shares of the Company transferred to an initial public offering consultant at a nominal value of S$1.00 during the listing on SGX in 2006. (b) the consideration of RMB27,000,000 in relation to the acquisition of 60% interest in Anyang Mingbo by Beijing Sound Environment Group Co., Ltd ("Beijing Sound Enviro"), a company controlled by the ultimate shareholders of the Group. (c) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Mingbo by the Group and the carrying value on the non-controlling interest.

(iii) In accordance with the Articles of Association of certain subsidiaries established in the PRC, those subsidiaries are required to transfer 5% to 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

(iv) The deemed distribution to the ultimate holding company arose upon the acquisition of Anyang Mingbo in January 2010, with 60% interest acquired from Beijing Sound Enviro for consideration of RMB27,000,000 by the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Three months ended March 31,	
		2007	2008	2009	2009	2010
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit before income tax		191,081	232,013	292,989	16,163	53,344
Adjustments for:						
Depreciation of property, plant and equipment		1,387	2,306	2,931	792	686
Amortization of land use rights		63	573	1,158	252	289
Amortization of intangible assets		—	7,199	10,000	2,500	2,500
Interest income		(21,446)	(10,076)	(13,440)	(3,536)	(5,813)
Finance costs		21,925	25,141	13,630	5,232	3,498
Allowance for doubtful debts		—	11,254	28,426	1,584	—
Foreign exchange gain and loss		1,089	21,514	(884)	16,793	(95)
Loss on disposal of property, plant and equipment		—	—	5	—	8
Share of result of an associate		(15)	(525)	(21)	(29)	42
Operating cash flows before movements in working capital		194,084	289,399	334,794	39,751	54,459
(Increase) decrease in inventories		(313)	2,813	10,320	3,695	(5,052)
Decrease in held for trading investments		500	—	—	—	—
(Increase) decrease in trade and other receivables		(139,781)	18,660	127,456	1,155	(1,706)
Increase in service concession receivables		—	(80,856)	(175,941)	(14,653)	(17,944)
(Increase) decrease in amounts due from customers for contract work		(22,621)	(136,181)	29,939	6,009	36,799
Increase (decrease) in trade and other payables		120,222	104,373	71,941	17,775	(38,742)
(Decrease) increase in amounts due to customers for contract work		(5,727)	18,001	(47)	(5,682)	(8,794)
Cash generated from operations		146,364	216,209	398,462	48,050	19,020
Income taxes paid		(25,549)	(28,152)	(13,042)	(2,003)	(644)
Income taxes refunded		—	—	6,264	—	—
NET CASH FROM OPERATING ACTIVITIES		120,815	188,057	391,684	46,047	18,376
INVESTING ACTIVITIES						
Interest received		21,446	10,031	3,791	1,123	1,320
Purchases of property, plant and equipment		(3,766)	(1,124)	(563)	(23)	(227)
Proceeds from disposal of property, plant and equipment		—	—	2	—	—
Decrease in receivables from a trust company		150,000	—	—	—	—
Addition in interest in an associate		(1,000)	—	—	—	—
Acquisition of subsidiaries	33	—	(189,298)	—	—	—
Acquisition of available for sales investment		(9,600)	—	(2,700)	—	—
Disposal of available for sales investment		—	1,500	—	—	2,700
Payment to non-controlling interest for additional interest in a subsidiary		(27,191)	—	—	—	—
(Increase) decrease in restricted bank balances		(60,169)	26,717	297,273	99,472	25,732
NET CASH FROM (USED IN) INVESTING ACTIVITIES		69,720	(152,174)	297,803	100,572	29,525
FINANCING ACTIVITIES						
Interest paid		(21,925)	(25,141)	(13,630)	(5,232)	(3,498)
Payment of dividends		—	(43,836)	(47,369)	—	—
Payment for combination of a subsidiary		—		—	—	(45,000)
Proceeds from issue of shares		327,000	—	—	—	—
Payments of share issue expenses		(9,384)	—	—	—	—
New borrowings raised		257,920	1,087,143	565,623	234,970	50,200
Repayment of borrowings		(287,920)	(1,042,435)	(730,285)	(361,868)	(31,500)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		265,691	(24,269)	(225,661)	(132,130)	(29,798)
NET INCREASE IN CASH AND CASH EQUIVALENTS		456,226	11,614	463,826	14,489	18,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD		306,195	761,405	772,988	772,988	1,237,698
Effect of foreign exchange rate changes		(1,016)	(31)	884	(16,793)	95
CASH AND CASH EQUIVALENTS AT END OF YEAR/ PERIOD, represented by bank balances and cash		761,405	772,988	1,237,698	770,684	1,255,896

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in Singapore on November 7, 2005, with its registered office at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. Its principal place of business is at 460 Alexandra Road, #14-04 PSA Building, Singapore 119963.

The Company is an investment holding company which is also engaged in environmental construction related design services. Its subsidiaries are mainly engaged in environmental construction related to water treatment, research and development of water treatment technologies and provision of services for technology consultation and construction, management and operation the municipal wastewater projects and sale of treated water.

The Financial Information is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Group operate. The functional currency of the Company is RMB.

The Company's immediate and ultimate parent is Sound Water (BVI) Limited ("Sound Water").

In January 2010, the Group completed its acquisition of Anyang Mingbo, with 60% interest acquired from Beijing Sound Enviro and the remaining 40% interest acquired from a third party for considerations of RMB27,000,000 and RMB18,000,000 respectively.

The acquisition of Anyang Mingbo is regarded as a business combination under common control. The principles of merger accounting have therefore been applied, under which the Financial Information has been prepared as if Anyang Mingbo had been a subsidiary of the Group since October 24, 2008, when Beijing Sound Enviro acquired the 60% interest in Anyang Mingbo with a consideration of RMB27,000,000 from a third party. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2008 and 2009 and the three months ended March 31, 2009 and 2010 include the results, changes in equity and cash flows of Anyang Mingbo since October 24, 2008. The consolidated statements of financial position of the Group as at December 31, 2008 and 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group taking into account the effective dates of acquisitions of entities from outsiders, as if Anyang Mingbo was a 60% interest owned subsidiary of the Group since October 24, 2008. The acquisition of the remaining 40% interest in Anyang Mingbo is accounted for as an acquisition of additional interest in a subsidiary in January 2010.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted International Accounting Standards ("IASs"), International

Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs"), which are effective for the accounting period beginning on January 1, 2010 throughout the Track Record Period, except for IFRS 3 (revised 2008) *Business Combinations*, which has been applied for business combination for which the acquisition date is on or after January 1, 2010 and IAS 27 (revised 2008) *Consolidated and Separate Financial Statements* which has been applied for accounting period beginning on January 1, 2010.

At the date of this report, the following new and revised standards, amendments and interpretations have been issued which are not yet effective:

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

(1) Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.
(2) Effective for annual periods beginning on or after February 1, 2010
(3) Effective for annual periods beginning on or after July 1, 2010
(4) Effective for annual periods beginning on or after January 1, 2011
(5) Effective for annual periods beginning on or after January 1, 2013

IFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from January 1, 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Companies Ordinance.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to January 1, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an Investment in an associate or jointly controlled entity.

Business combinations

Business combinations prior to January 1, 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The non-controlling interest shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Business combinations on or after to January 1, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree's and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with IFRS 5.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests was initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss.

Changes in the value of the previously held equity interest recognized in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Capitalized goodwill arising on an acquisition of a business is presented separately in the consolidated statement of financial position. Such goodwill is carried at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Construction contracts

When the outcome of a construction contract including construction services of the infrastructure under a service concession arrangement (which include turnkey services) can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

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

Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Sale of goods

Revenue from the sale of goods when the goods are delivered and the title has passed.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Interest income

Interest income from a financial asset (excluding financial assets through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leasing

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

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Contingent rental expenses are charged as expenses in the periods in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expenses on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognized.

Foreign currencies

In preparing the financial statements of the Company and individual entities, transactions in currencies other than the entity's functional currency (the currency of the primary economic environment in which the entity operates) are recorded at the rate of exchange prevailing on the date of the transaction. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

Borrowing costs

Borrowing costs directly attributed 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 cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the defined contribution retirement benefits scheme under the state-managed retirement benefit schemes in PRC are charged as an expense when employees have rendered service entitling them to the contribution.

Government grants

Government grants are recognized as income over the periods necessary to match them with related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognized in the same period as those expenses are charged to profit or loss.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognized on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Land use rights

Land use rights are stated at cost and amortized on a straight-line basis over the lease terms. Land use rights which are to be amortized in the next twelve months or less are classified as current assets.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses, being their fair value at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Research and development expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development expenditure is recognized only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial operation. The resultant asset is amortized on a straight-line basis over its useful life, and carried at cost less accumulated amortization and any accumulated impairment losses.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Impairment of tangible assets and intangible assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the following categories, held for trading financial assets, loans and receivables, and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognized on an effective interest basis for debt instruments.

Held for trading financial assets

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each end of the reporting period subsequent to initial recognition, held for trading financial assets are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including service concession receivables, trade and other receivables and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated or not classified as financial assets as fair value through profit or loss, loans and receivables or held-to-maturity financial assets.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than held for trading financial assets, are assessed for indicators of impairment at each reporting date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after its initial recognition, the estimated future cash flows have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that are correlated with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as of fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Shares issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the shares issued. The fair values of the services received are recognized as expenses, with a corresponding increase in equity (capital reserve). When the counterparties render services that are directly attributable to issue of equity instruments, the fair values of the services received are recognized as deduction in share capital.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Estimated impairment of trade and other receivables

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amount of the trade and other receivables are disclosed in Note 27.

Revenue recognition

The Group recognizes contract revenue based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 3. Significant assumption is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and the estimated total contract cost and the recoverability of the costs. In making the assumption, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction contracts is disclosed in Note 6. Changes in estimate of contract revenue or contract costs, or changes in the estimated outcome of a contract could impact the amounts of revenue and expenses recognized in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

Accounting for IFRIC 12 Service Concession Arrangements

The Group recognizes 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 recognized 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 wastewater treatment volume of the relevant sewage treatment plant 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. No intangible assets have been recognized regarding to service concession arrangements during the Track Record Period as the management considers the chance to exceed the guaranteed tonage is low. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition. Changes in these estimates could impact the amounts of construction revenue and deemed interest income and expenses recognized in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

5. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM") in order to allocate resources to the segments and to assess their performance.

