Sound Global Ltd. Annual Report 2013

SHORING UP

桑德國際
sound global

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SHORING UP

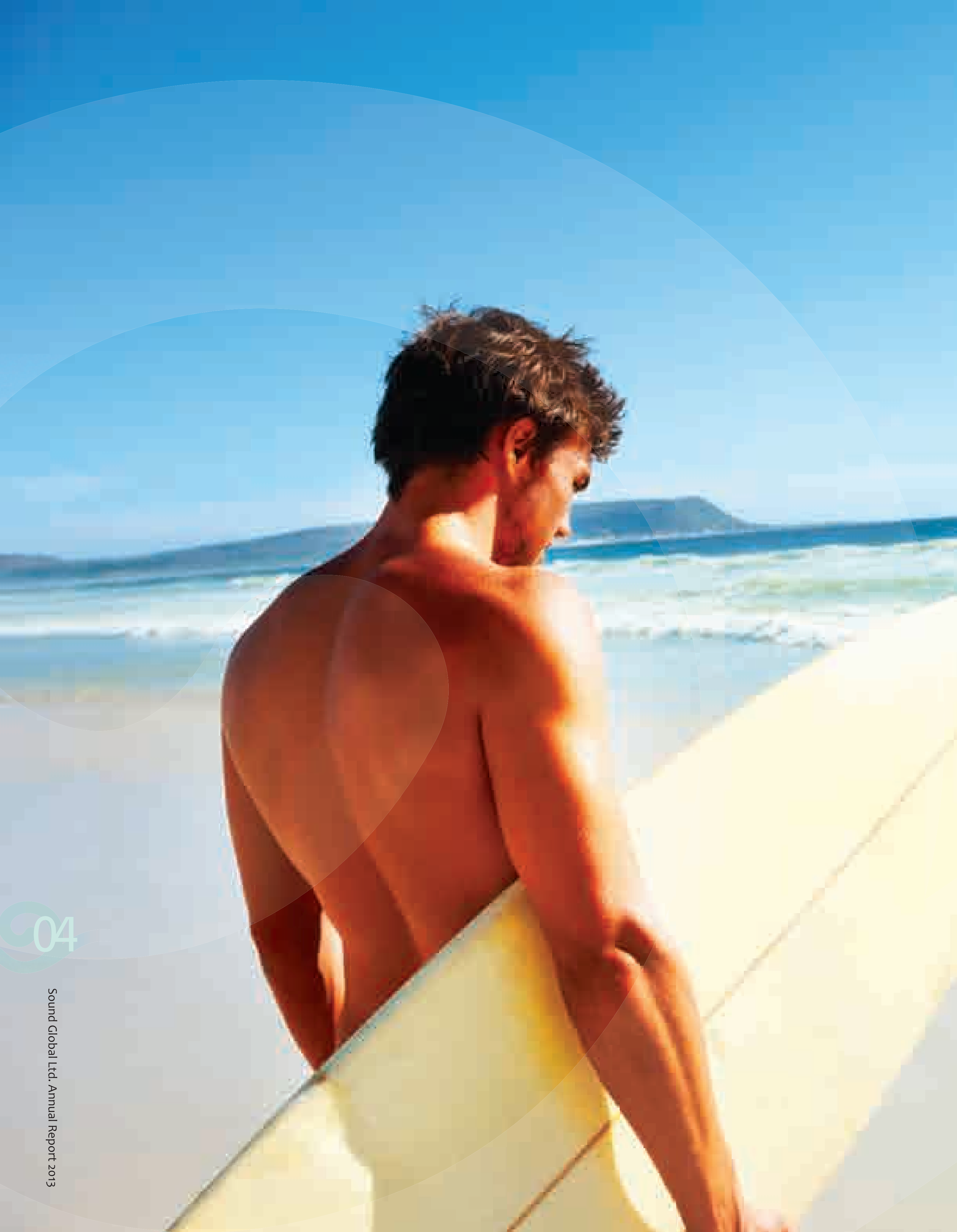
The waves continue their relentless pursuit towards their final destiny: to make a big crash on the shore. They roll over one another, swelling in strength and gaining in speed and finally shoring up into a giant force. Yet the shore is some distance away. This can only mean that the impact will be huge, thunderous and unforgettable.

Sound Global is aiming for this impact in the near future. Our strategy of pursuing investments, stockpiling resources, biding for opportunities, and cultivating investor confidence will ensure that our wave is huge, thunderous and unforgettable.

CORPORATE PROFILE

Sound Global Ltd. is one of China's leading turnkey water & wastewater treatment solutions providers. Backed by extensive R&D and technical expertise, it has successfully completed many award-winning projects. The Group develops proprietary technologies and customises them into effective turnkey solutions for industrial and municipal projects. It has a strong marketing network in China, where it is much sought after for its strong design and engineering project management capabilities.

In 2006, Sound Global diversified into the management of water treatment plants. It has also invested in Build, Operate and Transfer ("BOT") projects to diversify its project portfolio. The Group acquired Beijing Hi-Standard Water Treatment Equipment Co., Ltd. ("Hi-Standard"), progressing towards its aspiration of becoming a fully integrated services provider.



BIDING FOR OPPORTUNITIES

"Go for the biggest wave!" the surfer's daredevil partner challenged him. "You get the biggest thrill and adrenaline pump!" The surfer scrutinized the seascape and waited, not engaging the provocation. Finally after patiently biding his time, he made the plunge. The wave was big but not huge, but critically there was a series of waves to ensure a prolonged surf. With the time, the surfer had the surf of his life, riding wave after wave, climbing through tunnel after tunnel and finally making the highest jump. It was sensational!

At Sound Global we are biding our time as well, waiting for the perfect wave to showcase our capabilities and experience. And when the wave arrives, we are sure that the ride will be sensational.

CHAIRMAN'S STATEMENT

Dear shareholders,

First of all, I would like to express my heartfelt gratitude to all shareholders for your care for and support to the Company throughout the years.

Review

In 2012, the report from the 18th National Congress of the Communist Party of China first discussed the issues of "ecological civilization," combining the building of the ecology with economic, political, cultural and social progresses in the "Five in One" approach. At the same time, the report proposed guidelines for the concept of "Building a Beautiful China." By giving ecological civilization progress top priority and combining economic, political, cultural and social progresses, the Chinese government's political ideas to respect, cope with and protect nature were clearly emphasized.

In 2013, the Third Session of the 18th National Congress proposed that "to achieve ecological civilization, a sound system should be established to protect the ecological environment. This system included improving the natural resources and properties system and the utilization control system, developing ecology protection boundaries, implementing the resource price system and ecology renewal system, and reforming the environment protection and management system. In July, the State Council held a standing committee meeting, calling for accelerated development of the energy-saving and environment protection industry, which required both policy support and innovation to encourage and guide active participation of social capital, including private capital. In August, the "Opinions on Accelerating the Development of Energy–saving and Environment Protection Industry (關於加快發展節能環保產業的意見) was expressed by the State Council, with the aim to build up the energy-saving and environment protection industry as a new pillar of the national economy. In September, the "Air Pollution Prevention Action Plan" (大氣污染防治行動計劃) , which was referred to as the "historically most-stringent" air pollution control standards, was passed by the State Council. The plan transformed government policy from focusing on pollution control to energy-saving and environment protection. In October, the central government confirmed a subsidy of RMB 5 billion for the implementation of air pollution control. This policy signified a shift in focus from regulating to incentivizing industry players.

Throughout 2013, favourable policies have brought much hope to the development of the environment protection industry. Pressure on the environment have brought the environment protection industry a broader market – the combined effect from policy support and market demand was reflected in the third-quarter reports of listed companies in the environment sector and investment capitals have flowed in as a result. This has led to the development of profit models in the various sub-segments and strong development momentum in the overall environment protection industry, particularly in the sewage treatment and recycling sub-segments. The wastewater treatment industry was also going through a consolidation phase of development – words like "transformation," "scale," "vitality," and "innovation" have become key words for the development of the wastewater treatment industry in China. Although municipal sewage treatment continued to be the market focus, sub-segment such as water treatment and supply in rural areas, industrial sewage treatment and seawater desalination had also shown continuous potential.

In 2013, Sound Global continued to capitalize on its existing advantages in regional markets, and has delivered great results in new markets such as Fujian, Guizhou, Anhui and Xinjiang. Particularly, Sound Global achieved a breakthrough in Beijing, marking a milestone in the strategic development of the Company. Moreover, we also achieved fruitful results in the sub-segments. Following the establishment of rural sewage treatment models in Hunan and Jiangsu, we also achieved significant results in areas like Fujian, Shanxi, Shandong and Hebei subsequently. With our immense experience and innovation capabilities in advanced treatment technology for industrial sewage, we secured additional industrial sewage treatment investment projects in the timber and petrochemical sectors. Leveraging on our advantage in branding and capital management, we also enhanced our operations capabilities. With pragmatic and sound practices, Sound Global has continuously improved on our overseas financing structure and actively explored overseas opportunities, slowly realizing our aim of becoming a global company. By doing so, Sound Global has covered every aspect of the water treatment business, including mergers and acquisitions, project general contracting, investment and custodian transportation. As one of the outstanding representatives of the wastewater treatment industry in China, Sound Global has fully exhibited its capabilities.

Prospects

The "Opinions on Accelerating the Development of Energy-saving and Environment Protection Industry" (關於加快發展節能環保產業的意見) expressed by the State Council projected that the total output value of the environment protection industry would reach RMB 4.5 trillion by 2015, making the industry a new pillar of the national economy. The investment in construction of facilities for urban sewage, desulfurization and denitrification would exceed RMB 800 billion while the total output value of environment services would reach RMB 500 billion.

With the acceleration of China's urbanization and industrialization, the demand for water resources has increased correspondingly. The acute shortage of water treatment facilities, coupled with the low treatment rate of current urban and rural sewage plants, have brought tremendous room for growth in the sewage and wastewater treatment industry in terms of construction and capital investment. In addition, with government policies to encourage the use of recycled water, more opportunities would become available in the sewage and wastewater treatment market.

Following the Third Session of the 18th National Congress, the initial policy document issued by the Ministry of Environmental Protection focused on rural environment issues. As a result, there would be tremendous growth opportunities in the rural environment protection segment. Statistics from the Ministry of Housing and Urban-Rural Development of China showed that only 7% of wastewater in the rural areas was treated. Hence the focus for the environment protection industry would shift to the rural areas and small towns. According to the requirement in the "Plan for Facilities Construction for Urban Wastewater Treatment and Recycling under the 12th Five-year Plan," (「十二五」全國城鎮污水處理及再生利用設施建設規劃) by 2015 the urban wastewater treatment rate would need to achieve 85% (complete treatment of wastewater for municipals, provincial capitals and targeted cities; 85% for prefecture-level cities; 70% for county-level cities; and 30% for towns. Hence, there is tremendous space for growth for the wastewater treatment industry in China.

After experiencing the upturns and downturns of the industry, Sound Global, with 20 years of experience, has combined technological innovation, project implementation, equipment manufacturing, operation management and capital management capabilities into an integrated operation. This integrated ability has empowered Sound Global to excel in both municipal as well as industrial projects and has enabled Sound Global to carve a successful path in the rural wastewater treatment market. This initial success will pave a way to future successes in the main wastewater treatment industry, which lies in the rural and town areas. We will also continuously focus on our research and development efforts. While our results in the domestic markets have been outstanding, we will continue our efforts to become the global leader in the wastewater treatment industry.

I believe that in 2014, Sound Global will present to its shareholders very satisfactory results.

Appreciation

I would like to take this opportunity to express my gratitude to all shareholders, customers and business partners for their continuous care and support for Sound Global. I would also like to express my heartfelt thanks to the management team and our staff for their dedication to the Company's long-term development.

I wish you every success in your work and a happy family in the year of the Horse.

Wen Yibo

主席致詞

尊敬的列位股東：

首先，本人謹代表桑德國際有限公司，向列位股東對本公司長期以來的關心和支持表示衷心的感謝！

回顧

2012年，中國共產黨的十八大報告中首次專述“生態文明”，將生態文明建設，與經濟建設、政治建設、文化建設、社會建設一起，列入“五位一體”總體佈局，并提出了“建設美麗中國”的行動綱要。把生態文明建設放在突出地位，融入經濟、政治、文化、社會建設各方面和全過程，體現了中國政府尊重自然、順應自然、保護自然的治政理念。

2013年，十八屆三中全會提出“建設生態文明，必須建立系統完整的生態文明制度體系，用制度保護生態環境。要健全自然資源資產產權制度和用途管制制度，劃定生態保護紅線，實行資源有償使用制度和生態補償制度，改革生態環境保護管理體制。”7月，國務院台開常務會議並要求，加快發展節能環保產業，既要有政策支持，更要創新機制，鼓勵引導社會資本包括民間資本積極參與。8月，國務院發布《關于加快發展節能環保產業的意見》，要將節能環保產業打造爲國民經濟新的支柱產業。9月，國務院又發布了被稱爲“史上最嚴”的大氣治污標準《大氣污染防治行動計劃》，要着力把大氣污染治理的政策要求有效轉化爲節能環保產業發展的市場需求，10月，中央財政的50億元用于大氣污染治理補貼的落實，釋放出一個强烈信號：政策由前期的强制性法令法規爲主轉到補貼落實。政府加大購買公共服務力度，基礎設施和公用事業特許經營法被正式列入立法規劃。

縱觀2013年，政策的利好給環保產業發展帶來更多希望，環境的壓力使環保產業擁有更大的市場空間，政策扶持與現實需求共振的效果已經在環保板塊上市公司的三季報上有所體現，資金向環保產業聚集。環保各個細分產業的盈利模式日漸清晰，環保服務業發展勢頭强勁，其中，污水處理及其再生利用業增長尤其明顯。整個水業市場，顯現整合態勢，“變局”“規模”“活力”“創新”等已成爲中國水務行業發展的關鍵詞。雖然市政污水處理依然是市場的熱點，但農村給排水市場、工業廢水、海水淡化等細分行業潛力也在釋放。

2013年，桑德國際繼續發揚原有的區域市場優勢，并在福建、貴州、安徽、新疆等新的區域市場有所建樹，特別是在北京水處理市場取得的突破性進展，實現了立足未來長期戰略布局的重要一步。不僅如此，在細分行業領域亦收穫頗豐，繼小城鎮污水處理模式在湖南、江蘇落地生根之後，又相繼在福建、陝西、山東、河北等地開花結果；以多年來工業廢水深度處理技術的積澱和再創新能力，取得了木業、石化等工業廢水處理投資項目。憑借着品牌優勢和資本優勢并購成功，規模化經營能力再度提升。一直以來，桑德始終以務實、穩健的作風，不斷優化境外融資結構，積極開拓境外業務，國際化經營目標逐步接近。值此，桑德國際覆蓋了包括併購、工程總承包、投資、托管運營等水務業務的全部。作爲中國水務行業優秀代表之一，桑德國際以出色的表現，將實力完整地呈現在公衆面前。

展望

國務院《關于加快發展節能環保産業的意見》提出，到2015年環保産業總産值達到4.5萬億元，成爲國民經濟新的支柱産業。城鎮污水垃圾、脫硫脫硝設施建設投資可超過8000億元，環境服務總産值將達5000億元。

隨着中國城市化、工業化的加速，水資源的需求缺口也日益增大。我國污水處理建設的嚴峻形勢，縣城和建制鎮污水處理率較低的現狀，爲污水處理市場的建設、運營投資均帶來巨大投資空間。此外，國家鼓勵利用再生水的政策，也將打開污水深度處理業務的市場空間。

十八屆三中全會後，環境保護部發布的首份政策類文件聚焦農村環境。隨着三中全會對“生態紅綫”劃定工作的重視，農村環境保護將迎來巨大發展空間。國家住建部的數據顯示，目前我國農村的污水處理率僅有7%，農村和小城鎮污水將成爲環境治理重點。根據《“十二五”全國城鎮污水處理及再生利用設施建設規劃》要求，到2015年，城市污水處理率需達到85%（直轄市、省會城市和計劃單列市城區實現污水全部收集和處理，地級市85%，縣級市70%），縣城污水處理率平均達到70%，建制鎮污水處理率平均達到30%。可見，我國污水處理業務市場空間廣闊。

經歷了市場洗禮和二十年的不斷積澱，桑德已經將技術創新能力、工程實施能力、設備制造能力、運營管理能力、資本運作能力融合爲綜合能力，這種綜合能力使桑德無論是市政項目還是工業項目皆游刃有餘。桑德在鄉鎮污水治理領域走出了一條成功之路，圍繞未來污水處理主戰場的鄉鎮和農村，研究和探索還在繼續。在國内業務做得風生水起之時，桑德也在爲跨入全球環保行業前列的理想而努力。

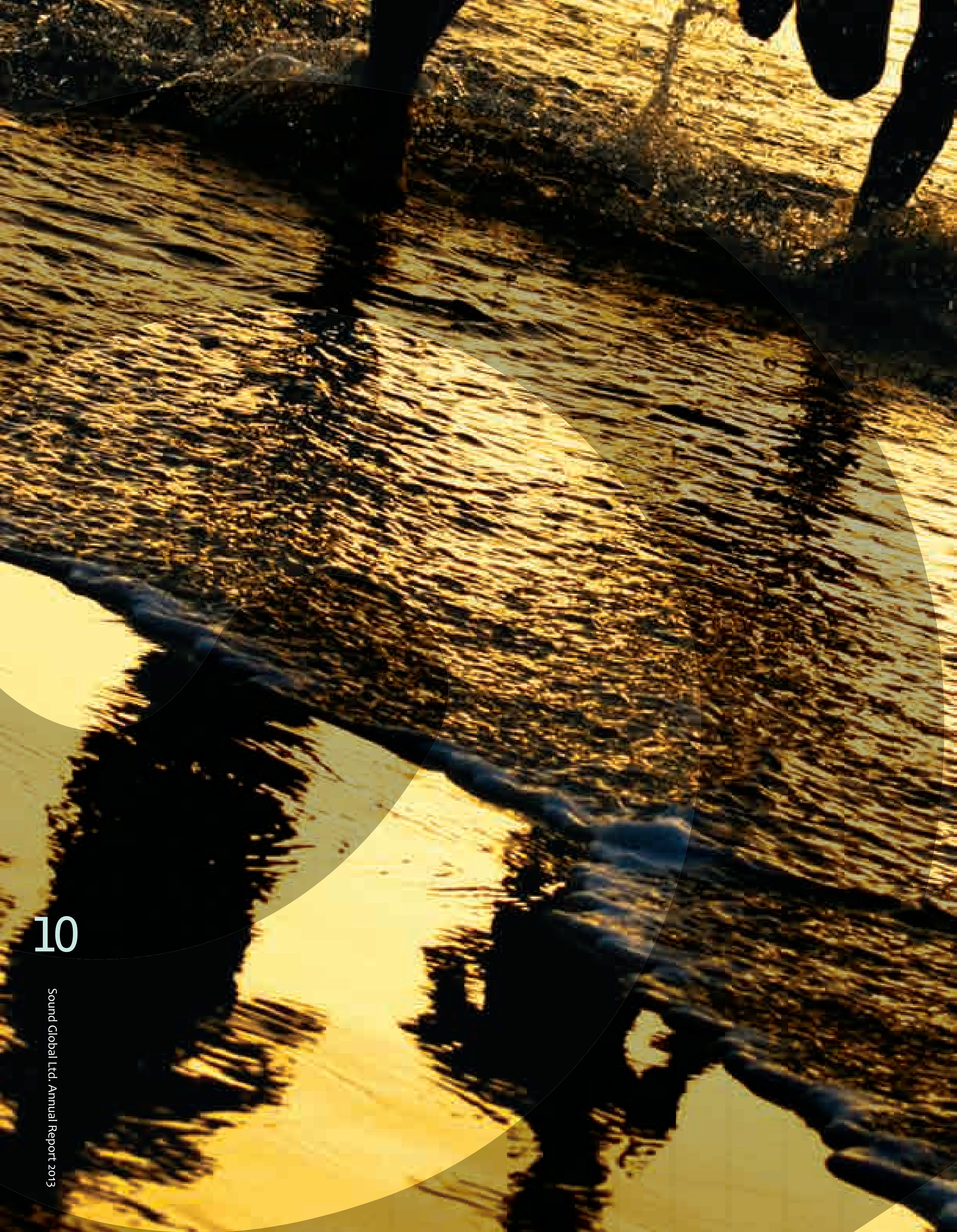
我相信，2014年，桑德國際會向股東們交出一份令人滿意的成績單。

致謝

藉此，感謝各位股東、客户及事業伙伴長期以來對桑德國際的關心和支持，感謝各位管理人員及全體員工爲桑德國際的長遠發展所做出的努力。

祝各位，馬年好運、事業發達、闔家幸福！

文一波



PURSUING INVESTMENTS

The sun's reflection glitters over the shallow waters, periodically getting broken by the incoming waves -- a serene rhythm began to form. As the tranquility begins to set in, a chant could be heard from afar. The chant gets louder and finally the peaceful water is broken by the running steps of a group of runners. From the steps we can tell that these runners are not sprinting but rather running a steady long distance; the longer the distance, the steadier the steps.