The Group is organized into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

The Group is primarily engaged in three operating segments, namely (1) turnkey projects and services, (2) manufacturing (equipment fabrication), and (3) operations of water and wastewater treatment facilities ("O&M").

The accounting policies of the operating segments are the same as the Group's accounting policies describe in Note 3. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, share of result of an associate, change in fair value of held for trading investment, interest income, foreign exchange gains and losses, finance costs at corporate level.

Segment information about the Group's operating segments is presented below.

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007					
Revenue					
External sales	697,341	—	—	—	697,341
Inter-segment sales	—	—	—	—	—
Total revenue	697,341	—	—	—	697,341
Results					
Segment results	189,629	—	—	—	189,629
Unallocated income					10,744
Unallocated expenses					(9,518)
Share of result of an associate					15
Change in fair value of held for trading investment					211
Profit before income tax					191,081
2008					
Revenue					
External sales	922,078	102,730	—	—	1,024,808
Inter-segment sales	—	41,876	—	(41,876)	—
Total revenue	922,078	144,606	—	(41,876)	1,024,808
Results					
Segment results	234,145	32,774	46	—	266,965
Unallocated income					4,365
Unallocated expenses					(39,842)
Share of result of an associate					525
Profit before income tax					232,013
2009					
Revenue					
External sales	1,162,417	125,382	5,677	—	1,293,476
Inter-segment sales	—	47,757	—	(47,757)	—
Total revenue	1,162,417	173,139	5,677	(47,757)	1,293,476
Results					
Segment results	260,038	26,511	10,480	—	297,029
Unallocated income					4,228
Unallocated expenses					(8,289)
Share of result of an associate					21
Profit before income tax					292,989
Three months ended March 31, 2009 (unaudited)					
Revenue					
External sales	127,447	7,927	—	—	135,374
Inter-segment sales	—	18,246	—	(18,246)	—
Total revenue	127,447	26,173	—	(18,246)	135,374
Results					
Segment results	28,845	2,018	2,412	—	33,275
Unallocated income		—			
Unallocated expenses					(17,141)
Share of result of an associate					29
Profit before income tax					16,163

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended March 31, 2010					
Revenue					
External sales	197,788	33,616	2,633	—	234,037
Inter-segment sales	—	150	—	(150)	—
Total revenue	197,788	33,766	2,633	(150)	234,037
Results					
Segment results	51,271	8,129	4,190	—	63,590
Unallocated income					136
Unallocated expenses					(10,340)
Share of result of an associate					(42)
Profit before income tax					53,344

Inter-segment sales are charged at prevailing market price.

Segment assets represent property, plant and equipment, land use rights, intangible assets, goodwill, deferred tax assets, inventories, trade and other receivables, amounts due from customers for contract work, restricted bank balances and bank balances and cash, which are attributable to each operating segments. Segment liabilities represent trade and other payables, tax payables, borrowings, amounts due to customers for contract work and deferred tax liabilities on undistributed profits of the PRC subsidiaries and fair value adjustment on business combination, which are attributable to each operating segments. In the internal reports regularly reviewed by the CODM, tax payables and deferred tax assets/liabilities are allocated to each segments, if applicable without allocating the related income tax expenses to relevant segments results.

As of December 31, 2007

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Segment assets	1,378,246	—	—	—	1,378,246
Interest in an associate					2,015
Available-for-sale investments					9,600
Unallocated corporate assets (note a)					414,518
Consolidated assets					1,804,379
Segment liabilities	648,010	—	—	—	648,010
Unallocated corporate liabilities (note b)					4,673
Consolidated liabilities					652,683

As of December 31, 2008

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Segment assets	1,619,183	337,528	249,881	(236,305)	1,970,287
Interest in an associate					2,540
Unallocated corporate assets (note a)					370,880
Consolidated assets					2,343,707
Segment liabilities	897,101	92,593	175,721	(236,305)	929,110
Deferred tax liabilities					16,222
Unallocated corporate liabilities (note b)					41,815
Consolidated liabilities					987,147

As of December 31, 2009

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Segment assets	1,998,495	408,943	504,322	(370,527)	2,541,233
Interest in an associate					2,561
Unallocated corporate assets (note a)					38,989
Consolidated assets					2,582,783
Segment liabilities	931,659	139,022	271,599	(370,527)	971,753
Deferred tax liabilities					17,075
Unallocated corporate liabilities (note b)					2,011
Consolidated liabilities					990,839

As of March 31, 2010

	Turnkey projects and services	Equipment fabrications	O&M	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Segment assets	1,941,046	434,915	516,843	(378,962)	2,513,842
Interest in an associate					2,519
Unallocated corporate assets (note a)					45,286
Consolidated assets					2,561,647
Segment liabilities	870,946	158,485	291,100	(378,962)	941,569
Deferred tax liabilities					17,164
Unallocated corporate liabilities (note b)					10,348
Consolidated liabilities					969,081

Notes:

(a) Unallocated corporate assets mainly represent bank balances and cash, restricted bank balances, other receivable and property, plant and equipment at corporate level.

(b) Unallocated corporate liabilities represent borrowings, tax payable and other payable at corporate level.

Other information

For the year ended December 31, 2007

	Turnkey projects and services	Equipment fabrications	O&M	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets excluding financial instruments and deferred tax assets	3,230	—	—	536	—	3,766
Depreciation and amortization	1,249	—	—	201	—	1,450
Interest income	10,702	—	—	10,744	—	21,446
Finance costs	21,925	—	—	—	—	21,925

For the year ended December 31, 2008

	Turnkey projects and services	Equipment fabrications	O&M	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets excluding financial instruments and deferred tax assets	1,041	187,912	362	11	—	189,326
Depreciation and amortization	1,222	8,527	60	269	—	10,078
Allowance for doubtful debts	11,254	—	—	—	—	11,254
Interest income	5,512	146	8	4,365	—	10,031
Imputed interest income on service concession receivables	—	—	46	—	—	46
Finance costs	23,885	—	—	1,256	—	25,141

For the year ended December 31, 2009

	Turnkey projects and services	Equipment fabrications	O&M	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets excluding financial instruments and deferred tax assets	64	7	456	36	—	563
Depreciation and amortization	1,171	12,728	116	74	—	14,089
Allowance for doubtful debts	28,426	—	—	—	—	28,426
Interest income	3,004	83	4	700	—	3,791
Imputed interest income on service concession receivables	—	—	9,649	—	—	9,649
Loss on disposal of property, plant and equipment	5	—	—	—	—	5
Finance costs	12,756	—	846	28	—	13,630

For the three months ended March 31, 2009 (unaudited)

	Turnkey projects and services	Equipment fabrications	O&M	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets excluding financial instruments and deferred tax assets	—	5	18	—	—	23
Depreciation and amortization	319	3,146	79	—	—	3,544
Allowance for doubtful debts	1,584	—	—	—	—	1,584
Interest income	654	1	—	468	—	1,123
Imputed interest income on service concession receivables	—	—	2,413	—	—	2,413
Finance costs	5,205	—	—	27	—	5,232

For the three months ended March 31, 2010

	Turnkey projects and services	Equipment fabrications	O&M	Unallocated	Elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to non-current assets excluding financial instruments and deferred tax assets	36	11	170	10	—	227
Depreciation and amortization	237	3,183	48	7	—	3,475
Interest income	1,304	13	3	—	—	1,320
Imputed interest income on service concession receivables	—	—	4,493	—	—	4,493
Loss on disposal of property, plant and equipment	2	6	—	—	—	8
Finance costs	2,468	10	1,020	—	—	3,498

All external revenues of the Group during the Track Record Period are contributable to customers established in the PRC, not the place of domicile of the Company. All of the non-current assets (other than financial instruments and deferred tax assets) are located in the PRC.

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fellow subsidiaries					
Turnkey projects and services	300,409	337,115	84,954	14,198	—
Equipment fabrications	—	3,000	492	—	—
Third parties					
Turnkey projects and services	N/A	107,565	N/A	14,530	98,278

6. REVENUE

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from construction contracts (including turnkey services and sales of equipments related to construction contracts)	684,597	855,184	1,132,487	113,507	197,052
Revenue from sale of goods	—	102,730	125,382	7,927	33,616
Operating and maintenance income	—	—	5,677	—	2,633
Design service	12,744	66,894	29,930	13,940	736
	697,341	1,024,808	1,293,476	135,374	234,037

7. OTHER OPERATING INCOME

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income	13,422	10,031	3,791	1,123	1,320
Interest income on receivable from a trust company (note i)	8,024	—	—	—	—
Imputed interest income on service concession receivables	—	45	9,649	2,413	4,493
Government grants (note ii)	1,400	—	—	—	—
Change in fair value of held for trading investments	211	—	—	—	—
Net foreign exchange gain	—	—	—	—	93
Sundry income	292	61	421	—	64
	23,349	10,137	13,861	3,536	5,970

Notes:

(i) In November 2006, the Group advanced RMB150,000,000 to a PRC trust company to earn fixed return of 7.35% per annum. The principal and interest income were collected in 2007.

(ii) The government grants represented a one-off government grant of RMB1.4 million in 2007 to support the Group to develop certain environmental technology.

8. OTHER EXPENSES

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudit)	RMB'000
Expenses related to listing on the Stock Exchange	—	—	—	—	7,075
Net foreign exchange losses	3,256	27,971	150	16,385	—
Allowance for doubtful debts	—	11,254	28,426	1,584	—
	3,256	39,225	28,576	17,969	7,075

9. FINANCE COSTS

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses on borrowings					
— wholly payable within five years	21,925	25,141	12,785	5,232	2,875
— not wholly repayable within five years	—	—	845	—	623
	21,925	25,141	13,630	5,232	3,498

10. INCOME TAX EXPENSES (CREDIT)

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
The charge comprises:					
Current tax					
Singapore income tax	2,020	—	—	—	—
PRC income tax	26,660	29,228	15,454	1,461	6,510
	28,680	29,228	15,454	1,461	6,510
Over provision in prior year					
PRC income tax	—	—	(4,048)	(4,048)	—
Deferred tax (Note 23)	—	(915)	(1,170)	365	1,212
	28,680	28,313	10,236	(2,222)	7,722

The Singapore income tax represents income tax in Singapore which is calculated at the prevailing tax rate on the taxable income of companies established in Singapore. For the years ended December 31, 2007, 2008 and 2009 and three months ended March 31,2010, the tax rate was 18%, 18% ,17% and 17% respectively.

The PRC income tax for the Track Record Period represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

On March 16, 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New EIT Law") by order No. 63 of the President of the PRC which is effective from January 1, 2008.

On December 6, 2007, the State Council issued Implementation Rules on the New EIT Law. Pursuant to the New EIT Law and Implementation Rules, a uniform income tax rate of 25% was imposed for both domestic and foreign-invested enterprises. Prior to the New EIT Law, the subsidiaries in the PRC are subject to statutory income tax rate of 33% before taking into account the entitled concessionary tax rates and exemption.

On December 26, 2007, the details of the transitional arrangement was promulgated, They contemplate various transition periods and measures for existing preferential tax policies, including a grace period of a maximum of 5 years until 2012 for the enterprises which were entitled to a lower income tax rate under the previous tax law and continued implementation of preferential tax treatment with a fixed term until the expiration of such fixed term. In addition, the New EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a withholding tax under the tax treaty or the domestic law.

The income tax rates applicable to the subsidiaries established in the PRC are as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	%	%	%	% (unaudited)	%
Beijing Sound (Note i)	15	15	15	15	15
Beijing Epure (Note ii)	Exempted	Exempted	Exempted	Exempted	7.5
Epure Sound Technology	33	25	25	25	25
Hi-Standard Equipment (Notes iii)	N/A	15	15	15	15
Xi'an Huqing	N/A	25	25	25	25
Xi'an Qinqing	N/A	25	25	25	25
Guangxi Liqing	N/A	25	25	25	25
Yiqing Water	N/A	N/A	25	25	25
Shangluo Wasterwater	N/A	N/A	25	25	25
Yulin Jingzhou	N/A	N/A	25	25	25
Hainan Baichuan	N/A	N/A	25	25	25
Jiangyan Jiangyuan	N/A	N/A	25	25	25
Fushun Qingxi	N/A	N/A	25	25	25
Anyang Mingbo	N/A	25	25	25	25

Notes:

(i) Beijing Sound is a sino-foreign joint cooperative company located in Beijing Zhong Guan Cun Science Park, Beijing, PRC.

According to the Income Tax Law of the PRC Enterprises with Foreign Investment and Foreign Enterprises and various local income tax laws ("the PRC Income Tax Laws"), Beijing Sound, as a high-and-new-tech enterprise, since 2006 was subject to income tax at a rate of 15% on the PRC taxable income prior to the effectiveness of New EIT Law.

According to the New EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han 2009 No. 203) (國家税務總局關於實施高新技術企業所得税優惠有關問題的通知(國税函(2009)203號)), high-and-new-tech enterprises are levied enterprise income tax at 15%. Beijing Sound was entitled to enjoy a preferential tax rate at 15% from year 2008 to year 2010 as it has further successfully applied as a high-and-new-tech enterprise in 2009 for an effective period from January 1, 2008 to December 31, 2010.

(ii) Beijing Epure is a foreign investment enterprise located in Beijing Zhong Guan Cun Science Park, Beijing, PRC. It has successfully applied as a high-and-new-tech enterprise in 2009.

In accordance with the Interim Measures of Beijing New Tech Industry Development Test Zone (<北京市新技術產業開發試驗區暫行條例>) approved by the State Council on May 10, 1988 and promulgated by the People's Government of Beijing on May 20, 1988, the newly established new tech enterprise within test zone shall be entitled to an exemption from income tax for the three years commencing from its establishment, and thereafter, entitled to a 50% relief of income tax for the next three years subject to the approval from the relevant authority. As a company established in a test zone, Beijing Epure was exempted from income tax for each of the years ended December 31, 2007, 2008 and 2009, and was subject to income tax at 7.5% for each of the years ended December 31, 2010, 2011 and 2012.

(iii) Hi-Standard Equipment is a PRC limited company located in Beijing Zhong Guan Cun Science Park, Beijing, PRC.

According to Guo Shui Han 2009 No. 203, Hi-Standard Equipment was entitled to enjoy a preferential tax rate at 15% from year 2008 to year 2010 as it has successfully applied as a high-and-new-tech enterprise in 2009 for an effective period from January 1, 2008 to December 31, 2010. Hi-standard Equipment has continued enjoying the 15% tax rate in 2010.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax per the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	191,081	232,013	292,989	16,163	53,344
Tax at applicable income tax rate (2007: 15%, 2008 and 2009 and three months ended March 31, 2009 and 2010: 25%)	28,662	58,003	73,248	4,041	13,336
Tax effect of expenses not deductible for tax purpose	540	8,496	2,156	5,438	23
Tax effect of income not taxable for tax purpose	(242)	(1,072)	—	—	—
Tax effect of share of result of an associate	(2)	(131)	(5)	(7)	(10)
Tax effect of preferential tax rate and different tax rates of subsidiaries	895	(10,737)	(6,439)	(542)	(8,740)
Effect of tax exemption granted to Beijing Epure	(1,173)	(27,305)	(57,413)	(7,622)	—
Tax effect of previously unrecognized deductible temporary differences	—	(1,247)	—	—	—
Tax effect of tax losses not recognized	—	306	237	118	2,613
Deferred tax liabilities arising on undistributed profit in the PRC subsidiaries from January 1, 2008 onwards	—	2,000	2,500	400	500
Over provision in prior year (note)	—	—	(4,048)	(4,048)	—
Income tax expense (credit)	28,680	28,313	10,236	(2,222)	7,722

Note: As the Group did not obtain the high-and-new-tech enterprise certification of Hi-Standard Equipment from relevant authority as of December 31, 2008, Hi-standard Equipment provided income tax for the year ended December 31, 2008 at a tax rate of 25%. After it obtained the high-and-new-tech certification in 2009, which entitled it to a 15% preferential tax rate from 2008, Hi-standard Equipment reversed the over provision in 2009.

11. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortization of intangible assets, included in cost of sales	—	7,199	10,000	2,500	2,500
Amortization of land use rights	63	573	1,158	252	289
Auditors' remuneration	1,299	2,500	2,000	113	189
Cost of inventories recognized as expenses	140,337	188,611	178,461	23,025	28,811
Depreciation of property, plant and equipment	1,387	2,306	2,931	792	686
Loss on disposal of property, plant and equipment	—	—	5	—	8
Staff cost					
Directors' remuneration	1,033	1,242	1,055	278	272
Other staff costs					
Staff cost excluded retirement benefit costs	12,618	23,924	32,756	7,090	7,396
Contribution to defined contribution plans	1,248	2,315	3,432	914	931
Total staff cost	14,899	27,481	37,243	8,282	8,599

12. DIRECTORS' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the Track Record Period are as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Directors' fees	489	477	420	114	106
Directors' emoluments:					
— Basic salaries and allowances	392	665	538	143	138
— Bonus	79	—	—	—	—
— Contribution to defined contribution plans	73	100	97	21	28
	544	765	635	164	166
Total	1,033	1,242	1,055	278	272

	Directors' fee	Salaries and other benefit	Bonus	Contribution to defined contribution plans	Total
	RMB'000	RMB'000	RMB'000 (note)	RMB'000	RMB'000
Year ended December 31, 2007					
Name of director					
WEN Yibo	—	130	20	19	169
WANG Zhili	—	98	20	18	136
HU Zelin	—	76	19	18	113
YAN Xiaolei	—	88	20	18	126
HO Yew Mun	278	—	—	—	278
FU Tao	60	—	—	—	60
SEOW Han Chiang	151	—	—	—	151
	489	392	79	73	1,033
Year ended December 31, 2008					
Name of director					
WEN Yibo	—	168	—	24	192
LI Li (appointed on June 6, 2008)	—	191	—	21	212
WANG Zhili	—	153	—	24	177
YAN Xiaolei	—	120	—	24	144
HU Zelin	—	33	—	7	40
HO Yew Mun	269	—	—	—	269
FU Tao	60	—	—	—	60
SEOW Han Chiang	148	—	—	—	148
	477	665	—	100	1,242
Year ended December 31, 2009					
Name of director					
WEN Yibo	—	147	—	26	173
LI Li	—	159	—	26	185
WANG Zhili (retired on March 5, 2010)	—	111	—	19	130
YAN Xiaolei	—	121	—	26	147
HO Yew Mun (retired on April 27, 2009)	86	—	—	—	86
WONG See Meng (appointed on May 18, 2009)	133	—	—	—	133
FU Tao	60	—	—	—	60
SEOW Han Chiang	141	—	—	—	141
	420	538	—	97	1,055
Three months ended March 31, 2009 (unaudited)					
Name of director					
WEN Yibo	—	37	—	6	43
LI Li	—	39	—	3	42
WANG Zhili	—	37	—	6	43
YAN Xiaolei	—	30	—	6	36
HO Yew Mun	64	—	—	—	64
FU Tao	15	—	—	—	15
SEOW Han Chiang	35	—	—	—	35
	114	143	—	21	278
Three months ended March 31,2010					
Name of director					
WEN Yibo	—	36	—	7	43
LI Li	—	40	—	7	47
ZHANG Baolin (appointed on March 12, 2010)	—	32	—	7	39
YAN Xiaolei	—	30	—	7	37
WONG See Meng	55	—	—	—	55
FU Tao	15	—	—	—	15
SEOW Han Chiang	36	—	—	—	36
	106	138	—	28	272

Note: The bonus is determined based on evaluation of each individual annually, which is approved by remuneration committee.

13. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included four directors for the year ended December 31, 2007, two directors for the year ended December 31, 2008, one director for the year ended December 31, 2009, two and nil director for the three months ended March 31, 2009 and 2010 respectively. The emoluments of the directors are included in the disclosure in Note 12 above. The emoluments of the remaining one highest paid individual for the year ended December 31, 2007, three highest paid individuals for the year ended December 31, 2008, four highest paid individuals for the year ended December 31, 2009, three and five highest paid individuals for the three months ended March 31, 2009 and 2010 respectively are as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	689	1,239	1,693	364	682
Performance related incentive payments (note)	127	—	—	—	—
Contribution to defined contributions plan	55	100	136	27	29
	871	1,339	1,829	391	711

Note: The performance related incentive payment is determined based on evaluation of each individual annually.