Sound Global endeavors to run the distance with our investors and actively pursues them, assuring them with our solid track record. And we have attracted world-class investors committed to go the distance with us.

CEO'S OPERATIONS REVIEW

Dear Shareholders,

I am very thankful for your understanding and support towards the rapid development of the Company all these years, I am also very pleased by the hard work of all the staff. While we embark on a new year in 2014, let us also review the past year and preview the development of the new year.

Operations Condition

For the past year, after identifying the trends and characteristics in the development of domestic and overseas water treatment markets, the Company determined its strategic direction, business emphasis and management focus for future development. We aimed to utilize fully our leadership position in business planning, refine financial platforms for top management, strengthen execution and management of projects, promote detailed planning for operation, enhance financial innovation, strengthen resource integration throughout the business chain, reinforce our governance process, improve management skills in all levels of staff and expand the scale of operation.

Driven by a passion for success and an undying pioneering spirit from all staff members, the Company successfully executed all the projects for the year. In the process, Company was brought to a new level of professionalism.

Technological Services

The water treatment industry has evolved from a commercial model in its infancy stage to an integrated and innovation-based model. Based on current trends, technological innovation and service capabilities would become the determining factor for the future development of the industry. In the past year, the Company has, on one hand, undertaken industry-related and nationwide issues to raise its technical abilities; and on the other hand, coordinated with the actual market to fulfill its demands, by utilizing our arsenal based on 20 years of experience, to achieve technological breakthroughs.

In 2013, the Company's R&D Centre was accredited as the "Beijing Engineering and Technical Centre" (北京市工程技術中心). The Company reported on the national-level topic of "Comprehensive Demonstration and Study of Industrial Park Wastewater Treatment and Environment Service Model" (工業园區廢水治理及環保服務模式總合示范研究), and various other topics on Beijing city. These reports applied innovations such as energy-saving MBR, shale oil wastewater treatment technology and the new-generation bio-fillers to real industrialized settings and in the process showcased the Company's R&D capabilities.

Market Development

With the implementation of the programme for rural wastewater treatment, more than one-third of provinces and over 100 counties and towns are now enjoying or will enjoy the benefits of wastewater treatment proposed by Sound Global.

The upgrading of wastewater treatment infrastructure, implementation of government policies and consolidation of the wastewater industry has brought unprecedented opportunities for the Company. To capitalize on these opportunities, the Company accelerated its plan to build medium to large-scale BOT projects, source for merger and acquisition opportunities and expand the scale of the Company. As at the end of 2013, the number of projects managed by the Company increased 21% from 105 in 2012 to 127 in 2013. Total production value was RMB 3.1 billion, an increase of 18.4% from the previous year.

The Company has placed emphasis to achieve breakthroughs in water treatment technologies for the energy and chemical sectors, and for water treatment in an industrial park setting. As a result, we secured a shale oil dry distillation wastewater project (頁岩油乾餾廢水處理專案) and in the process became the nationwide leader in this area. The Company subsequently secured a coking wastewater advanced treatment project (焦化廢水深度處理專案), further consolidating our leading position in the coking wastewater sector. In addition, the Company also seized opportunities in the industrial park sector and secured wastewater treatment projects in various industrial parks.

By strengthening our efforts in the asset-light Operation and Maintenance ("O&M") model, and setting this sector as an important strategic emphasis of the Company, we secured a batch of O&M projects amidst intense competition. The O&M model would become the strategy and operation mode for the Company in the future.

I believe that the Company has the ability to compete globally in areas such as technological services, equipment manufacturing, EPC and all areas in the investment chain. In the past year, the Company has also stepped up its efforts to explore overseas business opportunities.



Human Capital

The Company has always insisted that human capital is our most important resource for sustainable development. As a result, we have continually upgraded ourselves in three key areas: operation management, professional skills and technical skills. This is part of our vision of "Talented Staff, Strong Enterprise" and we strive to build a conducive environment to nurture talent. Over the years, we have gradually built up a sufficient team of first-class and innovative talents, based on a sound structure, to move and sustain the Company in it rapid development.

Development Targets

2014 will be a year of accelerated transformation for the water industry with emphasis on enhancing service standards and integrating services. The Company will "reinforce its professional foundation, strengthen its collaboration abilities, and enhance its international and local competitive advantage and leadership position" to build a "Civilized Sound Global, Technological Sound Global, Green Sound Global." We now embark on a new phase of development for the Company.

Appreciation

On behalf of the management, I would like to express my gratitude to all my fellow colleagues from nationwide to overseas who have fought for the rapid development of the Company in the past year. Because of your efforts and support, Sound Global has achieved outstanding results. I would also like to wish all shareholders and staff a prosperous, healthy and blissful year in 2014.

Zhang Jingzhi

首席執行官營運回顧

尊敬的各位股東：

非常感謝各位股東一直以來對公司快速發展的理解和支持，也非常感謝全體員工的辛勤工作。站在2014年的新起點上，讓我們回顧和總結過去的2013年，並展望和安排新年度的發展思路。

經營狀況

過去的一年裏，公司根據國內外水務行業發展的現狀、趨勢和特點，進一步明確了公司面向未來發展的戰略方向、業務重點以及管理重點。充分發揮戰略引領作用，頂層架構公司金融平臺，加强項目執行管理，推進精細化運營管理，加强融資創新，加强業務鏈資源整合，加强管控建設，全面提升管理水平和助推業務規模擴張。

公司全體員工以奮發向上的工作熱情和開拓進取的拼搏精神，圓滿完成了年度各項經營任務，公司經營管理再上新臺階。

技術服務

水務行業的發展已從商業模式的創新階段逐步過渡到綜合規模型以及技術創新型階段。技術創新和服務能力是未來行業發展的最主要競爭因素。公司在過去的一年裏，一方面通過申請和承擔國家及行業課題來提升公司的前沿理論技術水平；另一方面，積極配合市場的現實需求，結合20年積累的專業經驗，突破高難度廢水處理的技術瓶頸。

2013年公司研發中心獲批成為"北京市工程技術中心"；公司申報成功國家水專項"工業園區廢水治理及環保服務模式綜合示範研究"課題以及北京市系列課題，將節能型MBR、頁岩油廢水處理技術、新一代生物填料等研發成果有效轉化為產業化項目，突顯了公司的技術研發實力、自主創新能力和技術轉化能力。

市場拓展

全面布局小城鎮污水處理業務，已有超過三分之一的省份，超過100個鄉鎮正在或將要享用由桑德國際在國內率先提出的鄉鎮污水處理系統解決方案。

利用水務設施改造、擴容的政策機遇以及行業整合的歷史機遇，全力推進大中型BOT項目和併購業務，推進公司規模發展速度。截止到2013年底，公司項目管理數量由2012年的105個上升到2013年的127個，較去年增長21.0%，生產總值人民幣31.4億，較去年增長18.4%。

集中資源，重點突破能源化工污水處理及工業園區水環境系統。成功獲得了頁岩油幹餾廢水處理項目，在該領域取得了國內領先地位。相繼取得系列焦化廢水深度處理項目，進一步鞏固了公司在焦化廢水領域的領先地位。抓住工業園區發展的機會，取得了各類工業園區系列高難度廢水處理項目。

加强托管運營的輕資產環境服務，並定位為公司的重要戰略業務方向，2013年在激烈的市場競爭中，公司相繼取得了一批托管運營項目，形成了公司的環境服務業務操作模式和操作思路。

公司在技術服務、設備成套、EPC以及投資類業務全產業鏈方面都具備了國際化業務的競爭能力。在過去一年裏，公司進一步强化海外業務拓展，全面佈局國際業務。

人力資源

公司始終堅持人才是第一資源，是實現可持續發展的戰略資源，着力加强經營管理、專業技術、操作技能三支人才隊伍建設，努力實施“人才强企”戰略，營造有利于人才成長的良好氛圍，培養和造就了一支數量充足、結構優化、素質一流、富于創新的人才隊伍，逐步形成了支撑公司快速發展的人才競爭優勢。

發展目標

2014年是水業市場以提高服務水平爲核心驅動力，快速向以綜合環境服務爲核心的産業發展階段轉型的一年。公司緊密圍繞“夯實專業基礎、增强協同能力，提升國內外競爭優勢和引領能力”的科學發展任務，打造“人文桑德、科技桑德、綠色桑德”，在新的起點上努力開創公司科學發展新局面。

致謝

本人謹代表管理層，感謝一年來爲公司的快速發展奮戰在全國各地及海外的全體同仁，亦感謝諸位股東的鼎力支持。正是由于你們的努力和支持，桑德國際取得了突出的成績。在此，真誠祝願各位股東、各位員工2014年工作順利，身體康健，闔家幸福！

張景志

FINANCIAL HIGHLIGHTS

REVENUE (RMB '000)

GROSS PROFIT (RMB '000)

PROFIT BEFORE INCOME TAX (RMB '000)

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB '000)

CONSOLIDATED RESULTS

	For the year ended December 31,				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (restated)
Revenue	**3,139,500**	2,652,256	2,287,575	1,765,672	1,293,476
Gross profit	**958,189**	800,387	722,052	536,145	375,513
Profit before income tax	**566,178**	503,411	481,208	349,067	292,989
Income tax expenses	**(140,801)**	(75,902)	(67,383)	(59,877)	(10,236)
Profit for the year	**425,377**	427,509	413,825	289,190	282,753
Profit for the year attributable to					
Owners of the company	**423,347**	427,509	413,825	289,104	281,869
Non-controlling interests	**2,030**	-	-	86	884
	425,377	427,509	413,825	289,190	282,753
Earnings per share (in RMB cents)					
Basic	**32.82**	33.14	32.08	22.41	21.85
Diluted	**32.36**	32.35	31.32	22.41	21.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (restated)
Current assets	**6,337,750**	5,008,194	3,701,937	3,501,693	1,971,479
Non-current assets	**2,459,531**	1,830,931	1,254,247	848,605	611,304
Total assets	**8,797,281**	6,839,125	4,956,184	4,350,298	2,582,783
Current liabilities	**2,568,597**	1,763,281	2,064,145	1,356,485	923,030
Non-current liabilities	**3,154,393**	2,421,332	587,370	1,057,558	67,809
Total liabilities	**5,722,990**	4,184,613	2,651,515	2,414,043	990,839
Capital and reserves	**3,074,291**	2,654,512	2,304,669	1,936,255	1,591,944

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT TRENDS, CONDITIONS AND EVENTS

To consolidate its leading market position, the Company will continuously focus on the Engineering, Procurement and Construction ("EPC") market in municipal and industrial fields and strengthen the management in 2013. With the improvement of China's environmental standards, the sewage treatment plants constructed previously are required to achieve Grade 1A of the state standards or regional standards being at higher level than such a state standard through enhancement and renovation. In the new round of enhancement and renovation process, the Company has proactively sought the enhancement and renovation as well as expansion and reformation projects on the technology and equipment of municipal and industrial sewage treatment plant.

In addition, the state, according to the distribution of Chinese energy and chemical industries as well as the formation of the new urban function features, makes mandatory provisions on the recycling of industrial wastewater treatment. Thus, there will be renovation and expansion projects as well as new projects generated in the field of industrial wastewater treatment. While further consolidating the leading position of the Company in the coking wastewater area, the Company made breakthrough in the shale oil wastewater treatment (頁岩油廢水處理) and coal chemical industry wastewater treatment (煤化工廢水處理) as well as their comprehensive application in the industrial field, which established the Company's leading role in implementation of planning, design and construction of industrial parks water environment system. In the future, shale oil and shale gas will form a new energy sector which might have great market potential.

The Company will actively seek out projects with relatively good return, development potential and controllable risk in a cautious manner. The rapid pace of development of urbanization of the PRC and the zonation development for industrial and corporate enterprises help to create investment opportunities which provides the Company with investment options with more favorable returns and therefore the Company will increase its efforts to develop investment projects. China's environmental protection industry market has entered a consolidation stage of development, which provides mergers and acquisitions opportunities for the Company. The Company has selectively conducted mergers and acquisitions activities with reasonable price of mergers and acquisitions, and favorable return on investment. The Company has successfully acquired three Beijing municipal sewage treatment projects in the fourth quarter. The Company will further increase mergers and acquisitions activities to enhance economies of scale and expand market shares in the future.

With the advancement of marketization of environmental service industry, the environmental service market, mainly under the mode of entrusted operations of third-party environment facilities in municipal and industrial areas in China, becomes mature, the weightings of water enterprises transforming into environmental service company has increased year by year. The Company has established the environmental services business division, which is positioned as an important strategic business direction of the Company and has laid a solid foundation for the Company to carry out the business of trust operations. The Company will continue to increase Operation and Maintenance ("O&M") market expansion efforts.

The Company will steadily expand its international business, including equipment sales and EPC, further expansion of business in the emerging market areas, mainly in the Middle East, Southeast Asia and Africa and other developing countries, and the establishment of marketing channels and institutions in the respective regions. The Company has gained competitive edges as an international business in the areas such as technological services, equipment packages, EPC and the whole industry chain of investment business. The Company will select overseas projects with controllable risk and relatively good return for long-term investment operation, to realize its international operation development.

Urban sewage has been one of the main sources of regional pollution in the PRC. The sewage treatment market for small towns is still in its beginning stage, which will be a new strategic target in the PRC following the sewage treatment projects for large and middle-sized cities. In the future, a rapid growth in the construction of sewage treatment plants for small-sized cities is expected. By fully leveraging on our strengths in the technology, management and integrated industrial chain, as well as developing and applying the state-of-art patent technology similar to SMART* patent technology, the Company, through centralized, modularized and clustered management, will step up its effort in developing its sewage treatment business in small-sized cities in the PRC to the fullest, according to the requirement of the "Plan for Facilities Construction for Urban Wastewater Treatment and Recycling under the 12th Five-Year Plan" ("十二五"全國城鎮汙水處理及再生利用設施建設規劃). To formulate an economically viable solution for the environmental management in the towns and rural areas in the PRC, the Company has developed business in more than one-third of the city in the PRC, further established its leading position in the industry.

* Small & Skillful, Multiple & Modular, Active & Automatic, Rapid and Technologic

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF GROUP'S FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by approximately RMB487.2 million or 18.4% from approximately RMB2,652.3 million in 2012 to approximately RMB3,139.5 million in 2013.

Turnkey revenue increased by approximately RMB436.9 million or 17.9% from approximately RMB2,446.0 million in 2012 to RMB2,882.9 million in 2013 as the Group expands its operations. Profit contribution from turnkey projects and services increased by approximately RMB84.9 million or 14.0% from approximately RMB607.9 million in 2012 to approximately RMB692.8 million in 2013. The Group continues to be awarded and is fulfilling its Engineering, Procurement and Construction ("EPC") projects in PRC.

External revenue from equipment fabrication segment decreased by approximately RMB48.2 million or 43.0% from approximately RMB112.0 million in 2012 to RMB63.8 million in 2013. Profit contribution from equipment fabrication segment increased by approximately RMB2.3 million or 30.7% from approximately RMB7.5 million in 2012 to approximately RMB9.8 million in 2013.

Revenue from operations and maintenance segment increased by approximately RMB98.5 million or 104.5% from approximately RMB94.3 million in 2012 to approximately RMB192.8 million in 2013. Profit contribution from operations and maintenance segment increased by approximately RMB84.1 million or 250.3% from approximately RMB33.6 million in 2012 to approximately RMB117.7 million in 2013. Revenue and profit increased as additional ten BOT and six O&M projects started operations in 2013.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB157.8 million or 19.7% from approximately RMB800.4 million in 2012 to approximately RMB958.2 million in 2013. The increase in 2013 was due to the higher revenue and the stable gross profit margin throughout the financial year.

The gross profit margin remained relatively consistent at approximately 30.2% in 2012 and approximately 30.5% in 2013. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate depending on the amount of revenue recognised for the relevant projects during the period in review. Nevertheless, on a year-to-year basis, the gross profit margin remained relatively stable at around 30%.

Other Income

Other income increased by approximately RMB41.2 million or 76.0% from approximately RMB54.2 million in 2012 to approximately RMB95.4 million in 2013. The increase in 2013 was mainly due to the increase in deemed interest on service concession receivables by approximately RMB37.7 million as a result of an increase in investment of BOT projects.

Other Gains and Losses

Other gains of approximately RMB1.7 million in 2012 became losses of approximately RMB11.5 million in 2013. Other losses incurred in 2013 were mainly due to the change of fair value on financial instrument relating to interest rate swap contract of approximately RMB45.8 million, partly offset by the foreign exchange gain of approximately RMB32.7 million resulted from US Dollar denominated senior notes and borrowings as US Dollar weakened against Renminbi.

Distribution and Selling Expenses

Distribution and selling expenses remained relatively consistent at approximately RMB37.5 million in 2012 and approximately RMB38.4 million in 2013.

Research and Development Expenses

Research and development expenses decreased by approximately RMB3.7 million or 15.4% from approximately RMB24.0 million in 2012 to approximately RMB20.3 million in 2013. Higher expenses incurred in 2012 as the Group was venturing into shale oil industrial wastewater treatment.

Administrative Expenses

Administrative expenses increased by approximately RMB14.2 million or 12.1% from approximately RMB117.8 million in 2012 to approximately RMB132.0 million in 2013. This was mainly due to the increase in staff costs at approximately RMB19.3 million as a result of salary increment and increase of Group's headcount, partly offset by the decreased in expenses in relation to share based payments by approximately RMB6.2 million.

Finance Costs

Finance costs increased by approximately RMB111.6 million or 64.3% from approximately RMB173.6 million in 2012 to approximately RMB285.2 million in 2013. The increase was mainly due to interest expense recognised for the USD senior notes issued in the third quarter of 2012.

Income Tax Expenses

Income tax expenses increased by approximately RMB64.9 million or 85.5% from approximately RMB75.9 million in 2012 to approximately RMB140.8 million in 2013. Higher income tax expenses for the relatively consistent pre-tax profits in 2013 arose as higher loss was recorded at Sound Global company level at nil tax payable. The higher loss was resultant from the finance costs related to the issuance of senior notes in the third quarter of 2012 and the loss from changes of fair value of an interest rate swap contract.

Profit Attributable to Owners of the Company

As a result of the above, profit attributable to owners of the Company remained relatively consistent at approximately RMB427.5 million in 2012 and approximately RMB423.3 million in 2013.

REVIEW OF GROUP'S FINANCIAL POSITION

Current Assets

Current assets increased by approximately RMB1,329.6 million or 26.5% from approximately RMB5,008.2 million as at December 31, 2012 to approximately RMB6,337.8 million as at December 31, 2013 mainly due to increase in amount due from customers as work performed has yet to reach the billing milestone and the higher bank balances and cash resulted from the new borrowing of USD110 million raised in the fourth quarter of 2013.

Inventories refer to equipment components and parts. It was attributable mainly to Hi-Standard. Inventories from turnkey business are not expected to be material as most of the civil engineering works are subcontracted to third parties. As at December 31, 2013, inventories balances remained relatively consistent at approximately RMB28.0 million.

As at December 31, 2013, the Group's cash position remained strong and stood at approximately RMB3,533.5 million.

Non-Current Assets

Non-current assets increased by approximately RMB628.6 million or 34.3% from approximately RMB1,830.9 million as at December 31, 2012 to approximately RMB2,459.5 million as at December 31, 2013 mainly arose from increase service concession receivables as investment in BOT projects increased.

Current Liabilities

Current liabilities increased by approximately RMB805.3 million or 45.7% from approximately RMB1,763.3 million as at December 31, 2012 to approximately RMB2,568.6 million as at December 31, 2013 mainly arose from new borrowings raised and higher trade and other payables resulted from the increased operations.

Non-Current Liabilities

Non-current liabilities increased by approximately RMB733.1 million or 30.3% from approximately RMB2,421.3 million as at December 31, 2012 to approximately RMB3,154.4 million as at December 31, 2013 due to the new borrowing of USD110 million raised in the fourth quarter of 2013.

Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB426.5 million or 16.1% from approximately RMB2,643.9 million as at December 31, 2012 to approximately RMB3,070.4 million as at December 31, 2013 due mainly to the profits attributable to owners of the Company of approximately RMB423.3 million.

The non-controlling interest as at at December 31, 2012 of approximately RMB10.6 million relates to a 20% and 10% minority interest in Yantai Bihai Water Co., Ltd ("Yantai Bihai") and Anyang Taiyuan Water Co., Ltd respectively. Both of these subsidiaries are operating BOT projects. In the current year, the Group acquired 20% of the non-controlling interests of Yantai Bihai. After the acquisition, the Group obtained 100% equity interest of Yantai Bihai.