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the Track Record Period.

Their emoluments were within the following band:

	Number of Individuals				
	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009 (unaudited)	2010
Nil to HK$1,000,000	1	3	4	3	5

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit for the year attributable to owners of the Company	161,173	203,686	281,869	18,164	45,536
	'000	'000	'000	'000	'000
Weighted average number of shares	1,242,903	1,290,000	1,290,000	1,290,000	1,290,000
Earnings per share (RMB cents)	12.97	15.79	21.85	1.41	3.53

The weighted average number of shares for the purpose of calculating basic earnings per share for the Track Record Period has been retrospectively adjusted for the share split as disclosed in Note 31. No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during the Track Record Period.

15. DIVIDENDS

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends recognized as distributions during the year	—	43,836	47,369	—	—

In 2008, the Company declared and paid a dividend of S$0.00667 per ordinary share with total dividends of S$8,600,000 (equivalent to approximately RMB43,836,000) to shareholders for the year ended December 31, 2007.

In 2009, the Company declared and paid a dividend of S$0.008 per ordinary share with total dividends of S$10,320,000 (equivalent to approximately RMB47,369,000) to shareholders for the year ended December 31, 2008.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Transportation vehicles	Fixtures and equipments	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At January 1, 2007	16,834	80	2,643	1,962	—	21,519
Additions	—	—	—	1,088	2,678	3,766
At December 31, 2007	16,834	80	2,643	3,050	2,678	25,285
Acquisition of subsidiaries (Note 33)	24,358	7,986	—	359	—	32,703
Additions	—	40	—	508	576	1,124
Transfer	3,254	—	—	—	(3,254)	—
At December 31, 2008	44,446	8,106	2,643	3,917	—	59,112
Additions	—	30	108	425	—	563
Disposal	—	—	—	(12)	—	(12)
At December 31, 2009	44,446	8,136	2,751	4,330	—	59,663
Additions	—	—	124	103	—	227
Disposal		(7)	—	(3)	—	(10)
At March 31, 2010	44,446	8,129	2,875	4,430	—	59,880
ACCUMULATED DEPRECIATION						
At January 1, 2007	2,785	42	1,381	1,219	—	5,427
Charge for the year	505	7	445	430	—	1,387
At December 31, 2007	3,290	49	1,826	1,649	—	6,814
Charge for the year	927	412	358	609	—	2,306
At December 31, 2008	4,217	461	2,184	2,258	—	9,120
Charge for the year	1,415	826	258	432	—	2,931
Disposal	—	—	—	(5)	—	(5)
At December 31, 2009	5,632	1,287	2,442	2,685	—	12,046
Charge for the period	355	204	18	109	—	686
Disposal	—	(1)	—	(1)	—	(2)
At March 31, 2010	5,987	1,490	2,460	2,793	—	12,730
CARRYING AMOUNTS						
At December 31, 2007	13,544	31	817	1,401	2,678	18,471
At December 31, 2008	40,229	7,645	459	1,659	—	49,992
At December 31, 2009	38,814	6,849	309	1,645	—	47,617
At March 31, 2010	38,459	6,639	415	1,637	—	47,150

Depreciation is charged so as to write off the cost of assets, other than construction in progress, over their estimated useful lives, using the straight-line method, on the following rate per annum:

Buildings	3%
Plant and machinery	9%
Transportation vehicles	18%
Fixtures and equipments	18%-33%

As of December 31, 2007, 2008 and 2009 and March 31, 2010 the Group has pledged buildings with carrying amount of nil, nil, approximately RMB15,300,000, and approximately RMB36,900,000, respectively, to secure general banking facilities granted to the Group.

The Company

	Fixtures and equipments
	RMB'000
COST	
At January 1, 2007	—
Additions	536
At December 31, 2007	536
Additions	11
At December 31, 2008	547
Additions	36
At December 31, 2009	583
Additions	13
At March 31, 2010	596
ACCUMULATED DEPRECIATION	
At January 1, 2007	—
Charge for the year	201
At December 31, 2007	201
Charge for the year	269
At December 31, 2008	470
Charge for the year	75
At December 31, 2009	545
Charge for the period	7
At March 31, 2010	552
CARRYING AMOUNTS	
At December 31, 2007	335
At December 31, 2008	77
At December 31, 2009	38
At March 31, 2010	44

17. INTANGIBLE ASSETS

	RMB'000
COST	
At January 1, and December 31, 2007	—
Acquisition of a subsidiary (Note 33)	67,199
At December 31, 2008	67,199
Addition	—
At December 31, 2009	67,199
Addition	—
At March 31, 2010	67,199
ACCUMULATED AMORTIZATION	
At January 1, and December 31, 2007	—
Amortization for the year	7,199
At December 31, 2008	7,199
Amortization for the year	10,000
At December 31, 2009	17,199
Amortization for the period	2,500
At March 31, 2010	19,699
CARRYING AMOUNTS	
At December 31, 2007	—
At December 31, 2008	60,000
At December 31, 2009	50,000
At March 31, 2010	47,500

The intangible assets represent various patents which protect the design and specification in the manufacturing of wastewater treatment equipments. Amortization for the patents is provided on a straight-line basis over their estimated useful lives ranging from 4.5 to 9.5 years.

18. LAND USE RIGHTS

	RMB'000
COST	
At January 1, and December 31, 2007	3,000
Acquisition of a subsidiary (Note 33)	46,921
At December 31, 2008	49,921
Addition	—
At December 31, 2009	49,921
Addition	—
At March 31, 2010	49,921
ACCUMULATED AMORTIZATION	
At January 1, 2007	357
Charge for the year	63
At December 31, 2007	420
Charge for the year	573
At December 31, 2008	993
Charge for the year	1,158
At December 31, 2009	2,151
Charge for the period	289
At March 31, 2010	2,440
CARRYING AMOUNTS	
At December 31, 2007	2,580
At December 31, 2008	48,928
At December 31, 2009	47,770
At March 31, 2010	47,481

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed for reporting purpose as:				
— Current asset	63	1,158	1,158	1,158
— Non-current asset	2,517	47,770	46,612	46,323
	2,580	48,928	47,770	47,481

The amount represents the prepayment of rentals for land use rights situated in the PRC. The leasehold land has lease terms ranging from 43 to 47 years.

As of December 31, 2007, 2008 and 2009 and March 31,2010, the Group has pledged land use rights with carrying amount of nil, nil, approximately RMB2,454,000 and RMB 47,481,000, respectively, to secure general banking facilities granted to the Group.

19. GOODWILL

	RMB'000
COST	
Acquisition of a subsidiary during the year ended December 31, 2008 and balance at December 31, 2008 and 2009 and March 31, 2010 (Note 33)	41,395

Goodwill has been allocated to the cash-generating unit of Beijing Hi-Standard in equipment fabrication segment.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the cash generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected order book secured and direct costs during the forecasted period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating unit. Order book secured and direct costs are estimated based on past practices and expectations of future changes in the market.

The value in use calculation uses cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years, and discount rates of 8%, 8% and 8% as of December 31, 2008 and 2009 and March 31 2010 respectively. No growth rate is extrapolated beyond the 5-year forecasted period.

During the years ended December 31, 2008 and 2009 and the three months ended March 31, 2010, management of the Group determines that there are no impairments of Beijing Hi-Standard. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Beijing Hi-Standard to exceed its recoverable amount.

20. INTEREST IN AN ASSOCIATE

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity investments, at cost	2,000	2,000	2,000	2,000
Share of post-establishment profits	15	540	561	519
	2,015	2,540	2,561	2,519

Name of associate	Country of establishment and operation	The Group's equity interest and voting power held — At December 31, 2007	2008	2009	At March 31, 2010	Principal activity
		%	%	%	%	
Shanghai Chenghuan Water Operation Co., Ltd 上海城環水務運營有限公司	The PRC	20	20	20	20	Management and operations of wastewater treatment plants

The summarized financial information of the associate is set out below:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	22,674	25,170	17,163	16,010
Total liabilities	(12,599)	(12,470)	(4,358)	(3,416)
Net assets	10,075	12,700	12,805	12,594
The Group's share of an associate's net assets	2,015	2,540	2,561	2,519
Revenue	51,245	93,536	34,233	765
Profit (loss) for the year/period	75	2,625	105	(210)
The Group's share of an associate's result for year/period	15	525	21	(42)

21. AVAILABLE-FOR-SALE INVESTMENTS

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted equity investments, at cost	9,600	—	—	—

The above unlisted investments represent investments in unlisted registered capital of private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in the balance as of December 31, 2007 were investment in 18% equity interest in Xi'an Huqing and Xi'an Qinqing (collectively the "Xi'an entities") with carrying amount of RMB8,100,000, which had been measured at cost less impairment. During the year ended December 31, 2008, the Group acquired the additional interests in Xi'an entities from Beijing Sound Environment Group Co., Ltd ("Beijing Sound Enviro"), a fellow subsidiary. Xi'an entities then became the Group's wholly-owned subsidiaries as detailed in Note 33.

During the year ended December 31, 2008, the Group disposed of the remaining unlisted equity investment with carrying amount of RMB1,500,000 to a third party, which had been measured at cost less impairment before the disposal. No gain or loss was recognized on the disposal.

During the year ended December 31, 2009, Lanzhou Guyuan Water Co., Ltd. ("Lanzhou Guyuan") was established by the Group and Beijing Sound Enviro. The Group held 15% equity interest and paid the initial capital injection of RMB2,700,000 in cash. The Group's interest in Lanzhou Guyuan was subsequently disposed of at cost to a third party in 2009 and the consideration has been settled in January 2010 .

22. SERVICE CONCESSION RECEIVABLES

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Service concession receivables	—	230,158	415,747	438,184

Service concession receivables arose from the service concession contracts to build and operate wastewater treatment and recycling water plants. The Group is the operator under certain build-operate-transfer arrangements. With respect to the contracts, the Group has evaluated and assessed that such contracts come under the scope of IFRIC 12 Service Concession Arrangements. Service concession receivables were recognized to the extent that the Group has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services.

23. DEFERRED TAXATION

The deferred tax assets/liabilities recognized by the Group, and the movements thereon, during the Track Record Period are as follows:

	Allowance for doubtful debt	Undistributed profits of the PRC subsidiaries	Fair value adjustment arising from acquisition of a subsidiary	Service concession receivables	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, and December 31, 2007	—	—	—	—	—	—
Credit (charge) to profit or loss	2,935	(2,000)	—	(20)	—	915
Addition in business combination	—	—	(14,222)	—	—	(14,222)
At December 31, 2008	2,935	(2,000)	(14,222)	(20)	—	(13,307)
Credit (charge) to profit or loss	4,264	(2,500)	1,647	(2,414)	173	1,170
At December 31, 2009	7,199	(4,500)	(12,575)	(2,434)	173	(12,137)
Credit (charge) to profit or loss	—	(500)	411	(1,123)	—	(1,212)
At March 31, 2010	7,199	(5,000)	(12,164)	(3,557)	173	(13,349)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	—	2,935	7,372	7,372
Deferred tax liabilities	—	(16,242)	(19,509)	(20,721)
	—	(13,307)	(12,137)	(13,349)

Deferred tax assets on allowance for doubtful debts of approximately RMB8,315,000 have not been provided on December 31, 2007. As at December 31, 2007, 2008 and 2009 and March 31 2010, the Group has unused tax losses of nil, RMB1,224,000, RMB2,172,000 and RMB12,624,000 respectively available for offset against future profits. No deferred tax asset has been recognized in respect of those tax losses due to the unpredictability of future profit streams. The tax losses of RMB9,151,000 at March 31, 2010 has no expiry date and the remainder will be expired as follows:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
2013	—	1,224	1,224	1,224
2014	—	—	948	948
2015	—	—	—	1,301
	—	1,224	2,172	3,473

Under the new EIT law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from January 1, 2008 onward, deferred taxation has been provided for in the Financial Information in respect of profits of relevant PRC subsidiaries to be distributed estimated by the directors of the Company. Meanwhile, deferred tax liabilities on the undistributed profits of the PRC subsidiaries of approximately RMB196,790,000, RMB414,269,000 and RMB479,204,000 which was earned after January 1, 2008, have not been recognized as of December 31, 2008 and 2009 and March 31,2010 respectively.

24. INVESTMENTS IN SUBSIDIARIES

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investments, at cost	431,000	431,000	724,503	724,503

25. INVENTORIES

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	478	10,275	11,518	16,015
Work in progress	—	10,505	25	446
Finished goods	—	1,083	—	134
	478	21,863	11,543	16,595

26. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracts in progress at reporting date:				
Amounts due from customers for contract work	120,846	237,233	227,089	190,290
Amounts due to customers for contract work	(6,310)	(24,311)	(24,264)	(15,470)
	114,536	212,922	202,825	174,820
Contract costs incurred plus recognized profits less recognized losses	1,056,668	1,143,862	1,797,547	1,909,279
Less: Progress billings	(942,132)	(930,940)	(1,594,722)	(1,734,459)
	114,536	212,922	202,825	174,820

The amounts due from/to customers for contract work are all related to construction contracts in turnkey projects.

Retention monies held by customers for contract work included in trade and other receivables amounted to approximately RMB57,000,000, RMB68,000,000, RMB46,400,000 and RMB69,479,000 respectively as of December 31, 2007, 2008 and 2009 and March 31, 2010.

27. TRADE AND OTHER RECEIVABLES

The Group

The following is an analysis of trade and other receivables at the respective reporting dates:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	409,462	442,231	413,054	416,814
Allowance for doubtful debts	(8,315)	(19,569)	(47,995)	(47,995)
	401,147	422,662	365,059	368,819
Bills receivable	30,383	32,530	20,962	5,569
Bid and compliance deposits	34,891	21,267	4,777	13,654
Advance payments to suppliers and subcontractors	2,182	18,439	17,573	17,297
Other receivables	1,734	11,296	13,412	15,450
Total	470,337	506,194	421,783	420,789

The table below is an analysis of trade receivables net of allowance for doubtful debts and bills receivables based on invoice issuance date:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Within 90 days	117,022	128,234	174,551	142,478
91 – 180 days	139,500	188,843	34,823	127,675
181 days – 1 year	79,181	66,665	46,445	39,719
1 to 2 years	61,052	38,920	92,703	57,947
2 to 3 years	4,392	—	16,537	1,000
	401,147	422,662	365,059	368,819
Bills receivable				
0 to 180 days	30,383	32,530	20,962	5,569

The Group has a policy of allowing trade customers with credit normally within 90 days except for construction project for which settlement is made in accordance with the terms specified in the contracts governing the relevant transactions. Overdue balances are reviewed regularly by the Group's management.

Included in the Group's trade receivables are debtors with a carrying amount of RMB65,444,000, RMB39,917,000 , RMB128,450,000 and RMB120,543,000 as of December 31, 2007, 2008 and 2009 and March 31, 2010 respectively which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables past due but not impaired

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
91 – 180 days	—	997	8,230	45,454
181 days – 1 year	—	—	43,238	16,142
1 to 2 years	61,052	38,920	60,445	57,947
2 to 3 years	4,392	—	16,537	1,000
	65,444	39,917	128,450	120,543

As of December 31, 2009 and March 31, 2010, trade receivables with carrying amount of approximately RMB 85,050,000 and approximately RMB 54,476,000 have been pledged as collateral for the short-term borrowings of RMB50,000,000 and RMB50,000,000 respectively.

Movement in allowance for doubtful debts:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of year/period	8,315	8,315	19,569	47,995
Charge to profit or loss	—	11,254	28,426	—
Balance at end of year/period	8,315	19,569	47,995	47,995

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The above allowance was mainly provided for based on estimated irrecoverable amounts arising from construction contracts, determined by reference to past default experience. The Group reviews the recoverable amount of each individually significant debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Company

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	5,768	13,201	6,500	5,345
Dividends receivables from subsidiaries	45,000	94,500	79,500	79,500
Due from subsidiaries — non-trade	—	1,841	—	—
Other receivables	409	373	791	—
	51,177	109,915	86,791	84,845

The Company has a policy of allowing trade customers with credit normally within 90 days. The table below is an analysis of trade receivables based on invoice issuance date:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
0 – 90 days	5,768	13,201	5,300	5,300
91 – 180 days	—	—	1,200	45
	5,768	13,201	6,500	5,345

As at December 31, 2007, 2008 and 2009 and March 31, 2010, trade receivables of nil, nil, RMB1,200,000 and RMB 45,000 aged 91-180 days have been past due but not impaired. No impairment loss has been provided and there has not been a significant change in the credit quality and the amounts are still considered recoverable.

The amounts due from subsidiaries are interest free, unsecured and repayable on demand. The amount is expected to be recoverable within one year from the end of the reporting period.

28. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with financial institutions and carry interest at prevailing market rates ranging from 0.72% to 0.81%, 0.36% to 0.72%, 0.05% to 0.36% and 0.05% to 0.36% per annum as of December 31, 2007, 2008 and 2009 and March 31, 2010 respectively.

Bank balances and cash at December 31, 2007, 2008 and 2009 and March 31, 2010 were mainly denominated in RMB which is not a freely convertible currency in the international market.

The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

Bank balances and cash that are denominated in currency other than the functional currency are set out below:

The Group

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Singapore Dollar ("S$")	68	2,600	1,358	1,205
United States dollar ("US$")	1,532	37	11,697	4,076

The Company

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
S$	68	2,600	1,335	1,183
US$	1,497	37	901	1,958

Restricted bank balances

As of December 31, 2007, 2008 and 2009 and March 31, 2010, bank balances of certain subsidiaries of RMB6,438,000, RMB1,688,000 and RMB36,285,000 and RMB 10,427,000 respectively have been pledged to financial institutions in respect of letters of guarantees issued to certain subsidiaries to secure construction contracts. The bank balances bear fixed interest at 0.72% to 0.81%, 0.36% to 0.72%, 0.36% and 0.36% per annum as of December 31, 2007, 2008 and 2009 and March 31, 2010 respectively. The restricted bank balances will be released upon the settlement of relevant contracts.

As of December 31, 2007, 2008 and 2009 and March 31, 2010, bank balances of the Company of RMB412,209,000, RMB367,793,000, RMB 35,923,000 and RMB 36,049,000 were pledge to a financial institution in respect of banking facilities provided to certain subsidiaries. These bank balances bear interest at rates ranging from 0.62% to 5.17%, 0.06% to 1.00%, 0.36% and 0.36% per annum as of December 31, 2007, 2008 and 2009 and March 31 2010 respectively.