Gearing

	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Borrowings (current)	763,624	465,496
Borrowings (non-current)	1,517,554	888,662
Convertible loan notes (non-current)	573,147	557,618
Senior notes (non-current)	898,695	922,644
Total debt	3,753,020	2,834,420
Bank balances and cash	3,533,547	2,912,077
Equity attributable to owners of the Company	3,070,378	2,643,912
Net debt	Net debt	Net cash
Total debt to equity ratio	1.22	1.07

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2013, there were 1,689 (2012: 1,394) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

CONTINUING CONNECTED TRANSACTIONS

Details of the continuing connected transactions entered into by the Group during the year are as follows:

(A) Continuing connected transactions which are exempt from the reporting, announcement and independent shareholders' approval requirements

Trademark licenses

Since 2002, our Group (being registered owner of certain trademarks) uses its trademarks for its water and wastewater treatment business. These trademarks were also used by the Sound Group Limited, ("SGL"), a subsidiary of the controlling shareholder, for its investment in environmental protection and by its subsidiary, Beijing Sound Water Technology Co., Ltd for the processing of purified drinking water at no consideration before March 2006.

In March 2006, our Group agreed to transfer the trademarks at no cost to SGL pursuant to a trademarks transfer agreement dated March 23, 2006. SGL in return granted Beijing Sound Environmental Engineering Co., Ltd ("Beijing Sound") a license to use the trademarks for a period of 50 years at nil consideration.

(B) Continuing connected transactions which are subject to the reporting and annual review requirements

New Framework Agreement

The Group has entered into a Framework Agreement ("Framework Agreement") on April 26, 2013 with SGL, by which the Group agreed to provide equipment procurement, testing and technical support services, EPC services and project management services to SGL and its subsidiaries ("SGL Group"). SGL Group is a connected person of us. The maximum aggregate annual amounts of new contracts entered into under the Framework Agreement for each of the three years ended/ending December 31, 2013, 2014 and 2015 is capped at RMB130 million. On October 16, 2013, the same parties entered into a New Framework Agreement ("New Framework Agreement") to increase the annual cap to RMB400 million for the year ended/ending December 31, 2013 and 2014 and RMB470 million for the year ending December 31, 2015. Shareholder's approval has been obtained for the New Framework Agreement.

For the year ended December 31, 2013, the contract amounts of the new contracts entered into under the New Framework Agreement was RMB342.6 million.

(C) Confirmation from Independent Non-Executive Directors

The independent non-executive Directors of the Company reviewed the continuing connected transactions above and in their opinion:

(1) the transactions were conducted in the ordinary and usual course of its business;

(2) the transactions were carried out either on normal commercial terms or, where there are no sufficiently comparable transactions, on terms no less favourable than the terms the Company could have obtained from an independent third party; and

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

(D) Confirmation from external auditor in respect of the continuing connected transactions

The Board has received a letter from the auditors which has confirmed the matters required under Rule 14A.38 of the Listing Rules.

STOCKPILING RESOURCES

The water in the reservoir rises steadily but yet the dam does not open -- the reservoir has not reached full capacity yet. It will take a monsoon season to fill the reservoir and thereby activating the dam to release the waters in full force. In the meantime, the waters get stockpiled.

At Sound Global, we too are stockpiling our resources, waiting for our monsoon season to activate the dam. The season will arrive shortly and we are confident when it comes we will charge forward in full force.

BOARD OF DIRECTORS

WEN YIBO
Executive Director and Chairman

Mr. Wen Yibo, aged 48, is the founder of our Group. He was appointed to our Board on November 7, 2005 and is currently the Executive Director and Chairman of the Company.

Mr. Wen graduated with a bachelor of environmental engineering from the Lanzhou Railway College (currently known as Lanzhou Jiaotong University) in July 1986. In December 1989, he graduated from Tsinghua University with a master degree in environmental engineering. In 2012, he began his PhD studies in engineering in Tsinghua University. Between 1989 and 1990, Mr. Wen worked as a lecturer in the environmental engineering department of Tsinghua University. From 1990 to 1993, he was a senior engineer at the Planning and Design Institute of the Ministry of Chemical Engineering.

Mr. Wen was accorded a senior engineer in September 1998 by the Beijing Senior Specialized Technique Qualification Evaluation Committee and was accorded status of professor engineer in September 2003. Mr. Wen was and is retained as a part-time professor in Tongji University, Tianjin University and Lanzhou Jiaotong University and a part-time researcher in Tianjin University.

Mr. Wen has accumulated more than 20 years of experience in the environmental protection industry. Over the years, Mr. Wen is committed to development and research on environmental pollution treatment technology and has received various technological advancement awards and prominent design awards at ministerial and national levels. Mr. Wen served as the advocate and principal officer in over 30 national patents, two national new products and two national torch projects approved by the State Intellectual Property Office.

Apart from achievements in technology research, Mr. Wen also contributed to exploration in the environmental protection industry through the innovative projects by Sound. Sound pioneered the "turnkey engineering" mode in China which in turn promoted the development of waste water treatment in the country. The "China Clear Water Project"(中華碧水計畫) by Sound introduced the "Build-Operate-Turn (BOT)" mode to the water treatment industry in China, allowing for private enterprises in China to explore a viable commercial model to enter the construction of large scale waste water treatment projects. Mr. Wen proposed to establish the National Environmental Protection Industry Zone in Beijing, which became the model for promoting regional economic development, industry development and enhancing international co-operation. Sound built its first "Venous Industrial Park" (靜脈產業園) and technology research and development center in Hunan, enabling continuous recycling of resources in the Changzhutan area in China. Mr. Wen advocated the establishment of the Environmental Service Industry Association to promote steady and standardized development of the environmental services industry .

Mr. Wen's dedication to environmental protection industry was well recognized. In recognition of the contributions made by Mr. Wen to the development of the environmental industry in China, he was awarded the "China Environmental Protection Development Contribution Award" by the China Environmental Protection Industry 2005. In October 2009, Mr. Wen was awarded the title of "Excellent Entrepreneur in Environmental Protection Industry of China" by China Environmental Protection Industry. In November 2011, he was awarded the "Entrepreneur of the Year 2011 China" by Ernst & Young. In August 2012, Mr. Wen was elected to serve as Chairman again after holding the office of first Chairman of Environmental Service Industry Association in 2007.

ZHANG JINGZHI

Executive Director and Chief Executive Officer

Mr. Zhang Jingzhi, aged 42, was appointed as the Executive Director and Chief Executive Officer of Sound Global on March 4, 2013, and is responsible for the overall management of the Company. He is a senior engineer (professor level) with a master degree.

Mr. Zhang graduated with a bachelor degree in management information system from University of Science and Technology Beijing, School of Management in June 1993 and a master degree in business administration from School of Business, Renmin University of China in April 2001.

In his early years, Mr. Zhang served at the University of Science and Technology Beijing, School of Management and Ministry of Metallurgical Industry. He joined Sound Group Limited in April 2001 and successively served as an assistant to the president and vice president. From January 2004 to March 2011, he served as a director and successively as a general manager and an executive general manager of Sound Environmental Resources Co., Ltd, the shares of which are listed on Shenzhen Stock Exchange. From April 2011 to February 2013, he served as the executive chairman of Beijing Environment Sanitation Investment Co., Ltd.

Mr. Zhang was the general manager of Sound Environmental Resources Co., Ltd., and was responsible for the overall operation of the company. He was in charge and completed the investment, funding and implementation of nearly twenty solid waste treatment projects by the company. He published over 20 technical articles in various publications and received second technological advancement awards at ministerial level. Mr. Zhang was awarded the title of "Excellent Entrepreneur in Environment Protection Industry of China" in 2009 and ranked 11th in the "2009 Forbes Best CEO of China Listed Company" list. As an expert in the environment protection industry, Mr. Zhang was also invited to attend and present industry analysis reports at several industry forums.

BOARD OF DIRECTORS

WANG KAI

Executive Director and Chief Financial Officer

Mr. Wang Kai, aged 51, is a senior engineer, certified investment adviser and certified level-one constructor (municipal engineering) with a master degree. Mr. Wang was appointed to our Board on December 24, 2010, and is currently the Chief Financial Officer of the Company.

From 1979 to 1984, Mr. Wang studied environmental engineering at the School of Environmental Science and Engineering of Tsinghua University and obtained a bachelor degree. From 1987 to 1989, he studied radioactive waste management at the School of Environmental Science and Engineering of Tsinghua University and obtained a master degree.

From 1984 and 1987, Mr. Wang was the assistant engineer of Ji'an Room, First Institute of the First Academy of Ministry of Nuclear Industry. From 1990 to 1998, Mr. Wang acted as the engineer of the Chengdu Institute of Methane Science of the Ministry of Agriculture, Second Design Institute. Mr. Wang joined Sound Group Limited in 1998 as the chief engineer.

Devoted to his work on sewage treatment and water pollution control for more than 20 years, Mr. Wang is an expert in the environmental field in China with extensive practical experience in water pollution control and treatment as well as construction management. His vast professional knowledge and extensive practical experience include leading, organizing and participating in numerous design, construction and management projects.

Mr. Wang is currently the instructor of six post-graduate students at Lanzhou Jiaotong University. With over 10 patent applications pending for approval, Mr. Wang has published more than 10 academic dissertations and won the Second Prize of Environmental Protection Science & Technology Award and the Second Prize of All-China Federation of Industry and Commerce's Science and Technology Progress Award (中華全國工商業聯合會科技進步獎).

JIANG ANPING
Executive Director

Mr. Jiang Anping, aged 41, was appointed to the Board on October 3, 2011. He has a PhD and is currently the chief engineer of the Company.

Mr. Jiang graduated with a bachelor degree of engineering from the Department of Civil Engineering of Tianjin University in July 1995 and a master degree of engineering from the Department of Environmental Science and Engineering of Tsinghua University in July 1998. He obtained his doctoral degree in engineering science from the Department of Biological Systems Engineering of Washington State University in U.S.A. in December 2009.

From July 1998 to December 1999, Mr. Jiang worked as the assistant engineer in the design department of water supply and drainage under Beijing Municipal Engineering Professional Design Institute; from January 2000 to August 2000, he was the project manager of Beijing China Union Engineering Company Limited; from September 2000 to September 2002, he was the engineer of technical design of Beijing Puresino-Boda Environmental Engineering Co., Ltd.; from October 2002 to July 2005, he worked as the head of the second technology department at research and design institute of Beijing Sound Environmental Engineering Co., Ltd.; from August 2005 to June 2010, he was the assistant researcher of Washington State University; from July 2010 to present, he successively served as the chief engineer of the design and research institute, the deputy head of the design and research institute, the head of the design and research institute and the chief engineer of Sound Global.

Mr. Jiang has extensive professional knowledge and experience in engineering technologies. As the leader of key technological development and engineering design projects, Mr. Jiang plays an important role in the innovation and design improvement of foreign engineering projects by the Company.

Mr. Jiang is currently in charge of a Beijing Municipal Science and Technology project and is a key participant of three "water special projects" under the National 12th Five-Year Plan and a Beijing Municipal Science and Technology project. He has published four theses, with three academic dissertations on Science Citation Index and one on Engineering Index. Mr. Jiang has four patent applications pending for approval in China and one patent for utility model, all of which are currently under public review. He has also filed two patent applications in the U.S.A., one approved and the other under public review. Mr. Jiang Anping was one of the nominees in the first group of 2012 Zhongguancun Science and Technology Innovative High-end Leading Talent (2012年第一批中關村科技創新類高端領軍人才).

BOARD OF DIRECTORS

LUO LIYANG
Executive Director

Mr. Luo Liyang, aged 40, was appointed to our Board on February 2, 2011. Mr. Luo currently acts as deputy general manager (Marketing) of our Company.

Mr. Luo graduated with a bachelor degree in Environmental Monitoring from Henan Normal University in July 1997. Mr. Luo was accorded an engineer in December 1998 by the Henan Science and Technology Committee.

From July 1997 to March 1998, Mr. Luo was vice manager of the environmental protection department of Henan Xuchang Biochemical Co., Ltd. From March 1998 to May 2000, he was vice manager of the business department of Henan Luohe Huanhaiqing Environmental Protection Co., Ltd. In May 2000, he joined Beijing Sound Environmental Engineering Co., Ltd and has held management position in the marketing department of the company to this present day. Since 12 March 2010, he has served as deputy general manager (marketing) of our Company, responsible for marketing, market planning and channel exploitation, construction and management of product platforms. He has successfully established market networks and platforms with more than 20 domestic and overseas marketing organizations for the Company, laying a solid foundation for expanding market network of the Company.

Mr. Luo has innovative thinking and pioneering spirit in the marketing area. He combined specific demands of the market and customers to flexibly apply various business models to the market, thereby introducing new solutions and investment practices.

WONG SEE MENG

Lead Independent Non-Executive Director

Mr. Wong See Meng, aged 65, is an Independent Non-Executive Director and was appointed to our Board on May 18, 2009.

Mr. Wong graduated from the University of Singapore (now known as the National University of Singapore) in business administration with honors in 1971 and was admitted as Associate of the Chartered Institute of Management Accountants (U.K.) in 1983. Between 1971 and 1972, he worked in ESSO Singapore Pte. Ltd.. He joined ESSO Singapore Pte. Ltd. as a finance trainee in 1971 and was appointed refinery accountant and head of the refinery accounting department in 1972.

Between 1972 and 1973, he worked as a project analyst in Singapore Petroleum Co., Pte. Ltd.. He worked as assistant manager in Orient Leasing Singapore Ltd. from 1973 and worked as manager from 1976 to 1978. He joined GATX Leasing (Pacific) Ltd. as personal assistant to the general manager in 1978 and became assistant vice president and general manager in 1980.

He joined Forward Overseas Credit Ltd. as the general manager in 1981 and became the chief general manager in 1983 until 1987. From 1987 to 2001, he worked in Development Bank of Singapore Ltd.. He joined the Development Bank of Singapore Ltd. as the general manager in 1987 and became the senior vice president in 1993 and the managing director in 1997. He was the general manager of Raffles Medical Group (Hong Kong) between 2001 and 2002 and the business development manager of Sino Land Group (Hong Kong) between 2002 and 2003. From 2003 to 2007, he was the managing director of ORIX Leasing Singapore Ltd.. Mr. Wong was an independent non-executive director of Singapore-listed Lion Asiapac Ltd from August 2008 to September 2010 and a non-independent and non-executive director of NASDAQ-listed Multi-Fineline Electronix, Inc. from May 2011 to October 2012.

BOARD OF DIRECTORS

SEOW HAN CHIANG WINSTON
Independent Non-Executive Director

Mr. Seow Han Chiang Winston, aged 45, is an Independent Non-Executive Director and was appointed to our Board on 24 August 2006. Mr Seow is also the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company.

Mr. Seow holds a bachelor of law (honors) degree from the National University of Singapore. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1995 and has been practicing law in Singapore since his admission.

Mr. Seow joined Madhavan Partnership as an associate in 1995 and became a partner in the corporate department in 1998. From 2006 to 2012, he was successively a corporate partner of KS Chia Gurdeep & Param, KhattarWong and RHTLaw Taylor Wessing LLP. He is currently a corporate partner of Ho & Wee. Mr. Seow is also currently an independent non-executive director of Eucon Holding Limited ("Eucon") and ICP Ltd. ("ICP"). From June 2005 to August 2011, he was an independent director of Atlantic Navigation Holdings (Singapore) Limited ("Atlantic") . The shares of Eucon, ICP and Atlantic are listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

FU TAO

Independent Non-Executive Director

Mr. Fu Tao, aged 46, is an Independent Non-Executive Director and was appointed to our Board on August 24, 2006.

Mr. Fu graduated from the Peking University in 1990 with a bachelor of science in applied chemistry. He obtained a master degree in environmental engineering from Tsinghua University in 1993 and also obtained a doctorate in civil engineering from the Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in 1999.

Between 1994 and 1999, Mr. Fu worked in the department of science and technology at the Ministry of Construction ("MOC") as a project officer in charge of urban construction projects. From 1999 to 2001, he was the director of the information division at the Center of Promoting Housing Industrialization of the MOC. Between 2001 and 2002, Mr. Fu was the chief secretary of the China Housing Industry Association. He is a senior engineer and has held the position of director of the water policy research center at Tsinghua University since 2003.

Over the years, Mr. Fu has been involved in many government research projects and study programs relating to the PRC water industry. These include, amongst others, the pilot study on a benchmarking system for urban water treatment conducted by the MOC and the North China Water Quality Study program conducted jointly by the World Bank and the MOC.

Mr. Fu is currently an independent director of Jiangsu Jiangnan Water Co., Ltd and Beijing Capital Co., Ltd, the shares of which are listed on Shanghai Stock Exchange. He is also an independent director of Shanghai Safbon Water Sevice Co., Ltd and Yonker Environmental Protection Co., Ltd, the shares of which are listed on Shenzhen Stock Exchange.

JOINT COMPANY SECRETARIES

TAN WEI SHYAN
Joint Company Secretary

Mr. Tan Wei Shyan, aged 36, has been one of our joint company secretaries since April 2007. Mr. Tan graduated with a bachelor of laws (honors) degree from the University of Exeter in 2001. He was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 2003. Mr. Tan was engaged in general corporate work, and had experience in commercial transactions including joint ventures, commercial leases and listed companies work. Since 2005, Mr. Tan has been practicing at Shook Lin & Bok LLP in Singapore where he is currently a partner in the corporate and corporate finance department.

WONG TAK YEE
Joint Company Secretary

Ms. Wong Tak Yee, aged 57, has been one of our joint company secretaries since June 2010. Ms. Wong graduated with a bachelor degree of arts in language and translation from The Open University of Hong Kong in 2006 and also obtained her master degree of arts in English for the professions from The Hong Kong Polytechnic University in 2009. Ms. Wong is a Chartered Secretary and a fellow member of both The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries (HKICS). She also holds the Practitioner's Endorsement certificate issued by HKICS. From 1997 to 2000, Ms. Wong worked at Deloitte Touche Tohmatsu in Hong Kong as a senior manager of the company secretarial services department. Since 2000, Ms. Wong has been working at Tricor Group and is currently a director of the corporate services division of Tricor Services Limited. Ms. Wong has over 25 years of experience in providing corporate secretarial services and has been providing professional services to many listed companies in Hong Kong.

INFORMATION FOR INVESTORS

ANNUAL RESULTS ANNOUNCEMENT
March 25, 2014

ANNUAL GENERAL MEETING
May 22, 2014

BRANCH SHARE REGISTRAR IN HONG KONG
Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
Hong Kong Stock Exchange: 00967

INVESTOR RELATIONS
Wonderful Sky Financial Group Limited
6/F Nexxus Building
41 Connaught Road Central
Hong Kong
Telephone: +852 2851 1038
Facsimile: +852 2598 1588

CULTIVATING INVESTOR CONFIDENCE

As the trainer started to hook up the safety harness and safety lines, the gravity and excitement of the plunge has not sunk in. The confidence that the plunge would go through safely did not waiver; there would be no hesitation to step off the platform.