The restricted bank balances that are denominated in currency other than the functional currency are set out below:

The Group and the Company

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
S$	412,209	367,793	35,923	36,049

29. TRADE AND OTHER PAYABLES

The Group

The credit terms of trade payables vary according to the terms agreed with different suppliers. The following is an aged analysis of trade payables at the respective reporting dates:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Within 90 days	102,720	166,609	218,062	159,420
91 days to 180 days	73,609	102,418	104,120	118,905
181 days to 1 year	30,557	68,658	46,511	76,164
1 – 2 years	14,462	72,573	120,499	81,669
2 – 3 years	1,534	15,882	11,541	41,718
More than 3 years	2,584	—	9,358	9,676
	225,466	426,140	510,091	487,552
Other payables	11,260	18,107	27,180	33,156
Bid and compliance deposits	11,876	13,490	12,468	11,405
Advance from customer	—	5,734	3,028	1,029
Bills payables	—	—	28,266	4,903
Value added tax payables	13,849	32,140	53,335	52,366
Business tax payables	26,144	47,712	67,969	72,516
Other tax payables	1,033	1,639	3,131	3,799
	289,628	544,962	705,468	666,726
The table below is an analysis of bills payables as at the reporting date:				
0 – 180 days	—	—	28,266	4,903

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The Company

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables				
Within 90 days	805	1,176	—	—
91 days to 180 days	—	—	—	—
181 days to 1 year	—	752	—	—
Over 1 year	—	—	400	400
	805	1,928	400	400
Other payables	2,607	1,146	1,998	10,240
	3,412	3,074	2,398	10,640

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

30. BORROWINGS

The Group

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank borrowings (note i)	337,920	351,615	195,800	214,500
Unsecured bank borrowings (note ii)	10,000	40,047	29,200	29,200
Other borrowings (note iii)	—	—	2,000	2,000
	347,920	391,662	227,000	245,700
Carrying amount repayable:				
Within one year	347,920	391,662	178,700	195,200
More than one year, but not exceeding two years	—	—	6,000	6,200
More than two years but not more than five years	—	—	39,100	43,100
More than five years	—	—	3,200	1,200
	347,920	391,662	227,000	245,700
Less: Amounts due within one year shown under current liabilities	(347,920)	(391,662)	(178,700)	(195,200)
	—	—	48,300	50,500

The borrowings comprise:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	190,000	351,615	94,700	109,700
Variable-rate borrowings (note iii)	157,920	40,047	132,300	136,000
	347,920	391,662	227,000	245,700

The effective interest rates per annum, which are also equal to contracted interest rates, at the respective reporting dates are as follows:

	At December 31,			At March 31,
	2007	2008	2009	2010
Borrowings	5.427~7.776%	3.400~8.217%	4.617~8.217%	4.617~7.130%

Notes:

(i) As of December 31, 2007, bank borrowings of approximately RMB337,920,000 were pledged with bank balances.

As of December 31, 2008, bank borrowings of approximately RMB351,615,000 were pledged with bank balances.

As of December 31, 2009, bank borrowings of approximately RMB23,500,000 were mortgaged by certain buildings and land use rights of the Group and Beijing Sound Environmental Technology Co., Ltd ("Sound Enviro Tech"), a fellow subsidiary. Bank borrowings of approximately RMB50,000,000 were pledged by certain trade receivables of the Group and personal guarantee of Mr. Wen Yibo, an executive director of the Company. Bank borrowings of approximately RMB40,000,000 were pledged with bank balances and personal deposits of Mr. Wen Yibo. Bank borrowings of approximately RMB16,300,000 were secured by Guangxi Liqing's 8 years' charging rights under the service concession contract and of approximately RMB35,000,000 were secured by Xi'an Qinqing's 30 years' charging right under the service concession contract and personal guarantee of Mr. Wen Yibo and his wife. Bank borrowings of approximately RMB31,000,000 were pledged with bank balances.

As of March 31, 2010, bank borrowings of approximately RMB 23,500,000 were mortgaged by certain buildings and land use rights of the Group and Sound Enviro Tech. Bank borrowings of approximately RMB45,000,000 were mortgaged by certain buildings and land use rights of the Group. Bank borrowings of approximately RMB50,000,000 were pledged by certain trade receivables of the Group and personal guarantee of Mr. Wen Yibo, an executive director of the Company. Bank borrowings of approximately RMB10,000,000 were pledged with bank balances and personal deposits of Mr. Wen Yibo. Bank borrowings of approximately RMB20,000,000 were secured by Guangxi Liqing's 8 years' charging rights under the service concession contract and of approximately RMB35,000,000 were secured by Xi'an Qinqing's 30 years' charging right under the service concession contract and personal guarantee of Mr. Wen Yibo and his wife. Bank borrowings of approximately RMB31,000,000 were pledged with bank balances.

The guarantees by Mr. Wen Yibo and his wife will be released upon listing of the Group's securities on the Stock Exchange of Hong Kong Limited.

(ii) Bank borrowings of approximately RMB10,000,000 as of December 31, 2007 were guaranteed by Beijing Hi-Standard Environmental Equipment Co., Ltd., a former shareholder of a subsidiary of the Group.

(iii) Other borrowings of approximately RMB2,000,000 as of December 31, 2009 were advanced from a third party with fixed rate of 5.80 % per annum.

The Company

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured bank borrowings, repayable within one year (note iii)	—	40,047	—	—

Note:

(iii) the variable-rate bank borrowings for the Company and the Group were denominated in S$ carried interest at a rate of 2.5% per annum above the Swap Offer Rate as determined by DBS bank.

31. SHARE CAPITAL

Issued and fully paid	Number of shares	RMB'000
At January 1, 2007	400,000,000	515,752
Issuance of new shares	30,000,000	317,616
At December 31, 2007	430,000,000	833,368
Share split of 1 into 3	860,000,000	—
At December 31, 2008 and 2009 and March 31, 2010	1,290,000,000	833,368

The Company has one class of ordinary shares with no par value and carry no right to fixed income.

In 2007, the Company has made a private placement of 30,000,000 new shares at S$2.18 each (equivalent to RMB10.90) for a net consideration of RMB317,616,000 after deduction of share issue expenses of RMB9,384,000.

In 2008, the shareholders of the Company approved the share split of each ordinary share of the Company into three ordinary shares.

32. RESERVES

The Company

	Capital reserve	Retained earnings (accumulated loss)	Total
	RMB'000	RMB'000	RMB'000
Balance at January 1, 2007	7,010	1,721	8,731
Profit for the year and total comprehensive income	—	48,709	48,709
Balance at December 31, 2007	7,010	50,430	57,440
Profit for the year and total comprehensive income	—	20,707	20,707
Dividend paid		(43,836)	(43,836)
Balance at December 31, 2008	7,010	27,301	34,311
Profit for the year and total comprehensive income	—	26,676	26,676
Dividend paid	—	(47,369)	(47,369)
Balance at December 31, 2009	7,010	6,608	13,618
Loss for the period and total comprehensive loss	—	(9,151)	(9,151)
Balance at March 31, 2010	7,010	(2,543)	4,467

33. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of Hi-Standard Equipment

On July 1, 2008, the Company acquired 100% interest in Hi-Standard Equipment for a consideration of RMB208 million from Shanghai Jingke Investment Management Co., Ltd., a third party. Prior to the acquisition by the Group, Hi-Standard Equipment had acquired the assets and liabilities attributed to the fabrication business from another third party.

The net assets acquired in the transactions, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
	RMB'000	RMB'000	RMB'000
Net assets acquired			
Bank balances and cash	35,043	—	35,043
Trade and other receivables	11,768	—	11,768
Inventories	24,190	—	24,190
Land use rights	19,309	27,612	46,921
Property, plant and equipment	32,356	—	32,356
Patents	—	67,199	67,199
Trade and other payables	(36,590)	—	(36,590)
Tax payables	(60)	—	(60)
Deferred tax liabilities	—	(14,222)	(14,222)
	86,016	80,589	166,605
Goodwill arising on acquisition			41,395
Total consideration, satisfied by cash			208,000
Net cash outflow arising on acquisition			
Cash consideration paid			208,000
Less: Bank balances and cash			(35,043)
			172,957

Since its acquisition, Hi-Standard Equipment contributed RMB102,730,000 to the Group's revenue and RMB27,023,000 to the Group's profit before income tax for the period between the date of acquisition and December 31, 2008.

The information about revenue and profit of the Group had the acquisition been completed on January 1, 2008 has not been disclosed as such information is not provided by the vendor.

(b) Acquisition of Xi'an Huqing and Xi'an Qinqing

In 2007, the Group held 18% interest in Xi'an entities (detailed in Note 21) upon their respective establishments. The investments in Xi'an entities were accounted for as available-for-sale then. On August 19, 2008, the Group acquired the remaining 82% interest in Xi'an entities from the Beijing Sound Enviro with a consideration of RMB16,400,000. Consequently, Xi'an entities became wholly-owned subsidiaries of the Group. This transaction has been accounted for as purchase of assets, which mainly consist of service concession agreements signed by Xi'an entities.

Fair value of net assets acquired

	Acquiree's fair value
	RMB'000
Net assets acquired	
Bank balances and cash	55
Trade and other receivables	2,008
Inventories	8
Service concession receivables	98,668
Plant and equipment	281
Trade and other payables	(76,520)
	24,500
Available-for-sale investments	(8,100)
Total consideration, satisfied by cash	16,400
Net cash outflow arising on acquisition	
Cash consideration paid	16,400
Bank balances and cash acquired	(55)
	16,345

(c) Acquisition of Anyang Mingbo

On October 24, 2008, Beijing Sound Enviro, a fellow subsidiary acquired the 60% interest in Anyang Mingbo entities with a consideration of RMB27,000,000 from Shanghai Jingke Investment Management Co., Ltd., a third party, at a consideration of RMB27,000,000. Consequently, Anyang Mingbo became a subsidiary of Beijing Sound Enviro. This transaction has been accounted for as purchase of assets, which mainly consist of service concession agreements signed by Anyang Mingbo.

Fair value of net assets acquired

	Acquiree's fair value
	RMB'000
Net assets acquired	
Bank balances and cash	4
Trade and other receivables	32,200
Service concession receivables	50,589
Plant and equipment	66
Trade and other payables	(37,850)
Deferred tax liabilities	(9)
	45,000
Less: 40% interest attributable to non-controlling interests	(18,000)
Total consideration paid by Beijing Sound Enviro	27,000
Net cash inflow arising on acquisition	
Bank balances and cash acquired	4

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt, which includes the borrowings, and equity attributable to owners the Company, comprising share capital, retained earnings and other reserves.

The Group's management reviews the capital structure on an on-going basis. As part of the review, the management considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

35. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Financial assets:				
Available-for-sale investments	9,600	—	—	—
Loans and receivables				
Service concession receivables	—	230,158	415,747	438,184
Trade receivables	401,147	422,662	365,059	368,819
Bills receivables	30,383	32,530	20,962	5,569
Bid and compliance deposits	34,891	21,267	4,777	13,654
Other receivables	1,734	11,296	13,412	15,450
Restricted bank balances	418,647	369,481	72,208	46,476
Bank balances and cash	761,405	772,988	1,237,698	1,255,896
	1,648,207	1,860,382	2,129,863	2,144,048
Total	1,657,807	1,860,382	2,129,863	2,144,048
Financial liabilities at amortized cost				
Trade payables	225,466	426,140	510,091	487,552
Other payables	11,260	18,107	27,180	33,156
Bid and compliance deposits	11,876	13,490	12,468	11,405
Notes payables	—	—	28,266	4,903
Borrowings	347,920	391,662	227,000	245,700
Total	596,522	849,399	805,005	782,716

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Loans and receivables				
Dividends receivables from subsidiaries	45,000	94,500	79,500	79,500
Due from subsidiaries — non-trade	—	1,841	—	—
Trade receivables	5,768	13,201	6,500	5,345
Other receivables	409	373	791	—
Restricted bank balances	412,209	367,793	35,923	36,049
Bank balances and cash	1,565	2,637	2,236	3,141
Total	464,951	480,345	124,950	124,035
Financial liabilities at amortized cost				
Trade payables	805	1,928	400	400
Other payables	2,607	1,146	1,998	10,240
Borrowings	—	40,047	—	—
Total	3,412	43,121	2,398	10,640

Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, available-for-sale investments, service concession receivables, trade and other payables, borrowings, restricted bank balances, bank balances and cash. The Company's financial instruments include trade and other receivables, trade and other payables, borrowings, restricted bank balances and bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's objectives, policies and processes managing the risk and the methods used to measure the risk remains unchanged during the Track Record Period.

Credit risk

The Group and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated and the Company's statements of financial position at the respective reporting dates.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the statements of financial position are net of allowances for doubtful receivables, if any, estimated by the Company's management based on prior experience and the current economic environment. The Group reviews the recoverable amount of each individual debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's credit risk primarily relates to the Group's trade and other receivables, service concession receivables and bank balances. There is concentration of credit risk as the top five biggest customers account for approximately 65%, 54%, 49% and 48% of the carrying amounts of trade receivables as of December 31, 2007, 2008 and 2009 and March 31, 2010 respectively. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivables is reviewed at each reporting date and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk associated with the Group's trade receivable is significantly reduced.

The Group is also exposed to the concentration of credit risk on its service concession receivables. The directors of the Company consider the associated credit risk is low as the corresponding grantors are all government bodies in the PRC, who either pay or guarantee the payment to the Group.

The credit risk in relation to the Group's bank balances is not significant as the corresponding banks are reputable banking institutions.

Market risk

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group currently does not have a foreign currency hedging policy. Management monitors risks associated with changes in foreign currency exchange rates and interest rates and will consider hedging significant foreign currency exchange rates or interest rates exposure should the need arises.

Foreign currency risk management

The Group undertakes certain financing and treasury transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The carrying amounts of foreign currency denominated monetary assets of restricted bank balances and bank balances and cash and monetary liabilities of borrowings at the reporting date are as follows:

	Liabilities				Assets			
	At December 31,			At March 31,	At December 31,			At March 31,
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
S$	—	40,047	—	—	412,277	370,393	37,281	37,254
US$	—	—	—	—	1,532	37	11,697	4,076
The Company								
S$	—	40,047	—	—	412,277	370,393	37,258	37,232
US$	—	—	—	—	1,497	37	901	1,958

Sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in functional currency against the relevant foreign currency. 10% is the sensitivity rate used and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where functional currency strengthens 10% against the relevant currency. For a 10% weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the profit or loss and the amounts below would be negative.

	S$				US$			
	Year ended December 31,			Three months ended	Year ended December 31,			Three months ended
	2007	2008	2009	March 31, 2010	2007	2008	2009	March 31, 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Profit for the year/period . .	(41,228)	(33,035)	(3,728)	(3,725)	(153)	(4)	(1,170)	(408)
The Company								
Profit for the year/period . .	(41,228)	(33,035)	(3,726)	(3,723)	(150)	(4)	(90)	(196)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Interest rate risk

The Group and the Company are mainly exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see Note 30 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank borrowing and bank balances which carry prevailing market interest rates.

The Group also aims at keeping its fixed-rate borrowings on a short-term basis so as to minimize the interest rate risk. In order to achieve this result, most borrowings made by the Group are within one year period. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the respective reporting dates. The sensitivity analyses below have been determined based on the exposure to interest rates for variable interest rate borrowings. Bank balances are excluded from the sensitivity analyses since they are not sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate borrowings outstanding at the respective reporting dates were outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB790,000, RMB200,000, RMB662,000 and RMB680,000 for each of the three years ended December 31, 2009 and for the three months ended March 31, 2010 respectively.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of borrowings and ensures compliance with loan covenants.

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate current at the end of reporting period.

The Group

	Weighted average interest rates	Within one year	1-5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2007						
Trade payables		225,466	—	—	225,466	225,466
Other payables		11,260	—	—	11,260	11,260
Bid and compliance deposits		11,876	—	—	11,876	11,876
Borrowings						
Fixed-rate	5.49	192,598	—	—	192,598	190,000
Variable-rate	5.57	160,265	—	—	160,265	157,920
Total		601,465	—	—	601,465	596,522
As of December 31, 2008						
Trade payables		426,140	—	—	426,140	426,140
Other payables		18,107	—	—	18,107	18,107
Bid and compliance deposits		13,490	—	—	13,490	13,490
Borrowings						
Fixed-rate	6.52	358,209	—	—	358,209	351,615
Variable-rate	3.40	40,074	—	—	40,074	40,047
Total		856,020	—	—	856,020	849,399
As of December 31, 2009						
Trade payables		510,091	—	—	510,091	510,091
Other payables		27,180	—	—	27,180	27,180
Bid and compliance deposits		12,468	—	—	12,468	12,468
Notes payables		28,266	—	—	28,266	28,266
Borrowings						
Fixed-rate	5.31	95,390	—	—	95,390	94,700
Variable-rate	5.32	89,531	53,215	3,278	146,024	132,300
Total		762,926	53,215	3,278	819,419	805,005
As of March 31, 2010						
Trade payables		487,552	—	—	487,552	487,552
Other payables		33,156	—	—	33,156	33,156
Bid and compliance deposits		11,405	—	—	11,405	11,405
Notes payables		4,903	—	—	4,903	4,903
Borrowings						
Fixed-rate	5.26	113,165			113,165	109,700
Variable-rate	5.77	90,231	57,907	1,262	149,400	136,000
Total		740,412	57,907	1,262	799,581	782,716

The Company

	Weighted average interest rates	Within one year	1-5 years	Total undiscounted cash flow	Carrying amount at year/period end
	%	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2007					
Trade payables	—	805	—	805	805
Other payables	—	2,607	—	2,607	2,607
Total		3,412	—	3,412	3,412
As of December 31, 2008					
Trade payables	—	1,928	—	1,928	1,928
Other payables		1,146	—	1,146	1,146
Borrowings					
Variable-rate	3.40	40,074	—	40,074	40,047
Total		43,148	—	43,148	43,121
As of December 31, 2009					
Trade payables	—	400	—	400	400
Other payables	—	1,998	—	1,998	1,998
Total		2,398	—	2,398	2,398
As of March 31, 2010					
Trade payables	—	400	—	400	400
Other payables	—	10,240	—	10,240	10,240
Total		10,640	—	10,640	10,640

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using rates from observable current market transactions as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their respective fair values.

36. OPERATING LEASE COMMITMENTS

The Group as Lessee

Lease payment recognized as an expense:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Minimum lease payments under operating leases recognized as an expense in the year/period	2,571	3,126	2,302	778	472

At the reporting date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	1,499	1,701	1,553	2,002
In the second to fifth year inclusive	830	2,759	1,562	1,300
	2,329	4,460	3,115	3,302

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for lease terms of one to two years and rentals are fixed for lease terms of one to two years.

37. RETIREMENT BENEFIT PLANS

The Group's full-time employees in the PRC and Singapore are respectively covered by a government-sponsored defined contribution pension scheme and a comprehensive social security savings plan, which includes a retirement scheme. The employees are entitled to a monthly pension from their retirement dates. The PRC Government and Singapore Government are responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plans of a prescribed amount of employees' salaries, which are charged as an expense when the employees have rendered services entitling them to the contributions.

During the Track Record Period, the total amounts contributed by the Group to the schemes and charged to profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes and are as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Contribution to defined contribution plans	1,321	2,415	3,529	935	959

As of December 31, 2007, 2008 and 2009 and March 31, 2010, the contributions due in respect of the year that had not been paid to the schemes are RMB80,000, RMB100,000, RMB100,000 and RMB 4,000 respectively.

38. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group entered into the following significant transactions with related parties:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from construction contracts					
From fellow subsidiaries:					
Baotou Lucheng Water Co., Ltd ("Baotou Lucheng")	49,252	—	5,134	—	13,645
Daye Qingbo Water Co., Ltd ("Daye Qingbo")	—	36,300	8,283	—	—
E'zhou Eqing Environmental Engineering Co., Ltd. ("E'zhou Eqing")	—	52,910	2,864	—	—
Huzhou Zheqing Water Co., Ltd ("Huzhou Zheqing")	46,441	—	—	—	—
Jiayu Jiaqing Water Co., Ltd. ("Jiayu Jiaqing")	—	—	30,769	12,435	7,780
Jingmen Xiajiawan Water Co., Ltd ("Jingmen Xiajiawan")	—	24,390	5,682	1,485	614
Jingzhou Jingqing Water Co., Ltd ("Jingzhou Jingqing")	—	140,499	14,618	278	169
Tongliao Bibo Water Co., Ltd ("Tongliao Bibo")	113,930	10,517	3,104	—	—
Xi'an Qinqing Water Co., Ltd ("Xi'an Qinqing")*	27,622	32,031	—	—	—
Xianning Ganyuan Water Co., Ltd ("Xianning Ganyuan")	32,206	7,422	2,500	—	—
Xi'an Huqing*	—	23,343	—	—	—
Xiangfan Hanshui Qiyi Water Co., Ltd ("Xiangfan Qingyi")	30,958	7,583	—	—	—
Hubei Jichu Water Co., Ltd ("Hubei Jichu")	—	—	12,000	—	—
	300,409	334,995	84,954	14,198	22,208
Revenue from design service					
From fellow subsidiaries:					
Xianning Qingquan Water Co., Ltd ("Xianning Qingquan")	—	2,120	—	—	—
	—	2,120	—	—	—
Revenue from sales of goods					
From fellow subsidiaries:					
Beijing Xiaojiahe Wastewater Treatment Co., Ltd ("Beijing Xiaojiahe")	—	3,000	48	—	—
Nanchang Xianghu Water Co., Ltd ("Nanchang Xianghu")	—	—	442	—	—
Xianning Ganyuan	—	—	2	—	—
	—	3,000	492	—	—

The terms for the above transactions are negotiated and mutually agreed upon between the respective parties.