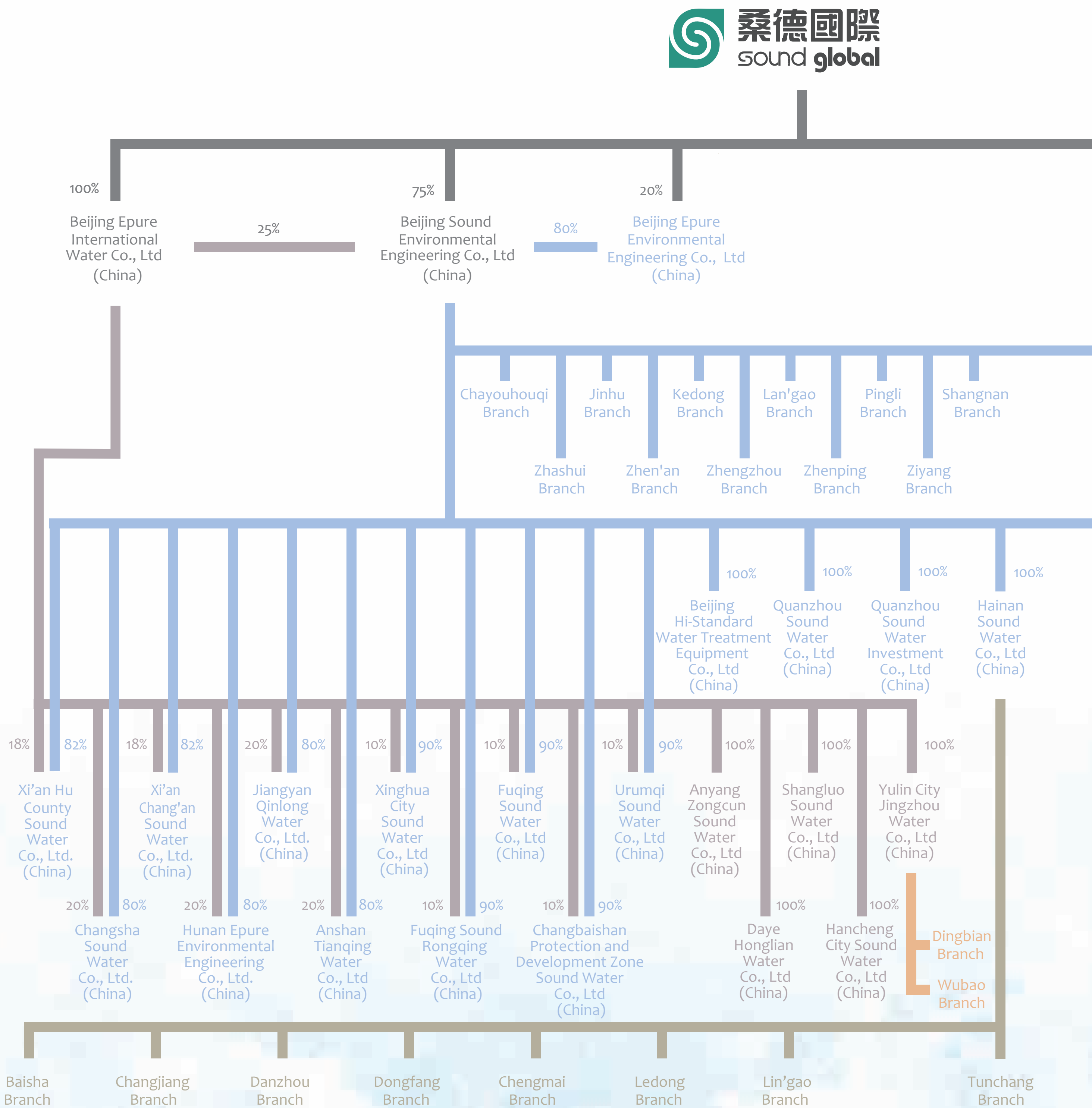
When the trainer gently guided the way to the platform, suddenly the heart started to beat furiously and the height looked unconquerable. The legs began to feel like rocks and the heart stuck in the mouth.

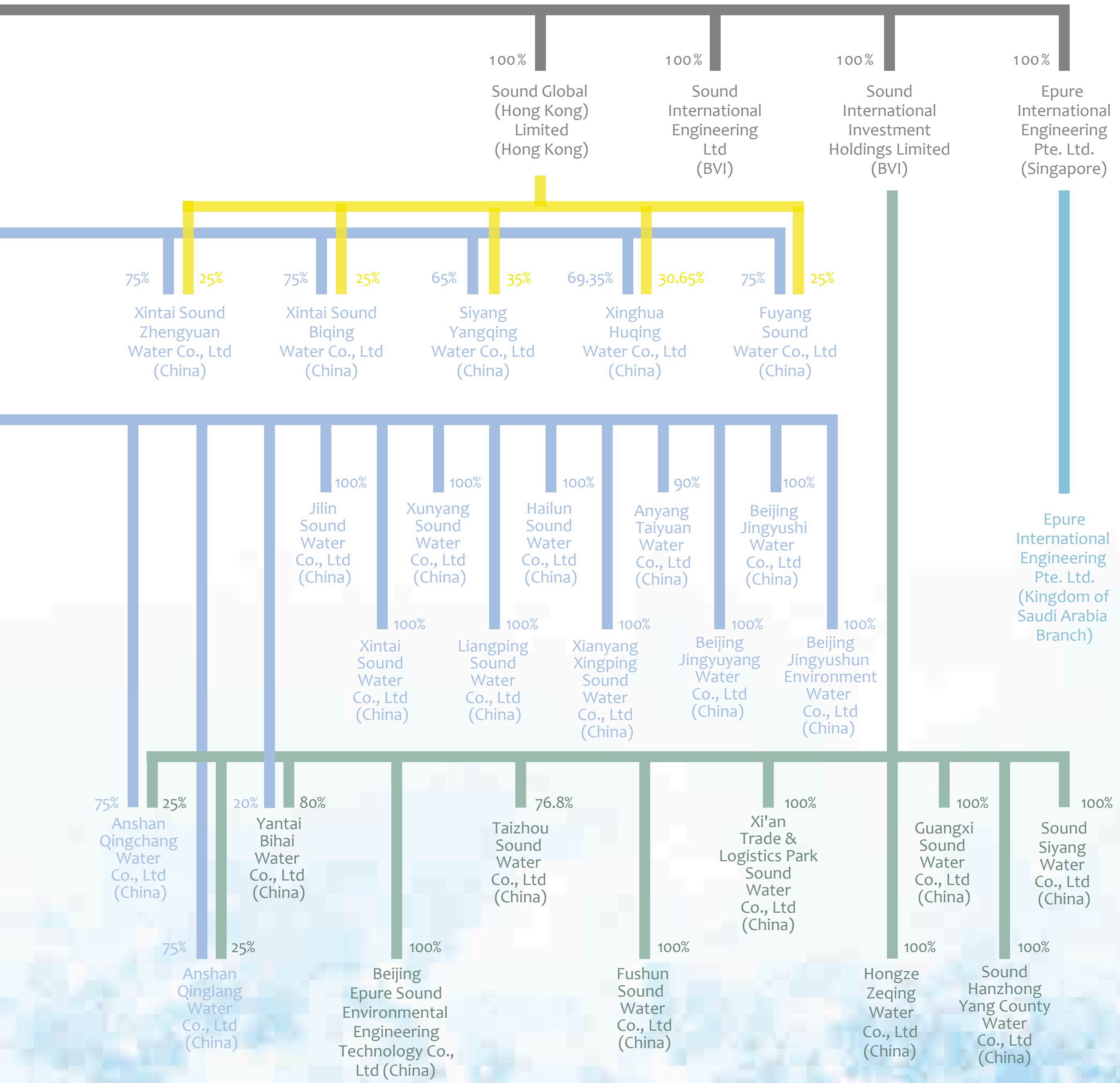
The trainer gently put his hand over the shoulder and spoke reassuringly. “Do not worry sir, the plunge is safe. Just make sure you are not addicted to the rush!” he joked. His words broke the tension and suddenly all the worries seemed redundant.

Sound Global invites its investor to take the plunge with us and we assure investors that their worries are redundant.

GROUP STRUCTURE

AS AT MARCH 25, 2014




100%
Sound Global (Hong Kong) Limited (Hong Kong)
100%
Sound International Engineering Ltd (BVI)
100%
Sound International Investment Holdings Limited (BVI)
100%
Epure International Engineering Pte. Ltd. (Singapore)
75%
25%
Xintai Sound Zhengyuan Water Co., Ltd (China)
75%
25%
Xintai Sound Biqing Water Co., Ltd (China)
65%
35%
Siyang Yangqing Water Co., Ltd (China)
69.35%
30.65%
Xinghua Huqing Water Co., Ltd (China)
75%
25%
Fuyang Sound Water Co., Ltd (China)
100%
Jilin Sound Water Co., Ltd (China)
100%
Xunyang Sound Water Co., Ltd (China)
100%
Hailun Sound Water Co., Ltd (China)
90%
Anyang Taiyuan Water Co., Ltd (China)
100%
Beijing Jingyushi Water Co., Ltd (China)
100%
Xintai Sound Water Co., Ltd (China)
100%
Liangping Sound Water Co., Ltd (China)
100%
Xianyang Xingping Sound Water Co., Ltd (China)
100%
Beijing Jingyuyang Water Co., Ltd (China)
100%
Beijing Jingyushun Environment Water Co., Ltd (China)
100%
Epure International Engineering Pte. Ltd. (Kingdom of Saudi Arabia Branch)
75%
25%
Anshan Qingchang Water Co., Ltd (China)
20%
80%
Yantai Bihai Water Co., Ltd (China)
76.8%
Taizhou Sound Water Co., Ltd (China)
100%
Xi'an Trade & Logistics Park Sound Water Co., Ltd (China)
100%
Guangxi Sound Water Co., Ltd (China)
100%
Sound Siyang Water Co., Ltd (China)
75%
25%
Anshan Qinglang Water Co., Ltd (China)
100%
Beijing Epure Sound Environmental Engineering Technology Co., Ltd (China)
100%
Fushun Sound Water Co., Ltd (China)
100%
Hongze Zeqing Water Co., Ltd (China)
100%
Sound Hanzhong Yang County Water Co., Ltd (China)

CORPORATE CALENDAR

JAN 2013

Incorporation of a wholly-owned subsidiary in Quanzhou City, Fujian Province, the PRC

Quanzhou Sound Water Co., Ltd., was incorporated by Beijing Sound Environmental Engineering Co., Ltd, in Quanzhou City, Fujian Province, the PRC, with a registered capital of RMB23 million. Its principal activity involves wastewater treatment and utilisation.

FEB

Secured a bid for the water supply facility project in Nanshan Sub-District, Quangang District, Quanzhou City, Fujian Province, the PRC

Sound Global won the bid for the Water Supply Facility Project in Nanshan Sub-District, Quangang District, Quanzhou City, Fujian Province, the PRC. Investment and construction of the project will be carried out by Sound Global, with a total investment amount of approximately RMB95.02 million. The construction of this project includes water intake engineering, water transmission pipeline construction and a water purification factory. The scale of the water purification factory is as follows: 100,000 cubic metres per day for public facilities, 50,000 cubic metres per day for the construction of water treatment facilities and 25,000 cubic metres per day for the installation of equipment.

Full-year results announcement

FY2012 results was announced on Feb 27, 2013

MAR

APR

FY2012 Annual General Meeting

FY2012 Annual General Meeting (AGM) was held on April 29, 2013, and all resolutions relating to the matters as set out in the Notice of AGM were duly passed.

First Quarter Results Announcement

1Q FY2013 results was announced on April 29, 2013.

MAY

Incorporation of a wholly-owned subsidiary in Liangping County, Chongqing City, the PRC

Liangping Sound Water Co., Ltd. was incorporated by Beijing Sound Environmental Engineering Co., Ltd., in Liangping County, Chongqing City, the PRC, with a registered capital of RMB12.4 million. Its principal activity involves public wastewater treatment services.

Incorporation of a wholly-owned subsidiary in Hailun City, Heilongjiang Province, the PRC

Hailun Sound Water Co., Ltd., with a registered capital of RMB9 million, was incorporated by Beijing Sound Environmental Engineering Co., Ltd., in Hailun City, Heilongjiang Province, the PRC. Its principal activity involves sewage treatment project investment and construction, research and development of water treatment technologies, and technical advice and services.

JUN

JUL

AUG

Secured a contract for the phase two construction of the Xingping City sewage treatment plant (BOT) project

Sound Global entered into a contract for the construction of the phase two expansion of the sewage treatment plant (BOT) project in Xingping City, Shaanxi Province, the PRC. The project adds 50,000 cubic metres per day of processing capacity. After completion, the total processing capacity of the sewage treatment plant will be 100,000 cubic metres per day. Total investment amount of the phase two construction project is RMB123,459,100.

Secured a bid for the second sewage treatment plant in Fuqing City, Fujian Province, the PRC and the sewage treatment plant (BOT) project in Gaoshanzhen and Yuxizhen of Fuqing City

Sound Global won the bid for the Second Sewage Treatment plant in Fuqing City, Fujian Province and the sewage treatment plant (BOT) project in Gaoshanzhen and Yuxizhen, Fuqing City with a total investment amount of approximately RMB350 million. The total water capacity is 80,000 tons per day.

Incorporation of a wholly-owned subsidiary in Hong Kong

Sound Global incorporated a wholly-owned subsidiary, Sound Global (Hong Kong) Limited, in Hong Kong, with a registered capital of US$500,000. Its principal activity involves corporate activities.

Secured a bid for the sewage treatment plant project in Baoding China Electricity City with processing capacity of 30,000 tons per day

Sound Global won the bid for the sewage treatment plant (BOT) project situated in Baoding High-Tech Industrial Development Zone, Hebei Province, the PRC. Baoding Electricity Valley Sewage Treatment Plant project (phase 1) has an initial sewage treatment capacity of 30,000 cubic metres per day. Total investment amount is over RMB70 million.

Second quarter results announcement

2Q FY2013 result was announced on Aug 23, 2013.

SEP

Proposed Voluntary Delist and Exit Offer

The Company and Sound (HK) Limited jointly announced the proposed voluntary delisting of the Company from the official list of the Singapore Exchange Securities Trading Limited and the proposed conditional cash exit offer.

OCT

Incorporation of a wholly-owned subsidiary in Xianyang City, Shaanxi Province, the PRC

Xianyang Xingping Sound Water Co., Ltd. was incorporated by the Company's wholly-owned subsidiary, Beijing Sound Environmental Engineering Co., Ltd., in Xianyang City, Shaanxi Province, the PRC, with a registered capital of RMB10 million. Its principal activity involves wastewater treatment and utilisation.

CORPORATE CALENDAR

NOV

Entered into a US$110,000,000 term loan facility
The Company's wholly owned subsidiary, Sound Global (Hong Kong) Limited entered into a facility agreement with, among others, Far Eastern International Bank Co., Ltd., The Bank of East Asia, Limited, Taiwan Business Bank and Taishin International Bank Co., Ltd., in relation to a US$110,000,000 term loan facility.

Incorporation of a wholly-owned subsidiary in Fuzhou City, Fujian Province, the PRC
Fuqing Sound Water Co., Ltd., with a registered capital of RMB72.1 million, was incorporated by Beijing Sound Environmental Engineering Co., Ltd. (90%) and Beijing Epure International Water Co., Ltd (10%), in Fuzhou City, Fujian Province, the PRC. Its principal activity involves wastewater treatment and utilisation.

Third quarter results announcement
3Q FY2013 results was announced on November 14, 2013.

Extraordinary General Meeting
An Extraordinary General Meeting was held on November 14, 2013, and the resolution to approve the new framework agreement entered into between the Company and Sound Group Limited and the transactions contemplated there under, and the exercise of discretion by any Director in relation to the above matter were duly passed.

Incorporation of a wholly-owned subsidiary in Xintai City, Shandong Province, the PRC
Xintai Sound Biqing Water Co., Ltd. was incorporated by Beijing Sound Environmental Engineering Co., Ltd. (75%) and Sound Global (Hong Kong) Limited (25%), with a registered capital of US$2.68 million. Its principal activity involves wastewater treatment and utilisation.

Received no-objection letter from the SGX-ST
The SGX-ST advised that it has no objection to the Delisting.

Incorporation of a wholly-owned subsidiary in Xintai City, Shandong Province, the PRC
Xintai Sound Zhengyuan Water Co., Ltd. was incorporated by Beijing Sound Environmental Engineering Co., Ltd. (75%) and Sound Global (Hong Kong) Limited (25%), with a registered capital of US$7.2 million. Its principal activity involves wastewater treatment and utilisation.

DEC

Incorporation of a wholly-owned subsidiary in Xinghua City, Jiangsu Province, the PRC
Xinghua City Sound Water Co., Ltd. was incorporated by Beijing Sound Environmental Engineering Co., Ltd (90%) and Beijing Epure International Water Co., Ltd (10%). Its principal activity involves wastewater treatment.

JAN 2014

Extraordinary General Meeting
An Extraordinary General Meeting was held on January 3, 2014 and the resolution relating to approval of the proposed voluntary delisting of the Company from the official list of the SGX-ST was duly passed.

JAN 2014

Offers have become unconditional in all respects

At the EGM of the Company held on January 3, 2014, the Delisting Resolution was duly passed by way of poll in accordance with the requirements of Rule 1307 of the SGX-ST Listing Manual. As the Delisting Resolution was duly passed, the Condition in respect of the Delisting and the Exit Offer has been satisfied and that the Exit Offer has become unconditional in all respects on January 3, 2014.

The proposed voluntary delisting of the Company from the official list of the SGX-ST – Last day of trading and suspension of trading

The Exit Offer closed at 4.00 p.m. (Singapore and Hong Kong time) on January 17, 2014 and the last day of trading in the Shares on the SGX-ST was January 10, 2014, and trading in the Shares on the SGX-ST was suspended from 8.30 a.m. (Singapore and Hong Kong time) on January 13, 2014.

Won the bid for the sewage treatment BOT project in Yingzhou District, Fuyang City, Anhui Province, the PRC

Sound Global won the bid for a BOT project to build a sewage treatment plant in Yingzhou District, Fuyang City, Anhui Province, PRC. The plant, with a designed sewage treatment capacity of 100,000 cubic metres per day, will be funded by Sound Global with an aggregate investment of RMB240 million.

Signed the contract to undertake a sewage treatment BOT project in Tacheng City, Xinjiang Province, PRC

Sound Global signed the contract to undertake a sewage treatment BOT project in Tacheng City, Xinjiang Province, PRC. Sound Global will invest an aggregate of RMB80 million in phase one of the project with a designed sewage treatment capacity of 40,000 cubic metres per day. The concession period is 30 years.

Incorporation of a wholly-owned subsidiary in Quanzhou City, Fujian Province, the PRC

Quanzhou Sound Water Investment Co., Ltd. was incorporated by the Company's wholly-owned subsidiary, Beijing Sound Environmental Engineering Co., Ltd., in Quanzhou City, Fujian Province, the PRC, with a registered capital of RMB 23.75 million. Its principal activity involves investment in and construction of municipal projects.

Won the bid for a BOT project to reconstruct and expand a sewage treatment plant in Yamalike Hill, Saybagh District, Urumqi City, Xinjiang, PRC

The investment amount of this project is RMB153 million. After the reconstruction and expansion, the upgraded sewage treatment capacity will be increased to 75,000 cubic metres per day from the existing designed capacity of 50,000 cubic metres per day.

Voluntary delisting of Sound Global Ltd. from the official list of The SGX-ST

The Shares of the Company were delisted from the Official List of the SGX-ST with effect from 9.00 a.m. on January 27, 2014.

Signed a contract for Siyang Wood Park Project

Sound Global formally entered into a contract for the sewage treatment plant network project located in Wood Park in Siyang County, Jiangsu Province, PRC. The BOT project has a daily capacity of 15,000 tonnes and a projected daily capacity of 30,000 tonnes. The project has a licensed operating term of 30 years with total investments amounting to approximately RMB60 million. The term of construction is around 12 months. It is expected that the construction will be completed and operation will commence by the end of December 2014.

Conversion of convertible bonds

In January 2014, the Company allotted 22,457,601 new shares upon the conversion of an aggregate principal amount of RMB76 million of the Convertible Bonds. The aggregate principal amount of Convertible Bonds remaining outstanding following the conversion of the Converted Bonds is RMB524 million.

CORPORATE CALENDAR

FEB

Won the bid for the sewage treatment plant BOT project for Jikou New Emerging Industries Park of Sanming City, Fujian Province
The long-term and short-term designed daily treatment capacity of the project is approximately 45,000 and 15,000 cubic metres per day, respectively. Total investment amount of phase I of the project is approximately RMB50,640,000. It has a licensed operating term of 31 years (inclusive of 1-year construction period).

Won the bid for the sewage treatment plant project in Xishui County, Guizhou Province, PRC
Phase 1 of the BOT project includes the construction of sewage treatment plants for 12 villages and townships within the county, all of which will be funded by Sound Global. The aggregate investment amount of the project is approximately RMB260 million and the concession period granted to the Company is 30 years.

Won the bid for a BOT project for Jianmin sewage treatment plant (Phase 1) in Ankang City, Shaanxi Province
The designed daily treatment capacity of the project will be approximately 30,000 tonnes/day, and 15,000 tonnes/day for Phase I construction. It will be invested, built, operated and transferred by the Company as a BOT project. Total investment amount of the project is approximately RMB50,000,000. It has a licensed operating term of 29 years.

Won the bid for a BOT project for the water supply and sewage treatment plant for the Western Industrial Zone in Qian'an City, Hebei Province
Phase I construction consists of a water supply plant with a designed capacity of approximately 15,000 tonnes per day, a sewage treatment plant with a designed capacity of approximately 10,000 tonnes per day and a portion of the auxiliary drainage pipeline. The designed capacity will be increased to approximately 30,000 and 20,000 tonnes per day respectively in future. Total investment amount of the project is approximately RMB59,300,000. It has a licensed operating term of 25 years.

Conversion of convertible bonds
In February 2014, the Company allotted 16,577,257 new shares upon the conversion of an aggregate principal amount of RMB56.1 million of the Convertible Bonds. The aggregate principal amount of Convertible Bonds remaining outstanding following the conversion of the Converted Bonds is RMB467.9 million.

MAR

Full-year results announcement
FY2013 results was announced on March 25, 2014

Sound Global won the bid for the BOT project for the water supply plant and the municipal sewage treatment plant in the Changbaishan Protection and Development Area, Jilin Province
The short-term designed water supply capacity of the water supply project will be 20,000 m3/per day. Total investment amount of the water supply project is approximately RMB44.56 million. It has been granted a concession period of 30 years and the short-term designed sewage treatment capacity of the project will be 15,000 m3/per day. Total investment amount of the sewage treatment project is approximately RMB50.00 million. It has been granted a concession period of 30 years.

Sound Global won the bid for the BOT project for Guojiadian Sewage Treatment Project in Lishu Country, Jilin Province
The project, with long-term and short-term designed daily treatment capacity of 25,000 m3/d and 12,500 m3/d respectively, is to be constructed by Sound Global with a total investment of RMB55 million and the improved AAO technique will be adopted for sewage treatment.

Conversion of convertible bonds
In March 2014, the Company allotted 25,737,593 new shares upon the conversion of an aggregate principal amount of RMB87.1 million of the Convertible Bonds. The aggregate principal amount of Convertible Bonds remaining outstanding following the conversion of the Converted Bonds is RMB380.8 million.

CORPORATE GOVERNANCE REPORT, FINANCIAL STATEMENTS AND OTHER INFORMATION

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CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Sound Global Ltd. (the "Company" or "Sound Global") and its subsidiaries (collectively referred to as the "Group") has reviewed its own corporate governance practices and ensured that they are in compliance with all the applicable code provisions of the Corporate Governance Code (the "HK CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "SEHK") for the year under review. In so doing the Company endeavours to set the stage for greater transparency and protection of the shareholders' interests.

The Board is of the view that throughout the year under review, the Company has complied with all of the code provisions as set out in the HK CG Code, save and except for Code Provisions A.4.1 and E.1.2, details will be set out below.

This report describes Sound Global's main corporate governance practices that were in place with reference to the HK CG Code. Sound Global believes that it is in compliance with the principles/code provisions of the HK CG Code.

BOARD MATTERS

1.1 Role of Board of Directors

The Board has the responsibility for the overall management of the Group. The Board's principal roles include guiding and establishing strategic mission and business objectives. Executives of the Board are tasked to execute these by setting direction and goals for management and staff and ensuring that the business of the Group is effectively managed and properly conducted day to day towards these ends. The Board has the overall responsibility for corporate governance of the Group.

1.2 The Board of Directors

The Board comprises 8 Directors: 1 executive Director and Chairman, 4 executive Directors and 3 independent non-executive Directors. As at the date of this Report, the Board comprises the following members:

Name of Director	Age	Date of first appointment	Date of last re-election	Position	Current Occupation
Wen Yibo	48	November 7, 2005	April 29, 2013	Executive Director and Chairman	Executive Director and Chairman
Zhang Jingzhi	42	March 4, 2013	April 29, 2013	Executive Director and Chief Executive Officer ("CEO")	Executive Director and CEO
Wang Kai	51	December 24, 2010	April 29, 2013	Executive Director and Chief Financial Officer ("CFO")	Executive Director and CFO
Luo Liyang	40	February 2, 2011	April 30, 2011	Executive Director	Executive Director
Jiang Anping	41	October 3, 2011	April 27, 2012	Executive Director	Executive Director
Wong See Meng	65	May 18, 2009	April 27, 2012	Independent Non-Executive Director	Independent Non-Executive Director

Name of Director	Age	Date of first appointment	Date of last re-election	Position	Current Occupation
Fu Tao	46	August 24, 2006	April 29, 2013	Independent Non-Executive Director	Director of the Water Policy Research Centre, Tsinghua University
Seow Han Chiang Winston	45	August 24, 2006	April 27, 2012	Independent Non-Executive Director	Corporate Partner, Ho & Wee

The Nomination Committee has reviewed the size and composition of the Board. Taking into account the mix of educational background, professional experience, skills and knowledge possessed by the Board members, the Nomination Committee is of the opinion that the current Board's size is adequate and the board composition is diversified which comprises members who as a group provide the necessary core competencies for the proper stewardship of the Group.

During the year ended December 31, 2013, the Board at all times met with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board. The Board also complied with the requirement that at least one such independent non-executive Director should possess the appropriate professional qualifications of accounting or related financial management expertise under Rule 3.10 of the Listing Rules. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent. There is no relationship among members of the Board.

1.3 Board Processes

To assist in the execution of its responsibilities as a listed company, the Board has established an Audit Committee ("AC"), a Remuneration Committee ("RC") and a Nomination Committee ("NC"). These Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Committee is also constantly reviewed by the Board. The terms of reference of the Board Committees are posted on the Company's website and the Stock Exchange website.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The Company's Articles of Association allow a Board meeting to be conducted by way of teleconference or video conference. Advice and guidance are also given through the use of teleconferencing, emails and faxes as and when required. Board approval for less critical matters may be obtained via written resolutions by circulation.

The Board meets at least quarterly and whenever warranted by circumstances. The number of Board and Board Committee meetings held for the financial year ended December 31, 2013 and the attendance of each Director at the Board and Board Committee meetings where relevant and general meeting(s) is as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	General meeting
Number of meetings held	4	4	0	0	2
Wen Yibo	2 2*	2^ 2*^	NA	NA	0
Zhang Jingzhi	3	3^	NA	NA	2
Wang Kai	4	4^	NA	NA	2
Luo Liyang	2 2*	2^ 2*^	NA	NA	0
Jiang Anping	2 2*	2^ 2*^	NA	NA	0
Wong See Meng	4	4	NA	NA	2
Fu Tao	1 2*	1 2*	NA	NA	0
Seow Han Chiang Winston	4	4	NA	NA	2

^: by invitation
*: via conference call

Apart from regular Board meetings, the Chairman also held meeting with the non-executive Directors (including independent non-executive Directors) without the executive Directors present during the year.

1.4 Training and Continuous Professional Development Program

The Board recognises the importance of appropriate training for its Directors and participation in continuous development by its Directors. Newly appointed Directors will be given an orientation program which includes presentations by senior management staff and briefings by the Chairman and CEO. On-site visits to overseas plants may also be conducted to facilitate a better understanding of the Group's operations. All the Directors and key executives are encouraged to participate in continuous development to develop and refresh their skills and knowledge, particularly on new laws and regulations affecting the Group's business and governance practices, and roles, functions and duties of a listed company director. All Directors are requested to provide the Company with their respective training records.

During the year ended December 31, 2013, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to the Directors.

1.5 Independent Non-Executive Directors

The NC reviews the independence of each Director on an annual basis based on the HK CG Code's and the Listing Rules' definition of what constitutes an independent non-executive Director. The NC considers an "independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment of the Group's affairs. The NC is satisfied that a majority of its members are independent non-executive Directors.

Pursuant to Rule 3.10 of the Listing Rules, the Company has three independent non-executive directors, one of them have appropriate professional or accounting or related financial management expertise. The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules.

Certain functions have been delegated to the various Board Committees. These Committees are made up of predominantly independent non-executive Directors and are each chaired by an independent non-executive Director. The details of the membership in the Committees are set out as follows:

	AC	RC	NC
Wen Yibo			Member
Wong See Meng	Chairman	Member	Chairman
Fu Tao	Member	Member	
Seow Han Chiang Winston	Member	Chairman	Member

1.6 Matters Requiring Board's Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision making. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management. Continuing Connected Transactions and the Group's internal control procedures are also reviewed by the AC and reported to the Board. The Board also evaluates and approves major investments and funding decisions.

The Board is also responsible for the following corporate matters:

- Approving quarterly (if any), half-year and year-end financial results announcements;
- Reviewing the interim reports, annual reports and statutory accounts;
- Reviewing the Company's policies, strategic and financial objectives;
- Overseeing the business conduct and affairs;
- Convening of shareholders' meetings;
- Reviewing material acquisitions and disposal of assets;
- Reviewing a framework for proper internal controls and risk management; and
- Ensuring the Group's compliance to laws, regulations, policies, guidelines and internal code of conduct.

Board members are encouraged to request for information, reports or briefings on any aspect of the Company's operations or business from the management. Necessary arrangements will be made to meet as and when required by any Director.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expenses of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and Officers.

1.7 Chairman and CEO

Mr. Wen Yibo is the Chairman and Mr. Zhang Jingzhi is the CEO of the Group. Mr. Wen is responsible for chartering the Group's strategic directions. Mr. Wen is not involved in the day-to-day running of the Group's business and has delegated the day-to-day operations and management to Mr. Zhang. Mr. Zhang is responsible for directing our Group's overall strategy and growth. Mr. Wen and Mr. Zhang are not related to each other.

The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individuals exercising any considerable concentration of power or influence. All major decisions made by the Company will be subject to review by the Board. The three Board committees, namely the AC, NC and RC, are each chaired by an independent non-executive Director. The AC and RC are made up entirely of independent non-executive Directors, while the NC has a majority of independent non-executive Directors.

1.8 Access to Information

The Board has separate and independent access to the CFO, the company secretaries and the external and internal auditors. Management ensures that the Board receives regular reports on the Group's financial performance and operations. Board papers are given to the Directors before the scheduled meetings to facilitate Board discussions on specific matters and issues. Management also consults with Board members periodically. Analysts' reports have been forwarded to the Directors as and when received by the Company.

The company secretaries attend all Board meetings. The company secretaries administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and the laws and regulations applicable to the Company are complied with. The Board is involved for the appointment and removal of company secretaries. The Board in fulfilling its responsibilities may direct the Company to appoint professional advisers to render professional advice when necessary.

2. Board Committees

2.1 Nomination Committee

The NC was formed in October 2006.

As at the date of this Report, the NC comprises the following members:

Wong See Meng	(Chairman and Independent Non-Executive Director)
Wen Yibo	(Executive Director and Chairman of the Board)
Seow Han Chiang Winston	(Independent Non-Executive Director)

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board and subsequent re-nominations, to consider how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:

a. to make recommendations to the Board on all board appointments and re-nomination having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation, candour, and any other salient factors);

b. to ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years, as required by the Articles of Association of the Company;

c. to determine annually whether a Director is independent, in accordance with the independence guidelines contained in the HK CG Code and the Listing Rules;

d. to review and recommend on the Board structure, size, composition and core competencies at least annually, taking into account the balance between executive and non-executive Directors and between independent and non-independent Directors, and having regard at all times to the principles of corporate governance;

e. to review whether a Director is able to and has adequately carried out his duties as a Director in particular where the Director concerned has multiple board representations; and

f. to consider how the Board's performance may be evaluated and to propose objective performance criteria.

The Board and NC have strived to ensure that members of the Board possess the educational background, professional experience, knowledge and skills necessary to promote the Company's business and governance process, so as to enable the Board to make balanced and well-considered decisions.

The NC has established an appraisal process to access the performance and effectiveness of the Board as a whole. The Board is of the opinion that the level of commitment and efforts of the Directors to the Group is adequate.

The following depicts the present and past directorships of our Directors in other listed companies, group and related companies and major appointments in other companies.

Name of Director	Present Directorships	Past directorships for the past 3 year
Wen Yibo	Beijing Sound Environmental Engineering Co., Ltd Beijing Lümeng Investment Co., Ltd Beijing Sanghua Environmental Technology Development Co., Ltd Beijing Xiaojiahe Wastewater Treatment Co., Ltd Sound Group Limited. Sound Environmental Resources Co., Ltd Green Capital Holdings Limited Sound Water (BVI) Limited Beijing Sound Water Co., Ltd Beijing Epure International Water Co., Ltd Beijing Epure Sound Environmental Engineering Technology Co., Ltd Sound International Investment Holdings Limited Sound International Engineering Ltd. Sound Global (Hong Kong) Limited Sound (HK) Limited Sound Enviroment (Hong Kong) Limited Beijing Sound Environmental Technology Development Co., Ltd Hunan Sound Venous Industry Development Co., Ltd Hunan Sounddon New Energy Co., Ltd Epure International Engineering Pte Ltd Beijing Jingyushun Environment Co., Ltd Beijing Jingyushi Water Co., Ltd Beijing Jingyuyang Water Co., Ltd Beijing Sound Lanqing Environment Technology Co., Ltd Beijing Epure Environmental Engineering Co., Ltd	NIL
Zhang Jingzhi	NIL	Sound Environmental Resources Co., Ltd Beijing Environment Sanitation Investment Co., Ltd
Wang Kai	Beijing Sound Environmental Engineering Co., Ltd Beijing Epure Environmental Engineering Co., Ltd	NIL
Luo Liyang	NIL	NIL

Name of Director	Present Directorships	Past directorships for the past 3 year
Jiang Anping	Beijing Sound Environmental Engineering Co., Ltd Beijing Epure Environmental Engineering Co., Ltd	NIL
Wong See Meng	NIL	Multi-Fineline Electronix, Inc.
Fu Tao	Beijing Jincheng Property and Technology Development Co., Ltd Beijing Capital Co., Ltd Jiangsu Jiangnan Water Co., Ltd Yonker Environmental Protection Co., Ltd Shanghai Safbon Water Service Co., Ltd	EverChina Int'l Holdings Company Limited
Seow Han Chiang Winston	Eucon Holding Limited ICP Ltd. Boulder Group Pte Ltd D&W Corporate & Consultancy Services Pte Ltd GMT Alpha Pte Ltd Intellectual Product Protection Pte Ltd Oceanexplor Logistics Pte Ltd Offshoreworks (Singapore) Pte Ltd Oils Overseas (Asia Pacific) Pte Ltd Sanwa F&B Pte Ltd Self Energy Pte Ltd Superiorcoat Private Limited Armenian Holdings Pte Ltd Anzeco Perdana Pte Ltd Accel Corporate Solutions Pte Ltd Ampco Meat Group Pte Ltd BAFCO Singapore Pte Ltd Emerging Asia Capital Partners Pte Ltd GMT Bravo Pte Ltd GMT Charlie Pte Ltd ICP Marine Pte Ltd Italian Investments Holding Pte Ltd Keji Holding Pte Ltd Paragon Holdings Pte Ltd Puricarb Pte Ltd Sibuglemet Trading Pte Ltd Yanmar International Singapore Pte Ltd Great Wall Capital Limited	Atlantic Navigation Holdings (Singapore) Limited

In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made. New Directors are appointed by way of a board resolution, after the NC has approved their nominations.

Code Provision A.4.1 of the HK CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Although the independent non-executive Directors are not appointed for a specific term, all Directors shall submit themselves for re-election at least once every three years pursuant to the Company's Articles of Association. Under the Company's Articles of Association, any new Director so appointed by the Board shall hold office only until the next following Annual General Meeting ("AGM") of the Company and shall be then eligible for re-election at the meeting. Mr. Luo Liyang, Mr. Wong See Meng and Mr. Seow Han Chiang Winston will retire at the forthcoming AGM. The Nomination Committee recommended that they be nominated for re-appointment at the forthcoming AGM.

Each member of the NC had abstained from the deliberation in respect of his re-nomination as a Director. During the year under review, the NC recommended the re-appointment of the Directors standing for re-election at the AGM.

2.2 Remuneration Committee

The RC was formed in October 2006.

The RC has three members, all non-executive, who are independent of management and free from any business relationships with the Group. The RC is chaired by an independent non-executive Director. The RC will have access to expert advice inside and/or outside the Company.

As at the date of this Report, the RC members are:

Seow Han Chiang Winston	(Chairman and Independent Non-Executive Director)
Wong See Meng	(Independent Non-Executive Director)
Fu Tao	(Independent Non-Executive Director)

The RC's role is primarily to advise the Board on compensation issues including determining the remuneration packages of individual executive Directors and senior management (for endorsement by the Board), the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration. The RC meets whenever required. The review will cover all aspects of remuneration including but not limited to Directors' and senior management's fees, salaries, allowances, bonus, share options (if any) and benefits in kind. In structuring a compensation framework for executive Directors and key management executives, the Committee takes into account pay and employment conditions within the same industry and in comparable companies. The remuneration policy takes into consideration the Company's performance, responsibility and performance of each individual Director and key management executive. Such performance is measured by goals and objectives set for each individual Director and key management executive in congruence with the Company's overall goals and objectives.

Remuneration Matters

An appropriate and attractive level of remuneration has been set to attract, retain and motivate Directors and staff. The remuneration package is made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. Annual increments and adjustments to remuneration are reviewed and approved taking into account the results of the annual review made by the executive Directors and the various heads of department.

All the executive Directors have entered into service agreements with the Company. The service agreements are for a term of three years. The service agreements set out the salary, bonus and other benefits that the executive Directors are entitled to. The independent non-executive Directors receive Directors' fees, which is determined after taking into account factors such as time and effort spent, responsibilities of the Directors, and the need to pay competitive fees to attract and retain the Directors. Directors' fees are subject to shareholders' approval at the AGM.

2.3 Audit Committee

The AC was formed in October 2006.

The AC comprises three independent non-executive Directors. At the date of this Report, the AC comprises the following members:

Wong See Meng	(Chairman and Independent Non-Executive Director)
Seow Han Chiang Winston	(Independent Non-Executive Director)
Fu Tao	(Independent Non-Executive Director)

The AC is scheduled to meet at least four times a year. It also holds informal meetings and discussions with management from time to time. The AC also meets with the external auditors without the presence of management at least once a year, and holds discussions as and when necessary.

The functions of the AC are as follows:

a. review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

b. review the quarterly (if any), half-year and annual financial statements, and announcements before submission to the Board for approval;

c. review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

d. ensure that the internal audit function is adequately resourced;

e. review the co-ordination between the external auditors and the management, the assistance given by management to the auditors and addressing any issues arising from the audits, and any matters raised by the auditors, including meeting with the auditors in the absence of management;

f. consider and make recommendation on the appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the auditors; and

g. review Continuing Connected Transactions.

The AC has full access to and co-operation of the management and external auditors, Deloitte Touche Tohmatsu, Hong Kong and Deloitte & Touche LLP, Singapore (collectively known as "DT"). To facilitate discussions, the AC can invite any Director and key executive of the Group to attend its meetings.

The AC has put in place a whistle-blowing framework for employees of the Group to raise concerns about the possible improprieties in matters of financial reporting or other mattes in confidence.

During the year under review, the AC has reviewed the quarterly, half-year and annual financial statements and announcements, the financial reporting and compliance procedures, the report of the internal auditor on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

Auditor's Remuneration

The AC has reviewed the independence of DT including the volume of non-audit services supplied by DT and is satisfied of DT's position as an independent external auditor. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditors. During the year under review, the Group has paid an aggregate of approximately RMB2,705,000 to the external auditor for its audit services and has paid approximately RMB1,614,000 to the external auditors for the consultancy services relating to the voluntary delisting of the Company from the official list of SGX-ST and tax consultancy services. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Board has accepted the AC's recommendation to nominate DT for re-appointment as external auditors at the forthcoming AGM of the Company.

The Company and all of its significant subsidiaries are audited or reviewed by Deloitte & Touche LLP, Singapore and overseas practice of Deloitte Touche Tohmatsu Limited for consolidation purposes.

Internal Audit and Internal Controls

The AC is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatements or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks. The Board understands that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities. Without any evidence to the contrary, in the opinion of the Board, the system of internal controls maintained by the Company was in place.

Any internal control weaknesses identified by the external auditors, DT, during the course of their audit, together with their recommendations to address such weaknesses, were reported to and reviewed by the AC.

The Company has outsourced the functions of the internal audit since June 2007 to Baker Tilly Consultancy (S) Pte Ltd. The internal audit is conducted yearly thereafter and meets the standards set by recognized professional bodies. The objective of the internal audit is to determine whether the Group's risk management and control procedures, as designed by the Company, were adequate and functioning properly. The AC will review and approve the internal audit plans together with the internal auditors. Any material non-compliance for improvements are reported to the CEO and the AC. In the opinion of the Board, with the concurrence of the AC, the internal controls, addressing financial, operational and compliance risks, are adequate.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the HK CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") and the Written Guidelines for Securities Transactions by the Relevant Employees adopted by the Company, and the Company's compliance with the HK CG Code and disclosure in this Corporate Governance Report.

The Company recognizes the importance of providing the Board with sufficient, up-to-date and relevant information on an accurate and timely basis so that it can discharge its duties effectively. The Company also believes in timely, fair and adequate disclosure of relevant information to its shareholders and investors so that they will be appraised of developments that may have a material impact on the Company's securities.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2013. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

Information is disseminated to the shareholders via the HKExnews announcements and news releases. Annual report is prepared and issued to all the shareholders. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure. Shareholders and investors can also access information about the Group on its website at http://www.soundglobal.com.sg.

The AGM is the principal forum for dialogue with shareholders. At the AGM, there is an open question and answer session where shareholders may raise questions or share their views on the proposed resolutions and the Company's business and affairs with the Board. Resolutions requiring shareholders' approval are tabled separately for adoption at the AGM. The Chairman of the Board and the Chairpersons of the AC, RC and NC (or a member or duly appointed delegate of each Committee) and external auditors will normally be present at the AGM to answer any questions relating to the work of these Committees. The external auditors are also present at the AGM to assist the Directors in answering questions from shareholders. The Chairman did not attend the 2013 AGM due to other work commitment which deviates from Code Provision E.1.2 of the HK CG Code. He will use his best endeavours to attend all future Shareholders' meetings of the Company.

Notice of the meeting will be advertised in newspapers in Singapore and announced via HKExnews. Shareholders can vote in person or by proxy.

During the year under review, the Company has not made any change to its Articles of Association.

Dealings in Securities

The Company has adopted a code of conduct rules regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. In addition, specific enquiry has been made to all Directors in relation to whether the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions. The Company was not aware of any information that reasonably suggested that the Directors had not complied with the requirements as stipulated in the Model Code during the year ended December 31, 2013.

Specifically, the Group has procedures on no less than exacting terms than the Model Code (the "Written Guidelines") in place prohibiting dealings in the Company's shares by its officers while in possession of inside information and during the period commencing 30 days preceding the publication date of the Company's quarterly (if any) and half-year results and 60 days preceding the publication date of the Company's annual results, or, if shorter, the period from the end of the relevant financial year/period and ending on the date of the announcement of the relevant results. Internal memorandums are sent to remind Directors and officers on the period where dealings are prohibited. Directors and officers are also expected to observe insider-trading laws at all times, even when dealing in securities within the permitted trading period. An officer should not deal in the Company's shares on short-term considerations. No incident of non-compliance of the Written Guidelines by the officers was noted by the Company.

Risk Management

The Group is subject to business and operational risks, which include, amongst other things, competition from other water and wastewater treatment companies, increases in operating costs, changes in government regulations, adverse local and international economic and market conditions and management of foreign exchange exposure. The Group transacts mainly in Renminbi, with some transactions in Singapore Dollars, Bangladeshi Taka, Saudi Riyals and United States Dollars. Any significant adverse movement in exchange rates may have an impact on the Group's performance. The Group seeks to minimize this risk by taking advantage of natural hedging opportunities. The Group also reviews significant control policies and procedures and highlights significant matters to the Board when necessary.

Material Contracts

Apart from those transactions disclosed under the Continuing Connected Transactions, if any, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder during the financial year under review.

Company Secretaries

Ms. Wong Tak Yee of Tricor Services Limited and Mr. Tan Wei Shyan of Shook Lin & Bok LLP, external service providers, have been engaged by the Company as its joint company secretaries in Hong Kong and Singapore respectively. Their primary contact person at the Company is Mr. Wang Kai, CFO of the Company.

Ms. Wong Tak Yee has confirmed that she has taken no less than 15 hours professional training as required by Rule 3.29 of the Listing Rules. Although Mr. Tan Wei Shyan has not attended any professional training during the year, he is a practising corporate law lawyer in Singapore, and is familiar with the relevant compliance requirements under Singapore law.

Communication with Shareholders

The Company provides information in relation to the Group to the Shareholders in a timely manner through a number of formal channels, including interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholders' meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Articles of Association of the Company and poll results will be posted on the websites of the Company and of SEHK after each shareholders' meeting.

Procedures to Convene an Extraordinary General Meeting On Requisition by Shareholders

Pursuant to Section 176 of the Companies Act (Chapter 50 of Singapore) ("CA"), shareholders may make requisition to the Directors of the Company to convene an extraordinary general meeting, provided that such shareholders hold at the date of the deposit of requisition not less than 10 per cent. of the paid-up capital which carry voting rights at general meetings. The requisition shall state the objects of the meeting. Alternatively, Section 177 of the CA permits two or more shareholders holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) to call a meeting of the Company. The requirements and procedures for requisitioning and calling a meeting are as set out in Section 176 and Section 177 of the CA respectively.

Procedures to Put Forward Proposals at General Meetings

Under Section 183 of the CA, any number of shareholders representing not less than five (5) per cent. of the total voting rights, or not less than 100 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than S$500, may requisition the Company to give notice of a resolution intended to be dealt with at the next AGM. Shareholders should follow the requirements and procedures as set out in Section 183 of the CA for putting forward a resolution at the AGM.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Singapore:

Address:	1 Robinson Road, #17-00 AIA Tower, Singapore 048542 (For the attention of Joint Company Secretary)
Fax:	(65) 6535 8577
Email:	IR@soundglobal.hk

Hong Kong:

Address:	Unit 1805, 18th Floor, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong (For the attention of Joint Company Secretary)
Fax:	(852) 2526 6533
Email:	IR@soundglobal.hk

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2526 6552 for any assistance.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013. These financial statements are prepared in accordance with International Financial Reporting Standards which is also in compliance with the Singapore Financial Reporting Standards.

1. PRINCIPAL ACTIVITIES

The Group is principally engaged in turnkey water and wastewater treatment. The activities of its principal subsidiaries and associates are set out in Note 41 to the financial statements.

2. RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 81 to 173 of this annual report.

The directors do not propose any final dividend in respect of the year ended December 31, 2013.

3. RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Statement of Changes in Equity and Consolidated Statement of Changes in Equity to the financial statements. The Company's reserves available for distribution to shareholders as at December 31, 2013 amounted to RMB5.2 million (2012: RMB4.2 million).

4. PROPERTY, PLANTS AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group and the Company during the year are set out in Note 16 to the financial statements.

5. ISSUED CAPITAL

Movements in issued capital of the Group and the Company during the year are set out in Note 28 to the financial statements.

6. CONVERTIBLE LOAN NOTES

Details of the convertible loan notes of the Group and the Company during the year are set out in Note 29 to the financial statements.

7. WARRANTS

Details of the warrants of the Group and the Company during the year are set out in Note 30 to the financial statements.

8. SENIOR NOTES

Detail of the senior notes of the Group and the Company during the year are set out in Note 32 to the financial statements.

9. PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended December 31, 2013.

10. MAJOR SUPPLIERS AND CUSTOMERS

The purchase from the largest supplier of the Group for 2013 was approximately RMB350.9 million, which accounted for 18.1% of the total purchase of the Group for the year and the total purchase from the five largest suppliers was approximately RMB938.3 million, which accounted for 48.5% of the total purchases of the Group for the year. None of the Directors and their associates, or, so far as the Directors were aware, shareholders who owned more than 5% of the Company's issued capital had any interest in any of the five largest suppliers of the Group.

The sales to the largest customer of the Group for 2013 was approximately RMB550.0 million, which accounted for 17.5% of the total sales of the Group for the year and the total sales from the five largest customers was approximately RMB924.0 million, which accounted for 29.4% of the total sales of the Group for the year. None of the Directors and their associates, or, so far as the Directors were aware, shareholders who owned more than 5% of the Company's issued capital had any interest in any of the five largest customers of the Group.

11. DIRECTORS

The Directors in office during the year and up to the date of this report are:

Executive Directors
Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai
Luo Liyang
Jiang Anping

Independent Non-Executive Directors
Wong See Meng
Seow Han Chiang Winston
Fu Tao

In accordance with Article 89 of the Articles of Association of the Company and pursuant to the code provision A.4 of the HK CG Code, Mr. Luo Liyang, Mr. Wong See Meng and Mr. Seow Han Chiang Winston will retire as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

No Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

The Company has received annual confirmations of independence from each of the Independent Non-Executive Directors pursuant to Rule 3.13 of the Listing Rules and considers all the Independent Non-Executive Directors to be independent.

12. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraph 15 of the Report of the Directors.

13. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

(a) Disclosure under Singapore Law

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Name of director and companies in which interest are held	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	At January 1, 2013	At December 31, 2013	At January 1, 2013	At December 31, 2013
	Number of ordinary shares			
Sound Water (BVI) Limited – Ordinary shares of US$1.00 each				
Wen Yibo	631,605,600	631,605,600	70,178,400	70,178,400
The Company				
Wen Yibo	11,733,000	11,733,000	713,289,000	713,289,000

By virtue of Section 7 of the Singapore Companies Act, Mr. Wen Yibo is deemed to have an interest in all the related corporations of the Company.

(b) Disclosure under Hong Kong law

As at December 31, 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and SEHK were as follows:

Long Position in the Ordinary Shares ("Shares") of the Company and Associated Corporation are as follows:

(A) The Company

	Number of shares held, capacity and nature of interest				
Name	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage to the issued share capital of the Company (%)
Wen Yibo	11,733,000	-	701,784,000#1	713,517,000	55.31
Wang Kai	3,075,000#2	-	-	3,075,000	0.24
Luo Liyang	3,057,400#2	-	-	3,057,400	0.24
Jiang Anping	1,140,000#2	-	-	1,140,000	0.09

Notes:

#1 These Shares were held by Sound Water (BVI) Limited, a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively.

#2 Share options granted under the Epure Share Option Scheme of the Company.

(B) *Associated Corporation — Sound Water (BVI) Limited* #3

	Number of shares held, capacity and nature of interest				
Name	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Total**	**Percentage to the issued share capital of the Associated Corporation (%)**
Wen Yibo	9	1	-	10	100

Note:

#3 Sound Water (BVI) Limited was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively.

Save for disclosed above, as at December 31, 2013, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and SEHK.

14. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements and no contract of significance to which the Company, its holding Company or any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

15. SHARE OPTION

(A) Sound Global Share Option Scheme ("the Scheme")

The Scheme is administered by the RC comprising:

Seow Han Chiang Winston (Chairman)
Wong See Meng
Fu Tao

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company.

The exercise price for the Shares under the Scheme shall be the price determined by the RC and notified to the option holder which shall not be less than the higher of:

(i) the average closing price of the Shares as stated in the SEHK's daily quotations sheets for the five market days immediately preceding the date of grant of the option; and

(ii) the closing price of the Shares as stated on the SEHK's daily quotations sheet on the date of grant of the option.

The consideration for the grant of an option is S$1.00 which should be paid within 30 days from the date of offer. Options granted with the exercise price shall only be exercised after the first anniversary but before the fifth anniversary of the date of grant of that option.

The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised in part only in respect of 1,000 shares or any multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the RC.

The Scheme was adopted pursuant to a resolution passed on April 30, 2010, for the primary purpose of providing an opportunity for employees and directors (including independent non-executive directors) of the Group to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services.

Under the Scheme, the RC 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 10% 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 issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Persons who are controlling shareholders (being persons who directly or indirectly have an interest of 15% of the Company's issued share capital) or their associates shall not participate in the Scheme unless their participation and the actual number of shares to be issued to them and the terms of any options to be granted to them, have been approved by independent shareholders of the Company in general meeting by way of a separate resolution for each such person.

No options to take up unissued shares of the Company or any subsidiary were granted under the Scheme since the date of adoption up to December 31, 2013. As at the date of this Annual Report, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme is 129,000,000 shares, representing 10% of the issued share capital of the Company. The remaining life of the Scheme is approximately 6 years.

(B) Epure Share Option Scheme ("the Epure Scheme")

The Group adopted the Epure Scheme on August 15, 2007 and the Epure Scheme was terminated upon listing on the SEHK. No further options are available for issue under the Epure Scheme as at the date of this Annual Report.

As at December 31, 2013, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2012: 64,500,000), representing 5% (2012: 5%) of the shares of the Company in issue at that date.

The number of outstanding share options under the Epure Scheme are as follows:

Date of grant	Vesting period	Exercisable period	Exercisable price per share	Outstanding at January 1, 2013	Forfeited	Outstanding at December 31, 2013
July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745	33,150,400	646,000	32,504,400

In respect of options granted on July 23, 2010, 10,000,000 options were granted to the then executive directors and 54,500,000 options were granted to the then employees. There are no options granted to any of the Company's controlling shareholders or their associates.

The information on directors/employees of the Company participating in the Epure Scheme is as follows:

Name	Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at January 1, 2013	Forfeited	Outstanding at December 31, 2013
Director							
Wang Kai	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745	3,075,000	-	3,075,000
Luo Liyang	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745	3,057,400	-	3,057,400
Jiang Anping	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745	1,140,000	-	1,140,000
Other employees	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745	25,878,000	646,000	25,232,000

No employees or employee of related corporations has received 5% or more of the total options granted under the Epure Scheme.

Upon the participant ceasing to be in the full-time employment of the Group, the options shall, to the extent unexercised, immediately forfeited. The exercise of the option granted under the Epure Scheme is also subject to the following conditions:

i) the options will be exercisable in four equal tranches, commencing one year from the date of grant and on each anniversary of the date of grant up to the fifth anniversary;

ii) the increase in profit after tax for each of the financial years ended December 31, 2010, 2011, 2012 and 2013 must be at least 15%, 15%, 10% and 10% respectively, excluding all exceptional items; and

iii) the compounded growth rate for profit after tax, based on profit after tax for the financial year ended December 31, 2009, for each of the financial years ended December 31, 2010, 2011, 2012 and 2013 must be at least 25%, 25%, 15% and 15% respectively, excluding all exceptional items.

16. SUBSTANTIAL SHAREHOLDERS

As at December 31, 2013, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of company (%)
Zhang Huiming	713,517,000 (L)#	55.31 (L)
Sound Water (BVI) Limited	701,784,000 (L)	54.40 (L)
International Finance Corporation	132,104,545 (L)	10.24 (L)
Central Huijin Investment Ltd	297,069,767(L)	23.03(L)
China Construction Bank Corporation	297,069,767(L)	23.03(L)
Deutsche Bank Aktiengesellschaft	77,687,176(L) 18,701,000(S)	6.02(L) 1.45(S)
JP Morgan Chase & Co.	101,793,128(L) 3,000,000(S) 96,109,675(P)	7.89(L) 0.23(S) 7.45(P)
Prudence Investment Management (Hong Kong) Limited	81,856,543(L)	6.35(L)
Norges Bank	76,152,000(L)	5.90(L)
Schroders Plc	66,856,000 (L)	5.18 (L)

(L) — Long position (S) — Short position (P) — Lending Pool

Note:

These Shares were held by her husband, Mr. Wen Yibo (11,733,000 Shares) and Sound Water (BVI) Limited (701,784,000 Shares), a company which was owned by Mr. Wen Yibo and his wife, Ms. Zhang Huiming as to 90% and 10% respectively. Hence, Ms. Zhang Huiming was deemed to be interested in the 713,517,000 Shares of the Company held by Mr. Wen Yibo and Sound Water (BVI) Limited.

Save as disclosed above, as at December 31, 2013, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

17. AUDIT COMMITTEE

The AC comprises three Independent Non-Executive Directors. As at the date of this Report, the AC comprises the following members:

Wong See Meng (Chairman)
Fu Tao
Seow Han Chiang Winston

The AC is scheduled to meet at least four times a year. It also holds informal meetings and discussions with management from time to time. The AC also meets with the external auditors without the presence of management at least once a year, and holds discussions as and when necessary.

The functions of the AC are as follows:

a) to review the Group's financial and operating results and accounting policies;

b) to review the quarterly, half-year and annual financial statements, and quarterly, half-year and annual announcements before submission to the Board of Directors for approval;

c) to review the audit plans of the external auditors and their audit reports;

d) to review internal control and procedures, including review of the internal auditor's internal audit plan and internal audit findings;

e) to ensure that the internal audit function is adequately resourced;

f) to review the co-ordination between the external auditors and management, the assistance given by management to the auditors and addressing any issues arising from the audits, and any matters raised by the auditors;

g) to consider and make recommendation on the appointment or re-appointment of the external auditors; and

h) to review Continuing Connected Transactions.

The AC had full access to and co-operation of the management and external auditors has been given the resources required for it to discharge its function properly. DT has unrestricted access to the AC. To facilitate discussions, the AC can invite any of the Directors and key executive of the Group to attend its meetings.

The AC has reviewed the independence of DT including the volume of non-audit services supplied by DT and is satisfied of DT's position as an independent external auditor. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Board of Directors has accepted the AC's recommendation to nominate DT for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

The audited consolidated financial statements of the Company for the year ended December 31, 2013 have been reviewed by the AC of the Company.

18. AUDITORS

The financial statements of the Company, which include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK and by the Hong Kong Companies Ordinance and the Singapore Companies Act, are prepared in accordance with International Financial Reporting Standards and are also in compliance with Singapore Financial Reporting Standards. These financial statements were audited by Deloitte Touche Tohmatsu, Hong Kong and Deloitte & Touche LLP, Singapore.

The auditors, Deloitte Touche Tohmatsu, Hong Kong, and Deloitte & Touche LLP, Singapore have expressed their willingness to accept re-appointment as its auditors at the forthcoming Annual General Meeting.

19. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Singapore, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

20. SUFFICIENT PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float as at December 31, 2013.

21. CONNECTED TRANSACTIONS

Details of related party transactions undertaken by the Company and subsidiaries during the year are set out in Note 39(B) to the financial statements, which have been approved by the shareholders at the AGM dated April 29, 2013 and the extraordinary general meeting on November 14, 2013.

ON BEHALF OF THE DIRECTORS

Wen Yibo

Wang Kai

March 25, 2014

STATEMENT OF DIRECTORS

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 81 to 173 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Wen Yibo

Wang Kai

March 25, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOUND GLOBAL LTD.
(incorporated in the Republic of Singapore with limited liability)

We have audited the consolidated financial statements of Sound Global Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 81 to 173, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at December 31, 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 25, 2014

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOUND GLOBAL LTD.

(incorporated in the Republic of Singapore with limited liability)

Report on the Financial Statements

We have audited the accompanying financial statements of Sound Global Ltd (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 81 to 173.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Other Matter

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as at December 31, 2013, and for the year then ended, have been included in the Annual Report for the financial year ended December 31, 2013, to be filed with The Stock Exchange of Hong Kong Limited. These financial statements are prepared in accordance with International Financial Reporting Standards which are also in compliance with the Singapore Financial Reporting Standards as disclosed in Note 42 to the financial statements. These financial statements have been reproduced for the purpose of filing with the Accounting and Corporate Regulatory Authority of Singapore.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 25, 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

	NOTES	The Group 2013 RMB'000	2012 RMB'000
Revenue	6	3,139,500	2,652,256
Cost of sales		(2,181,311)	(1,851,869)
Gross profit		958,189	800,387
Other income	7	95,373	54,201
Other gains and losses	8	(11,467)	1,717
Distribution and selling expenses		(38,420)	(37,508)
Research and development expenses		(20,309)	(23,995)
Administrative expenses		(131,974)	(117,783)
Finance costs	9	(285,214)	(173,608)
Profit before income tax		566,178	503,411
Income tax expenses	10	(140,801)	(75,902)
Profit for the year	11	425,377	427,509
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		1,219	101
Total comprehensive income for the year (net of tax)		426,596	427,610
Profit for the year attributable to:			
Owners of the Company		423,347	427,509
Non-controlling interests		2,030	-
		425,377	427,509
Total comprehensive income attributable to:			
Owners of the Company		424,566	427,610
Non-controlling interests		2,030	-
		426,596	427,610
Earnings per share (in RMB cents)			
Basic	15	32.82	33.14
Diluted	15	32.36	32.35

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

	NOTES	The Group December 31, 2013 RMB'000	The Group December 31, 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	49,907	47,524
Intangible assets	17	77,548	20,000
Land use rights	18	41,978	43,136
Goodwill	19	41,395	41,395
Service concession receivables	20	2,237,138	1,643,483
Deferred tax assets	21	8,181	7,822
Derivative financial instruments	31	3,384	-
Restricted bank balances	25	-	27,571
		2,459,531	1,830,931
CURRENT ASSETS			
Inventories	22	27,960	24,371
Trade and other receivables	24	1,569,025	1,433,015
Land use rights	18	1,158	1,158
Amounts due from customers for contract work	23	1,096,568	584,436
Restricted bank balances	25	109,492	53,137
Bank balances and cash	25	3,533,547	2,912,077
		6,337,750	5,008,194
CURRENT LIABILITIES			
Trade and other payables	26	1,653,991	1,170,609
Warrants	30	1,647	-
Tax payables		107,968	64,117
Borrowings - due within one year	27	763,624	465,496
Amounts due to customers for contract work	23	41,367	63,059
		2,568,597	1,763,281
NET CURRENT ASSETS		3,769,153	3,244,913
TOTAL ASSETS LESS CURRENT LIABILITIES		6,228,684	5,075,844
NON-CURRENT LIABILITIES			
Deferred tax liabilities	21	111,019	48,877
Borrowings - due after one year	27	1,517,554	888,662
Convertible loan notes	29	573,147	557,618
Warrants	30	-	3,531
Derivative financial instruments	31	53,978	-
Senior notes	32	898,695	922,644
		3,154,393	2,421,332
TOTAL ASSETS LESS TOTAL LIABILITIES		3,074,291	2,654,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

	NOTES	The Group December 31, 2013 RMB'000	December 31, 2012 RMB'000
CAPITAL AND RESERVES			
Issued capital	28	833,368	833,368
Reserves		2,237,010	1,810,544
Equity attributable to owners of the Company		3,070,378	2,643,912
Non-controlling interests		3,913	10,600
		3,074,291	2,654,512

The consolidated financial statements on pages 81 to 173 were approved and authorized for issue by the board of directors on March 25, 2014 and are signed on its behalf by:

Wen Yibo Director	Wang Kai Director

STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2013

	NOTES	The Company December 31, 2013 RMB'000	The Company December 31, 2012 RMB'000
NON-CURRENT ASSETS			
Equipment	16	46	15
Investment in subsidiaries	41	2,024,387	2,093,770
		2,024,433	2,093,785
CURRENT ASSETS			
Trade and other receivables	24	922,701	593,847
Bank balances and cash	25	65,368	186,332
		988,069	780,179
CURRENT LIABILITIES			
Trade and other payables	26	126,766	62,910
Warrants	30	1,647	-
Borrowings - due within one year	27	144,674	54,146
		273,087	117,056
NET CURRENT ASSETS		714,982	663,123
TOTAL ASSETS LESS CURRENT LIABILITIES		2,739,415	2,756,908
NON-CURRENT LIABILITIES			
Borrowings - due after one year	27	275,748	339,062
Convertible loan notes	29	573,147	557,618
Warrants	30	-	3,531
Derivative financial instrument	31	53,978	-
Senior notes	32	898,695	922,644
		1,801,568	1,822,855
TOTAL ASSETS LESS TOTAL LIABILITIES		937,847	934,053
CAPITAL AND RESERVES			
Issued capital	28	833,368	833,368
Reserves		104,479	100,685
		937,847	934,053

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

The Group	Issued capital RMB'000	Merger reserve RMB'000 (note i)	Capital reserve RMB'000 (note ii)	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	Statutory surplus reserve RMB'000 (note iii)	Retained earnings RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2012	833,368	(88,296)	7,994	1,007	30,361	79,676	139,495	1,290,464	2,294,069	10,600	2,304,669
Profit for the year	-	-	-	-	-	-	-	427,509	427,509	-	427,509
Other comprehensive income for the year	-	-	-	101	-	-	-	-	101	-	101
Total comprehensive income for the year	-	-	-	101	-	-	-	427,509	427,610	-	427,610
Transfer to reserve fund	-	-	-	-	-	-	3,105	(3,105)	-	-	-
Early redemption of convertible loan notes	-	-	-	-	-	(20,273)	-	-	(20,273)	-	(20,273)
Repurchase of convertible loan notes	-	-	-	-	-	(1,377)	-	-	(1,377)	-	(1,377)
Recognition of equity-settled share based payments	-	-	-	-	9,003	-	-	-	9,003	-	9,003
Transfer upon forfeiture of share options	-	-	-	-	(7,871)	-	-	7,871	-	-	-
Dividends paid (Note 14)	-	-	-	-	-	-	-	(65,120)	(65,120)	-	(65,120)
Balance at December 31, 2012	833,368	(88,296)	7,994	1,108	31,493	58,026	142,600	1,657,619	2,643,912	10,600	2,654,512
Profit for the year	-	-	-	-	-	-	-	423,347	423,347	2,030	425,377
Other comprehensive income for the year	-	-	-	1,219	-	-	-	-	1,219	-	1,219
Total comprehensive income for the year	-	-	-	1,219	-	-	-	423,347	424,566	2,030	426,596
Transfer to reserve fund	-	-	-	-	-	-	2,407	(2,407)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	(856)	-	-	-	-	-	(856)	(8,717)	(9,573)
Recognition of equity-settled share based payments	-	-	-	-	2,756	-	-	-	2,756	-	2,756
Balance at December 31, 2013	833,368	(88,296)	7,138	2,327	34,249	58,026	145,007	2,078,559	3,070,378	3,913	3,074,291

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

The Company	Issued capital RMB'000	Capital reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at January 1, 2012	833,368	7,010	30,361	79,676	66,648	1,017,063
Loss and total comprehensive expense for the year	-	-	-	-	(5,243)	(5,243)
Dividends paid (Note 14)	-	-	-	-	(65,120)	(65,120)
Recognition of equity-settled share-based payments	-	-	9,003	-	-	9,003
Transfer upon forfeiture of share options	-	-	(7,871)	-	7,871	-
Early Redemption of convertible loan notes	-	-	-	(20,273)	-	(20,273)
Repurchase of convertible loan notes	-	-	-	(1,377)	-	(1,377)
Balance at December 31, 2012	833,368	7,010	31,493	58,026	4,156	934,053
Profit and total comprehensive income for the year	-	-	-	-	1,038	1,038
Recognition of equity-settled share-based payments	-	-	2,756	-	-	2,756
Balance at December 31, 2013	833,368	7,010	34,249	58,026	5,194	937,847

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 immediate holding company, Sound Water (BVI) Limited ("Sound Water"), a company incorporated in the British Virgin Islands (the "BVI"), to finance the acquisition of a subsidiary, Beijing Sound Environmental Engineering Co., Ltd. ("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 issued capital of the subsidiary acquired of RMB62,600,000.

(ii) The balance 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 Singapore Exchange Securities Trading Limited (the "SGX") in 2006; (b) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Zongcun Sound Water Co., Ltd. ("Anyang Zongcun "), a subsidiary, by the Group and the carrying amount on the non-controlling interest, (c) the deemed distribution to the ultimate holding company arose upon the acquisition of Anyang Zongcun in January 2010, with 60% interest acquired from Sound Group Limited ("Sound Group", formerly known as Beijing Sound Environment Group Co., Ltd.), a fellow subsidiary of the Company, for consideration of RMB27,000,000 by the Group, and (d) the difference between the consideration of RMB 9,573,000 in relation to the acquisition of 20% interest in Yantai Bihai Water Co., Ltd. ("Yantai Bihai"), a subsidiary, by the Group and the carrying amount on the non-controlling interest.

(iii) In accordance with the Articles of Association of certain subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	NOTE	The Group 2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		566,178	503,411
Adjustments for:			
Depreciation of property, plant and equipment		5,152	4,529
Amortization of land use rights		1,158	1,158
Amortization of intangible assets		10,298	10,000
Interest income		(90,197)	(50,568)
Loss on early redemption and repurchase of convertible loan notes		-	119
Finance costs		285,214	173,608
Allowance for doubtful debts		3,498	3,003
Foreign exchange gain		(29,405)	(4,821)
Loss on disposal of property, plant and equipment		58	256
Share-based payment expenses		2,756	9,003
Fair value change of warrant		(1,884)	(4,422)
Fair value gain of foreign currency forward contracts		(3,384)	-
Fair value change of derivative financial instruments		53,978	-
Operating cash flows before movements in working capital		803,420	645,276
Increase in inventories		(3,589)	(2,784)
Increase in trade and other receivables		(136,004)	(315,739)
Increase in service concession receivables		(307,109)	(518,756)
Increase in amounts due from customers for contract work		(512,132)	(156,796)
Increase in trade and other payables		360,017	245,196
(Decrease) increase in amounts due to customers for contract work		(21,692)	55,250
Cash from (used) in operations		182,911	(48,353)
Income taxes paid		(65,898)	(57,372)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		117,013	(105,725)
INVESTING ACTIVITIES			
Interest received		11,375	9,500
Purchases of property, plant and equipment		(6,424)	(4,844)
Proceeds from disposal of property, plant and equipment		7	60
Acquisition of subsidiaries	33	(124,016)	-
Placement in restricted bank balances		(78,661)	(58,869)
Withdrawal in restricted bank balances		48,011	34,979
NET CASH USED IN INVESTING ACTIVITIES		(149,708)	(19,174)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	NOTE	The Group 2013 RMB'000	2012 RMB'000
FINANCING ACTIVITIES			
Interest paid		(254,810)	(110,458)
Payment of dividends		-	(65,120)
Acquisition of additional interest in a subsidiary		(9,573)	-
Net proceeds on issue of senior notes		-	923,084
Early redemption of convertible loan notes		-	(263,000)
Repurchase of convertible loan notes		-	(22,052)
Borrowings raised		1,348,034	892,860
Repayments of borrowings		(423,773)	(392,413)
NET CASH FROM FINANCING ACTIVITIES		659,878	962,901
NET INCREASE IN CASH AND CASH EQUIVALENTS		627,183	838,002
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,912,077	2,074,426
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(5,713)	(351)
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		3,533,547	2,912,077

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

1. GENERAL INFORMATION

The Company (Singapore Registration Number 200515422C) was a limited liability company incorporated in Republic of Singapore ("Singapore") on November 7, 2005 under the Singapore Companies Act and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK"). The registered office of the Company is 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 (together with the Company, collectively referred as the "Group") 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 of the municipal wastewater projects and sale of treated water.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate. The functional currency of the Company is RMB.

The Company's immediate and ultimate parent company is Sound Water.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new or revised standards, amendments to standards ("new or revised IFRSs") issued by International Accounting Standards Board. For reconciliation to the new or revised Singapore Financial Standards, please refer to Note 42 to the financial statements.

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income

In addition, the Group has early adopted the amendments to IAS 36 Impairment of Financial Assets: Recoverable Amount Disclosures for Non-Financial Assets in advance of its effective date.

Except as described below, the application of the new or revised IFRSs in the current year has had no material impact on the Group's financial results and positions and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IFRS 13-Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. Except for the additional disclosures of fair value information (please see note 35c for the disclosures), the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

IFRS 10 - Consolidated Financial Statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The Group re-assessed its involvement with its subsidiaries and concluded it has power to direct relevant activities of its subsidiaries to affect the amount of returns. The adoption of IFRS10 has no material impact on the consolidated financial statements of the Group.

Impact of the application of IFRS 12

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive in the consolidated financial statements (please see note 41 for details).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Amendments to IAS 1 -Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to IAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes and the "consolidated statement of comprehensive income" is renamed as "consolidated statement of profit or loss and other comprehensive income ". Other than the presentation changes, the adoption of the amendments to IAS 1 has no material impact on the consolidated financial statements.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about:

a) recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation; and

b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The amendments to IFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements, master netting agreements or similar agreements. Disclosures have been set out in note 24a.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

These amendments are effective for annual period beginning on or after January 1, 2014.

The directors have early adopted the amendments in advance of effective date and prepared the disclosures relating to recoverable amount of non-financial assets in accordance with the amendments.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 Available for application - the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Except for those as stated below, the adoption of these new and revised IFRS is not expected to have material impact on the results and the financial position of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future may not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at December 31, 2013 and the new requirements for hedge accounting are not expected to have material impact on the consolidated financial statements as the Group has not applied any hedge accounting.

IFRIC 21 Levies

IFRIC 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC 21 will have no effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the accounting policies are set out below. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK, and by the Hong Kong Companies Ordinance and the Singapore Companies Act.

The consolidated financial statements have 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive Income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries 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 subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment in subsidiaries

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

Business combinations

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 the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, 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 share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); 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 that Standard.

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 re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed 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 that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 on a *pro rata* 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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 end of the reporting period, measured by the proportion that contract costs incurred for work performed to date relative 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 the amount can be measured reliably, its receipt is considered probable and 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

Construction contracts - continued

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 is recognised when the goods are delivered and titles have passed at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Service income including that from operating service provided under service concession arrangements is recognized when services are provided. 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 on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognized as an expense in the period 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 are stated in the consolidated statement of financial position 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 over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Buildings	3%
Plant and machinery	9% to 33%
Transportation vehicles	18%
Fixtures and equipment	9% to 33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 period in which the item is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 in the respective functional currency at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that day. 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 recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

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.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Service concession arrangements

The Group has entered into service concession arrangements with the various governing bodies or agencies of the government of the People's Republic of China (the "grantors") to build and operate waste water treatment plants. Under the concession arrangements, the Group will construct and/or operate the plants for a concession period of between 20 and 30 years and transfer the plants to the grantors at the end of the concession periods. Such concession arrangements fall within the scope of IFRIC 12 Service Concession Arrangement, and are accounted for as follows:

Financial asset - service concession receivables

The Group recognises a service concession receivable if it has an unconditional contractual right under the service concession arrangements to receive a fixed or determinable amount of payments during the concession period irrespective of the usage of the plants. The service concession receivable is measured on initial recognition at its fair value. Subsequent to initial recognition, the service concession receivable is measured at amortised cost using the effective interest method.

Intangible asset - operating concession

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is recognized at fair value upon initial recognition and is carried at cost less accumulated amortisation and any accumulated impairment losses.

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

Retirement benefit costs

Payments to the defined contribution retirement benefits scheme under the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

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 the consolidated statement of profit or loss and other comprehensive income 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 end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. 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, 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 the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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. Current and 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 current and deferred tax is also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets - continued

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.

Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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 in the period when the asset is derecognized.

Internally-generated intangible assets - research and development expenditure

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 activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment losses of tangible assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, 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 (or a cash-generating unit) 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 the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets

The Group's financial assets are mainly loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument 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 or 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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, restricted bank balances 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).

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each reporting date. Loans and receivables are considered to be 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 affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets - continued

Impairment of financial assets - continued

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 amounts of the loans and receivables are 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.

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 instruments

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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 (including all fees and 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities and equity instruments - continued

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as fair value through profit or loss ("FVTPL") when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

Financial liabilities at FVTPL include derivatives not designated nor effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities including liability component of the convertible loan notes, senior notes, borrowings and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Financial guarantee contract

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with IAS 18 Revenue.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities and equity instruments - continued

Derecognition - continued

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained earnings.

Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes reserve).

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes reserve will be transferred to capital reserve). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes reserve will be released to retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Convertible loan notes - continued

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

When the Group extinguishes the convertible loan notes before maturity through early redemption or repurchase in which the original conversion privileges are unchanged, the entity allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Group when the convertible loan notes were issued. Once the allocation of the consideration is made, any resulting gain or loss relating to liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognised in equity.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

i. Critical judgements in applying the Group's accounting policies

The management is of the opinion that there is no instance of application of judgement expected to have a significant effect on the amounts recognized in the financial statements.

ii. Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

ii. Key sources of estimation uncertainty - continued

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 amount 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 24.

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 estimation is required in determining the stage of completion, including 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 assessing the estimation, the Group relies on past experience and the work of the project management team. 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. 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.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY - continued

ii. Key sources of estimation uncertainty - continued

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating operating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill and details of the recoverable amount calculation are disclosed in Note 19 to the consolidated financial statements.

Impairment of intangible assets and property, plant and equipment

Determining whether the intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the intangible assets and property, plant and equipment at the end of the reporting period is disclosed in Notes 17 and 16 to the consolidated financial statements.

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 CODM 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 Fabrications"), 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 describing in Note 3. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, other income, other gains and losses and finance costs at corporate level.

5. SEGMENT INFORMATION - continued

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

The Group	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
2013						
Revenue						
External sales	2,882,936	63,756	192,808	3,139,500	-	3,139,500
Inter-segment sales	-	137,138	-	137,138	(137,138)	-
Total revenue	2,882,936	200,894	192,808	3,276,638	(137,138)	3,139,500
Segment results	692,833	9,847	117,709	820,389	-	820,389
Unallocated income						263
Unallocated other gains and losses						(15,623)
Unallocated finance costs						(216,755)
Unallocated expenses						(22,096)
Profit before income tax						566,178
2012						
Revenue						
External sales	2,445,959	111,991	94,306	2,652,256	-	2,652,256
Inter-segment sales	-	115,349	-	115,349	(115,349)	-
Total revenue	2,445,959	227,340	94,306	2,767,605	(115,349)	2,652,256
Segment results	607,876	7,513	33,635	649,024	-	649,024
Unallocated income (note a)						481
Unallocated other gains and losses (note a)						17,592
Unallocated finance costs						(135,442)
Unallocated expenses						(28,244)
Profit before income tax						503,411

Inter-segment sales are charged at prices agreed between the group entities and are eliminated on consolidation.

Note a: The comparative amounts have been reclassified to conform to the current year's presentation, and the amount involved is not significant.

Segment assets represent property, plant and equipment, land use rights, intangible assets, goodwill, service concession receivables, 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 segment. Segment liabilities represent trade and other payables, tax payables, borrowings, amounts due to customers for contract work and deferred tax liabilities except for those arisen from undistributed profits of the PRC subsidiaries, which are attributable to each operating segment. In the internal reports regularly reviewed by the CODM, tax payables and deferred tax assets/liabilities are allocated to each segment, if applicable, without allocating the related income tax expenses to relevant segment results.

5. **SEGMENT INFORMATION - continued**

The Group	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
As of December 31, 2013						
Assets and Liabilities						
Segment assets	5,749,099	559,406	3,256,130	9,564,635	(1,331,214)	8,233,421
Unallocated corporate assets (note a)						563,860
Consolidated assets						8,797,281
Segment liabilities	2,826,746	216,401	1,303,669	4,346,816	(1,331,214)	3,015,602
Deferred tax liabilities						36,375
Unallocated corporate liabilities (note b)						2,671,013
Consolidated liabilities						5,722,990
As of December 31, 2012						
Assets and Liabilities						
Segment assets	4,708,878	551,925	2,418,070	7,678,873	(1,026,918)	6,651,955
Unallocated corporate assets (note a)						187,170
Consolidated assets						6,839,125
Segment liabilities	2,144,465	220,531	891,277	3,256,273	(1,026,918)	2,229,355
Deferred tax liabilities						20,125
Unallocated corporate liabilities (note b)						1,935,133
Consolidated liabilities						4,184,613

Notes:

(a) Unallocated corporate assets mainly represent bank balances and cash, other receivables and equipment at corporate and investment holding companies' level.

(b) Unallocated corporate liabilities mainly represent borrowings, convertible loan notes, senior notes, warrants, derivative financial instruments and other payables at corporate and investment holding companies' level.

5. SEGMENT INFORMATION - continued

Other information

The Group	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Unallocated RMB'000	Total RMB'000
For the year ended December 31, 2013					
Additions to non-current assets excluding financial instruments and deferred tax assets	663	248	5,461	52	6,424
Depreciation and amortization	1,740	11,732	3,114	22	16,608
Interest income	10,445	584	83	263	11,375
Imputed interest income on service concession receivables	-	-	78,822	-	78,822
Loss on disposal of property, plant and equipment	13	45	-	-	58
Finance costs	44,690	2,617	21,152	216,755	285,214
For the year ended December 31, 2012					
Additions to non-current assets excluding financial instruments and deferred tax assets	2,589	149	2,096	10	4,844
Depreciation and amortization	1,739	12,823	1,050	75	15,687
Interest income	8,654	327	38	481	9,500
Imputed interest income on service concession receivables	-	-	41,068	-	41,068
Loss on disposal of property, plant and equipment	256	-	-	-	256
Finance costs	18,441	2,475	17,250	135,442	173,608

5. SEGMENT INFORMATION - continued

Geographical information

The Group's operations are located in the PRC, Kingdom of Saudi Arabia ("Saudi Arabia") and the People's Republic of Bangladesh ("Bangladesh"). The Group's revenue from external customers is presented based on the location of the operations of customers. Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets.

	The Group	
	2013	2012
	RMB'000	RMB'000
Revenue from external customers		
The PRC	3,083,715	2,547,797
Saudi Arabia	34,362	96,032
Bangladesh	21,423	8,427
	3,139,500	2,652,256

	The Group	
	December 31, 2013	December 31, 2012
	RMB'000	RMB'000
Non-current assets		
The PRC	210,065	150,682
Saudi Arabia	763	1,373
	210,828	152,055

Revenue from AnShan Environmental Protection Agency in turnkey projects and services segment contributed 17.52% of the Group's total revenue for the year ended December 31, 2013 (2012: Revenue from Jiangyan City Housing and Urban Construction Bureau in turnkey projects and services segment contributed 10.73% of the Group's total revenue for that year). Except for this, no other single customers contributed 10% or more to the Group's total revenue for the year ended December 31, 2013.

6. REVENUE

	The Group 2013 RMB'000	2012 RMB'000
Revenue from construction contracts		
- Turnkey services	2,593,237	2,157,012
- Sales of equipment	206,755	217,306
Revenue from sale of goods	63,756	111,991
Operating and maintenance income	192,808	94,306
Design service	82,944	71,641
	3,139,500	2,652,256

7. OTHER INCOME

	The Group 2013 RMB'000	2012 RMB'000
Imputed interest income on service concession receivables	78,822	41,068
Interest income	11,375	9,500
Government grant	5,088	3,419
Sundry income	88	214
	95,373	54,201

8. OTHER GAINS AND LOSSES

	The Group 2013 RMB'000	2012 RMB'000
Loss from changes in fair value of a swap contract	45,761	-
Net foreign exchange gains	(32,683)	(675)
Fair value gain on foreign currency forward contracts	(3,384)	-
Change in fair value of warrants	(1,884)	(4,422)
Allowance for doubtful debts	3,498	3,003
Loss on early redemption and repurchase of convertible loan notes	-	119
Loss on disposal of property, plant and equipment	58	256
Others	101	2
	11,467	(1,717)

Note: The comparative amounts have been reclassified to conform to the current year's presentation, and those reclassification are not significant.

9. FINANCE COSTS

	The Group	
	2013	2012
	RMB'000	RMB'000
Interest expenses on borrowings		
- wholly repayable within five years	43,785	32,019
- not wholly repayable within five years	50,412	29,828
Effective interest expenses on convertible loan notes	51,529	66,250
Effective interest expenses on senior notes	139,488	45,511
	285,214	173,608

10. INCOME TAX EXPENSES

	The Group	
	2013	2012
	RMB'000	RMB'000
The charge comprises:		
Current tax		
PRC income tax	112,407	66,540
Over provision in prior year		
PRC income tax	(2,657)	-
Deferred tax (Note 21)	31,051	9,362
	140,801	75,902

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, 2012 and 2013, the tax rate was 17%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25%.

The 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.

10. INCOME TAX EXPENSES - continued

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

	2013 %	2012 %
Beijing Sound (note i)	15	15
Beijing Epure International Water Co., Ltd ("Beijing Epure") (note ii)	15	7.5
Beijing Hi-Standard Water Treatment Equipment Co., Ltd ("Hi-Standard Equipment") (note iii)	15	15
Xi'an Hu County Sound Water Co., Ltd ("Xi'an Hu County Sound") (note iv) "Formerly known as Xi'an Huqing Water Co., Ltd"	12.5	Exempted
Xi'an Chang'an Sound Water Co., Ltd ("Xi'an Chang'an Sound ") (note iv) "Formerly known as Xi'an Qinqing Water Co., Ltd"	12.5	Exempted
Guangxi Sound Water Co., Ltd ("Guangxi Sound ") (note iv) "Formerly known as Guangxi Liqing Water Co., Ltd"	12.5	Exempted
Hainan Sound Water Co., Ltd ("Hainan Sound") (note iv) "Formerly known as Hainan Baichuan Water Co., Ltd"	12.5	Exempted
Taizhou Sound Wastewater Co., Ltd ("Taizhou Sound ") (note iv) "Formerly known as Jiangyan Jiangyuan Wastewater Treatment Co., Ltd"	12.5	Exempted
Shangluo Sound Water Co., Ltd ("Shangluo ") (note iv) "Formerly known as Shangluo Wastewater Treatment Co., Ltd"	Exempted	Exempted
Yulin City Jingzhou Water Co., Ltd ("Yulin Jingzhou") (note iv)	Exempted	Exempted
Hancheng City Sound Water Co., Ltd ("Hancheng ") (note iv) "Formerly known as Hancheng City Yiqing Water Co., Ltd"	Exempted	Exempted
Xi'an Trade & Logistics Park Sound Water Co., Ltd ("Xi'an Trade & Logistics Park ") (note iv) "Formerly known as Xi'an Weiqing Water Co., Ltd"	Exempted	Exempted
Anyang Zongcun Sound Water Co., Ltd ("Anyang Zongcun") (note iv) "Formerly known as Anyang Mingbo Water Co., Ltd"	Exempted	Exempted

Notes:

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

According to the 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), 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 2008 to 2013 and as it has successfully applied as a high-and-new-tech enterprise in 2011 for a period from 2011 to 2013.

10. INCOME TAX EXPENSES - continued

Notes:- continued

(ii) Beijing Epure is a foreign investment enterprise located in Beijing Zhong Guan Cun Science Park, Beijing, the PRC.

In accordance with the Interim Measures of Beijing New Tech Industry Development Test Zone 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 is subject to income tax at 7.5% for each of the years ended December 31, 2010, 2011 and 2012. According to Guo Shui Han 2009 No. 203, Beijing Epure was entitled to enjoy a preferential tax rate at 15% for current year as it has successfully applied as a high-and-new-tech enterprise for an effective period from 2011 to 2013.

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

According to Guo Shui Han 2009 No. 203, Hi-Standard Equipment successfully applied as a high-and-new-tech enterprise in 2011 and enjoy a preferential tax rate of 15% for an effective period from 2011 to 2013.

(iv) According to No.88 provision of the Implementation Rules on the EIT Law of the PRC and the third item in No.27 provision of the EIT Law of the PRC, the income of companies engaged in environmental protection projects, or energy and water saving projects, which meet relevant requirements, shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicized and implemented after being approved by the State Council. Xi'an Hu County Sound, Xi'an Chang'an Sound, Guangxi Sound, Hainan Sound and Taizhou Sound have obtained the approval and are entitled to exempt from enterprise income tax in 2010, 2011 and 2012 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Shangluo, Hancheng and Yulin Jingzhou have obtained the approval and are entitled to exempt from enterprise income tax in 2011, 2012 and 2013 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Xi'an Trade & Logistics Park and Anyang Zongcun have obtained the approval and are entitled to exempt from enterprise income tax in 2012, 2013 and 2014 and enjoy 12.5% preferential enterprise income tax rate in the following three years.

10. INCOME TAX EXPENSES - continued

The income tax expenses can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	The Group	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	566,178	503,411
Tax at the applicable income tax rate of 25%	141,545	125,853
Tax effect of expenses not deductible for tax purpose	40,340	39,161
Tax effect of preferential tax rate of subsidiaries	(80,576)	(93,633)
Tax effect of different tax rates of subsidiaries	(7,807)	(36)
Effect of tax exemption	(4,876)	(4,728)
Tax effect of unrecognized deductible temporary differences	145	90
Tax effect of tax losses not recognized	38,437	5,695
Deferred tax liabilities arising on undistributed profits in the PRC subsidiaries from January 1, 2008 onwards	16,250	3,500
Over provision in prior year	(2,657)	-
Income tax expense	140,801	75,902

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	The Group	
	2013	2012
	RMB'000	RMB'000
Amortization of intangible assets, included in cost of sales	10,298	10,000
Amortization of land use rights	1,158	1,158
Auditors' remuneration	2,705	3,176
Non-audit fees - to auditors of the Company and the Group	1,614	1,071
Cost of inventories recognized as expenses	168,319	237,254
Depreciation for property, plant and equipment	5,152	4,529
Loss on disposal of property, plant and equipment	58	256
Staff cost		
Directors' remuneration (Note 12)	3,189	3,409
Other staff costs		
Staff cost excluded retirement benefit costs	97,102	71,214
Contribution to defined contribution plans	12,439	8,939
Share-based payments	1,855	7,230
Total staff cost	114,585	90,792

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid to the directors and the chief executive of the Company for the year are as follows:

	The Group 2013 RMB'000	The Group 2012 RMB'000
Directors' fees	610	615
Directors' emoluments:		
- Basic salaries and allowances	1,372	792
- Bonus	127	97
- Contribution to defined contribution plans	179	132
- Share-based payments	901	1,773
	2,579	2,794
Total	3,189	3,409

The Group	Directors' fee RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note)	Contribution to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended December 31, 2013						
Name of director						
WEN Yibo	-	391	-	37	-	428
LUO Liyang	-	239	92	37	379	747
WANG Kai	-	253	-	37	381	671
JIANG Anping	-	240	35	37	141	453
ZHANG Jingzhi (appointed on March 4, 2013)	-	249	-	31	-	280
WONG See Meng	300	-	-	-	-	300
FU Tao	60	-	-	-	-	60
SEOW Han Chiang Winston	250	-	-	-	-	250
	610	1,372	127	179	901	3,189

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS - continued

The Group - continued	Directors' fee RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note)	Contribution to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended December 31, 2012						
Name of director						
WEN Yibo	-	230	-	33	-	263
LUO Liyang	-	187	55	33	745	1,020
WANG Kai	-	187	-	33	750	970
JIANG Anping	-	188	42	33	278	541
WONG See Meng	303	-	-	-	-	303
FU Tao	60	-	-	-	-	60
SEOW Han Chiang Winston	252	-	-	-	-	252
	615	792	97	132	1,773	3,409

Mr. Wen Yibo is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

None of the directors of the Company has waived any emoluments during the years ended December 31, 2012 and 2013.

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 two (2012: two) directors for the year ended December 31, 2013. The emoluments of the directors are included in the disclosure in Note 12 above. The emoluments of the remaining three (2012: three) highest paid individuals for the year ended December 31, 2013 are as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Salaries and other benefits	1,528	2,078
Performance related bonus (note)	1,206	280
Contribution to defined contributions plan	121	126
Share-based payments	362	296
	3,217	2,780

Note: The performance related bonus 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.

Their emoluments were within the following band:

	Number of individuals	
	2013	2012
Nil to HK$1,000,000	2	1
HK$1,000,001 to HK$1,500,000	-	2
HK$1,500,001 to HK$2,000,000	1	-

14. DIVIDENDS

	The Group and the Company	
	2013 RMB'000	2012 RMB'000
Dividends recognized as distributions during the year	-	65,120

A final dividend of S$0.01 per share in respect of the year ended December 31, 2011 was declared and paid to the shareholders of the Company in 2012. The aggregated amount of the final dividend declared and paid in 2012 amounted to RMB 65,120,000.

No dividend has been proposed by the directors in respect of the year ended December 31, 2013 and 2012.

15. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	The Group	
	2013	2012
	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share	423,347	427,509
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	51,529	66,250
Loss on early redemption and repurchase of convertible loan notes	-	119
Earnings for the purpose of diluted earnings per share	474,876	493,878
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	1,290,000	1,290,000
Effect of dilutive potential ordinary shares from:		
Convertible loan notes	177,297	236,657
Weighted average number of shares	1,467,297	1,526,657
	RMB cents	RMB cents
Earnings per share		
Basic	32.82	33.14
Diluted	32.36	32.35

The computation of diluted earnings per share in year 2013 and 2012 does not assume the exercise of the Company's options or warrants because the exercise price of those options or warrants was higher than the average market price of shares from January 1, 2013 to December 31, 2013 and from January 1, 2012 to December 31, 2012.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Transportation vehicles RMB'000	Fixtures and equipment RMB'000	Total RMB'000
COST					
At January 1, 2012	44,446	9,274	5,616	6,556	65,892
Additions	527	1,697	1,210	1,410	4,844
Disposal	-	-	(244)	(356)	(600)
Translation difference	-	1	(3)	(4)	(6)
At December 31, 2012	44,973	10,972	6,579	7,606	70,130
Additions	-	1,144	1,850	3,430	6,424
Acquired on acquisitions of subsidiaries (Note 33)	-	-	63	1,157	1,220
Disposal	-	(96)	-	(140)	(236)
Translation difference	-	(38)	(30)	(24)	(92)
At December 31, 2013	44,973	11,982	8,462	12,029	77,446
ACCUMULATED DEPRECIATION					
At January 1, 2012	8,489	2,917	3,503	3,456	18,365
Charge for the year	1,477	1,414	629	1,009	4,529
Disposal	-	-	(220)	(64)	(284)
Translation difference	-	1	(3)	(2)	(4)
At December 31, 2012	9,966	4,332	3,909	4,399	22,606
Charge for the year	1,486	1,514	1,050	1,102	5,152
Disposal	-	(46)	-	(125)	(171)
Translation difference	-	(10)	(16)	(22)	(48)
At December 31, 2013	11,452	5,790	4,943	5,354	27,539
CARRYING AMOUNT					
At December 31, 2013	33,521	6,192	3,519	6,675	49,907
At December 31, 2012	35,007	6,640	2,670	3,207	47,524

As of December 31, 2013 the Group has pledged buildings with carrying amount of approximately RMB28,955,000 (2012: RMB30,865,000) to secure general banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT - continued

The Company

	Fixtures and equipment RMB'000
COST	
At January 1, 2012	742
Additions	10
At December 31, 2012	752
Additions	53
At December 31, 2013	805
ACCUMULATED DEPRECIATION	
At January 1, 2012	662
Charge for the year	75
At December 31, 2012	737
Charge for the year	22
At December 31, 2013	759
CARRYING AMOUNT	
At December 31, 2013	46
At December 31, 2012	15

17. INTANGIBLE ASSETS

	Patents RMB'000	Operating concessions RMB'000	Total RMB'000
COST			
At December 31, 2012	67,199	-	67,199
Acquired on acquisitions of subsidiaries (Note 33)	-	67,846	67,846
At December 31, 2013	67,199	67,846	135,045
ACCUMULATED DEPRECIATION			
At December 31, 2012	47,199	-	47,199
Amortization for the year	10,000	298	10,298
At December 31, 2013	57,199	298	57,497
CARRYING AMOUNTS			
At December 31, 2013	10,000	67,548	77,548
At December 31, 2012	20,000	-	20,000

17. INTANGIBLE ASSETS - continued

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

Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 23 to 27 years. Details of these operating concessions are set out in Note 20.

18. LAND USE RIGHTS

	The Group RMB'000
COST	
At January 1, 2012, December 31, 2012 and 2013	49,921
ACCUMULATED AMORTIZATION	
At January 1, 2012	4,469
Charge for the year	1,158
At December 31, 2012	5,627
Charge for the year	1,158
At December 31, 2013	6,785
CARRYING AMOUNTS	
At December 31, 2013	43,136
At December 31, 2012	44,294

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Analyzed for reporting purpose as:		
- Current asset	1,158	1,158
- Non-current asset	41,978	43,136
	43,136	44,294

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, 2013, the Group has pledged land use rights with carrying amount of approximately RMB2,201,000 (2012: RMB2,264,000) to secure general banking facilities granted to the Group.

19. GOODWILL

	The Group RMB'000
COST	
Balance as at January 1, 2012, December 31, 2012 and 2013	41,395

Goodwill has been allocated to the cash-generating unit of Hi-Standard Equipment in equipment fabrications 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 rate of 8% (2012: 8%) as of December 31, 2013. No growth rate is extrapolated beyond the 5-year forecasted period.

During the years ended December 31, 2012 and 2013, management of the Group determines that there are no impairments of Hi-Standard Equipment cash-generating unit. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Hi-Standard Equipment cash-generating unit to exceed its recoverable amount.

20. SERVICE CONCESSION RECEIVABLES

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Service concession receivables	2,363,029	1,722,065
Less: Amounts due within one year shown under current assets (Note 24)	(125,891)	(78,582)
Service concession receivables due after one year	2,237,138	1,643,483

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 ("BOT") arrangements. As explained in the accounting policy for "Service concession arrangements" set out in note 3, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (service concession receivables) or a combination of both, as appropriate. The intangible asset component is detailed in note 17, and the financial asset component is as above.

20. SERVICE CONCESSION RECEIVABLES - continued

The Group has 37 (2012: 22) BOT projects in progress, among which 21 (2012: 11) BOT projects were in the operation period during the year ended December 31, 2013. Those arrangements entitle the Group concession rights for periods ranging from 20 to 30 years with minimum guaranteed tonnage and tariff per ton defined in the agreements. During the year ended December 31, 2013, the Group recognized construction revenue of RMB 396,120,000 (2012: RMB537,778,000) and construction profit of RMB 111,659,000 (2012: RMB152,460,000) in connection with BOT projects under construction period.

21. DEFERRED TAXATION

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

The Group	Allowance for doubtful debt RMB'000	Undistributed profits of the PRC subsidiaries RMB'000	Fair value adjustment arising from acquisition subsidiaries RMB'000	Service concession receivables RMB'000	Others RMB'000	Total RMB'000
At January 1, 2012	7,199	(16,625)	(9,383)	(13,057)	173	(31,693)
Credit (charge) to profit or loss	450	(3,500)	1,596	(7,908)	-	(9,362)
At December 31, 2012	7,649	(20,125)	(7,787)	(20,965)	173	(41,055)
Credit (charge) to profit or loss	359	(16,250)	1,596	(16,756)	-	(31,051)
Acquisitions of subsidiaries (Note 33)	-	-	(24,539)	(6,193)	-	(30,732)
At December 31, 2013	8,008	(36,375)	(30,729)	(43,915)	173	(102,838)

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

	The Group December 31, 2013 RMB'000	The Group December 31, 2012 RMB'000
Deferred tax assets	8,181	7,822
Deferred tax liabilities	(111,019)	(48,877)
	(102,838)	(41,055)

21. DEFERRED TAXATION - continued

As at December 31, 2013, the Group has unused tax losses of RMB228,920,000 (2012: RMB76,395,000) 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 RMB190,410,000 (2012: RMB52,420,000) at December 31, 2013 has no expiry date and the remainder will be expired as follows

	The Group	
	2013	2012
	RMB'000	RMB'000
2013	-	1,223
2014	948	948
2015	3,780	3,780
2016	11,715	11,715
2017	6,309	6,309
2018	15,758	-
	38,510	23,975

Under the EIT Law, withholding tax is imposed at 5% on dividends declared to foreign investors in respect of profit earned by PRC subsidiaries from January 1, 2008 on-ward, deferred taxation has been provided for in the consolidated financial statements 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 RMB1,963,764,000 (2012: RMB1,575,058,000) which was earned after January 1, 2008, have not been recognized as of December 31, 2013, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

22. INVENTORIES

	The Group	
	December 31, 2013	December 31, 2012
	RMB'000	RMB'000
Raw materials	22,396	16,296
Work in progress	3,069	3,319
Finished goods	2,495	4,756
	27,960	24,371

23. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Contracts in progress at reporting date:		
Amounts due from customers for contract work	1,096,568	584,436
Amounts due to customers for contract work	(41,367)	(63,059)
	1,055,201	521,377
Contract costs incurred plus recognized profits less recognized losses	3,787,861	3,111,499
Less: Progress billings	(2,732,660)	(2,590,122)
	1,055,201	521,377

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

At December 31, 2013, retentions held by customers for contract works amounted to RMB 45,541,000 (2012:RMB 51,224,000)

24. TRADE AND OTHER RECEIVABLES

The followings are an analysis of trade and other receivables at the end of reporting period:

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables	1,298,751	1,254,867
Allowance for doubtful debts	(49,184)	(51,041)
	1,249,567	1,203,826
Bills receivable	23,328	45,378
Bid and compliance deposits	70,626	23,642
Advance payments to suppliers and subcontractors	63,565	60,828
Other receivables	36,048	20,759
Service concession receivables (Note 20)	125,891	78,582
Total	1,569,025	1,433,015

24. TRADE AND OTHER RECEIVABLES - continued

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables	5,451	5,401
Dividend receivables from subsidiaries	912,750	587,750
Due from a subsidiary	40	-
Other receivables	4,460	696
Total	922,701	593,847

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented, based on the billing date of construction service or delivery of goods, as appropriate.

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	409,975	243,561
91 to 180 days	223,083	347,257
181 days to 1 year	269,207	341,725
1 to 2 years	343,710	242,574
2 to 3 years	3,592	28,709
	1,249,567	1,203,826
Bills receivable:		
Within 180 days	23,328	45,378

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables:		
Within 90 days	151	101
1 to 2 years	-	5,300
2 to 3 years	5,300	-
	5,451	5,401

24. TRADE AND OTHER RECEIVABLES - continued

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 RMB410,223,000 (2012: RMB329,714,000) as of December 31, 2013 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.

Aging of trade receivables past due but not impaired

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
91 to 180 days	21,056	33,167
181 days to 1 year	41,865	25,264
1 to 2 years	343,710	242,574
2 to 3 years	3,592	28,709
	410,223	329,714

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
1 to 2 years	-	5,300
2 to 3 years	5,300	-
	5,300	5,300

Movement in allowance for doubtful debts:

	The Group	
	2013 RMB'000	2012 RMB'000
Balance at beginning of year	51,041	48,038
Charge to profit or loss	3,498	3,003
Amounts written off as uncollectable	(5,355)	-
Balance at end of year	49,184	51,041

24. TRADE AND OTHER RECEIVABLES - continued

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.

Management considers that the trade and other receivables that are neither past due nor impaired are with creditworthy counterparties.

As of December 31, 2013, trade receivables with carrying amount of approximately RMB144,408,000 (2012: RMB165,489,000) have been pledged as collateral for the short-term borrowings of RMB80,000,000 (2012: RMB100,000,000).

24a. TRANFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at December 31, 2013 that were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and the associated liabilities, being trade payables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at December 31, 2013	Carrying amount of transferred assets RMB'000	Carrying amount of associated liabilities RMB'000	Net position RMB'000
Bills receivables endorsed to suppliers with full recourse	20,920	20,920	-

As at December 31, 2012	Carrying amount of transferred assets RMB'000	Carrying amount of associated liabilities RMB'000	Net position RMB'000
Bills receivables endorsed to suppliers with full recourse	34,548	34,548	-

25. BANK BALANCES AND CASH

Bank balances and cash comprise cash with an original maturity of three months or less which are held with banks and carry interest at prevailing market rate is from 0.001% to 0.35% (2012: 0.01% to 0.50%) per annum as of December 31, 2013.

Bank balances and cash 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 balance and cash of the Group and the Company represent cash and cash equivalents of the Group and the Company.

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

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
United States Dollar ("US$")	583,516