* In 2008, the Group increased its shareholdings in the entity to 100% as disclosed in Notes 21 and 33. Accordingly, the entity became a subsidiary of the Group from 2008.

(b) At the respective reporting dates, the Group had the following balances with related parties:

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Fellow subsidiaries				
Baotou Lucheng	58,836	14,156	—	13,645
Daye Qingbo	—	15,440	—	—
E'zhou Eqing	—	24,547	22,313	—
Hubei Jichu	—	—	4,900	5,500
Huzhou Zheqing	24,514	2,164	4,513	—
Jiayu Jiaqing	—	787	—	—
Jingmen Xiajiawan	—	424	—	—
Jingzhou Jingqing	—	54,528	1,405	4,905
Nanchang Xianghu	—	—	298	98
Tongliao Bibo	38,920	—	15,100	—
Xi'an Qinqing*	21,410	—	—	—
Xianning Ganyuan	21,068	—	703	703
Xianning Qingquan	—	2,120	—	—
Beijing Xiaojiahe	—	2,200	156	56
Xiangfan Qingyi	7,806	1,210	—	—
	172,554	117,576	49,388	24,907
Trade payables				
Fellow subsidiary				
Beijing Sound Enviro	—	—	—	2
Associate				
Shanghai Chenghuan Water Operation Co., Ltd	300	—	—	—

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from Customers for contract work				
Fellow subsidiaries				
Daye Qingbo	—	7,260	676	676
E'zhou Eqing	—	2,047	—	—
Huzhou Zheqing	—	2,540	—	—
Jingmen Xiajiawan	—	—	—	—
Jingzhou Jingqing	—	21,523	11,447	8,145
Xianning Ganyuan	—	990	—	—
Xiangfan Qingyi	—	2,051	—	—
Xi'an Qinqing*	2,762	—	—	—
Tongliao Bibo	47,763	89,099	13,400	8,500
Hubei Jichu	—	—	1,200	600
	50,525	125,510	26,723	17,921
Amounts due to Customers for contract work				
Fellow subsidiaries				
Baotou Lucheng	—	—	—	—
Jiayu Jiaqing	—	—	14,869	10,018
Jingmen Xiajiawan	—	8,150	2,949	2,230
Xianning Ganyuan	—	—	1,510	1,510
Xiangfan Qingyi	—	—	1,219	307
	—	8,150	20,547	14,065

* In 2008, the Group increased its shareholdings in the entity to 100% as disclosed in Notes 21 and 33. Accordingly, the entity became a subsidiary of the Group from 2008.

(c) Compensation of key management personnel

The emoluments of key management during Track Record Period including the directors disclosed in Note 12 were as follows:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	1,611	1,868	1,655	411	411
Contribution to defined contribution plans	128	148	142	30	36
	1,739	2,016	1,797	441	447

(d) Finance arrangement

Details of guarantees in respect of borrowings provided by related parties are set out in Note 30.

(e) Other receivables/Other payables

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables				
Directors				
Yan Xiaolei	4	4	14	4
Hu Zelin	2	—	—	—
Wen Yi Bo	—	—	50	50
	6	4	64	54
Fellow subsidiaries				
Baotou Lucheng	8,912	8,912	—	—
Beijing Lv'meng	—	—	2,700	—
Xiangfan Qingyi	—	400	—	—
Tongliao Bibo	12,400	—	300	300
	21,312	9,312	3,000	300
	21,318	9,316	3,064	354
Other payables				
Director				
Wang Zhili	33	—	—	—
Fellow subsidiary				
Beijing Sound Enviro	—	—	1,767	805
	—	—	1,767	805
	33	—	1,767	805

The above amounts due to and from related parties are interest-free, unsecured and repayable on demand.

(f) Others

1) Licensing of trademarks

Since 2002, the Group (previously being registered owner of certain trademarks) uses its trademarks for its water and wastewater treatment business. These trademarks are also used by Beijing Sound Enviro for its investments in environmental protection and its subsidiary, by Beijing Sound Water Technology Co., Ltd. for the processing of purified drinking water at no consideration before March 2006.

In March 2006, the Group agreed to transfer the trademarks for free to Beijing Sound Enviro pursuant to a Trademarks Transfer Agreement dated March 23, 2006. Beijing Sound Enviro will in return grant the Group the right to use the trademarks for a period of up to 50 years at nil consideration.

2) In addition to the above transactions, the Group has entered into sub-contract arrangements with the following main contractors:

Name of main contractor	The project related to the sub-contract (the "Project")	Name of operator of the Project (the "Operator")	Relationship with the Operator
Beijing Third Urban Construction Development Co., Ltd. ("Beijing Urban Construction")	Nanchang Xianghu Wastewater Treatment Project	Nanchang Xinghu Water Co., Ltd.	Fellow Subsidiaries
Tianjin Hanyi Construction Engineering Co., Ltd ("Tianjin Hanyi")	Jiansu Shuyuan Water Supply Project	Jiangsu Shuyuan Water Co., Ltd.	Fellow Subsidiaries
Hangzhou Shizheng Engineering Group Co., Ltd. ("Hangzhou Shizheng")	Huzhou Zhebei Water Plant Improvement Project	ZheJiang Huzhou Zheqing Co., Ltd.	Fellow Subsidiaries
Hubei Gongye Construction Group Co., Ltd ("Hubei Gongye Construction Group")	Hubei Zhushan Wastewater Treatment Plant Construction Project	Hubei Jichu Water Co., Ltd.	Fellow Subsidiaries
Xiangfan Shizheng Engineering Group Co., Ltd ("Xiangfan Shizheng")	Xiangfan Guanyinge Wastewater Treatment Plant Construction Project	Xiangfan Hanshui Qingyi Water Co., Ltd.	Fellow Subsidiaries
Jingzhou City Construction Group Co., Ltd ("Jingzhou City Construction")	Zhijiang and Hubei Jingzhou Wastewater Treatment Plant Construction Project	Jingzhou Jingqing and Zhijiang Zhiqing Water Co., Ltd.	Fellow Subsidiaries

During the Track Record Period, the Group entered into the following transactions with the above mentioned main contractors:

	Year ended December 31,			Three months ended March 31,	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from construction contracts					
Beijing Urban Construction	6,323	—	—	—	—
Hangzhou Shizheng	23,449	—	—	—	—
Hubei Gongye Construction Group	30,409	11,041	1,368	—	—
Jingzhou City Construction	—	16,146	5,545	2,249	—
Xiangfan Shizheng	52,453	—	—	—	—
	112,634	27,187	6,913	2,249	—
Purchase					
Hubei Gongye Construction Group	17,174	1,491	—	—	—
Jingzhou City Construction	—	80,554	—	—	—
	17,174	82,045	—	—	—

	At December 31,			At March 31,
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables				
Beijing Urban Construction	26,964	764		
Tianjin Hanyi	4,833	—	—	—
Hangzhou Shizheng	34,726	8,501		—
Hubei Gongye Construction Group	8,668	5,861	5,151	1,893
Xiangfan Shizheng	433	433	913	—
	75,624	15,559	6,064	1,893
Trade payables				
Hubei Gongye Construction Group	3,129	1,284	1,284	767
Jingzhou City Construction	—	18,088	—	—
	3,129	19,372	1,284	767
Amounts due from customers for contract work				
Hangzhou Shizheng	9,750	4,875	—	—
Hubei Gongye Construction Group	3,041	4,281	1,331	1,331
Jingzhou City Construction	—	—	258	258
	12,791	9,156	1,589	1,589
Other receivables				
Hangzhou Shizheng	7,750	7,750	—	—
Jingzhou City Construction	—	—	50	50
	7,750	7,750	50	50

The above mentioned other receivables are interest-free, unsecured and repayable on demand.

B. SUBSEQUENT EVENTS

(a) On July 23, 2010, the Group granted options (the "Options") to participants under the Sound Global Share Option Scheme (the "Scheme"), which was adopted pursuant to a resolution passed on August 15, 2007 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 15% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The number of shares in respect of which options had been granted and remained outstanding under the Scheme of 64,500,000 represents 5% of the shares of the Company in issue at the date of grant. Options may be exercised at any time from 12 months from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is S$0.745 per share determined by the directors of the Company based on the average of the last trading price of the Company's share for the five consecutive market days immediately preceding the date of grant.

The exercise of the Options is also subject to the following conditions:

1) The Options will be exercisable in four equal tranches, commencing one year from the date of grant and up to 2014;

2) The increase in profit for each of the financial years ending December 31, 2010, 2011, 2012 and 2013 must be at least 15.0%, excluding all exceptional items in statement of comprehensive income; and

3) The compounded growth rate for net profit, based on profit for the financial year ended December 31, 2009, must be at least 25% for each of the financial years ending December 31, 2010, 2011, 2012 and 2013, excluding all exceptional items in statement of comprehensive income.

(b) The Company closed the issue of RMB885 million, 6% convertible bonds (the "Bonds") on September 15, 2010. The Bonds entitle the holders to convert them into ordinary shares of the Company (unless previously redeemed, converted or purchased and cancelled) at any time on or after October 25, 2010 up to the close of business on September 8, 2015 at a conversion price (subject to adjustments) of S$0.924 per share, translated to RMB4.76995 per share at fixed exchange rate. Unless previously redeemed, purchased or cancelled, the Bonds will be redeemed on September 15, 2015. Interest of 6% will be paid semi-annually with the first interest payment date falling on March 15, 2011.

The Company may redeem all but not some only of the Bonds at a redemption price on some conditions (as defined in the Terms and Conditions of the Bonds in the Offering Circular dated September 10, 2010).

C. DIRECTORS' REMUNERATION

Under the arrangement currently in force, the aggregate amount of remunerations of the directors of the Company payables for the year ending December 31, 2010 is estimated to be approximately RMB1,094,000.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any companies comprising the Group in respect of any period subsequent to March 31, 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong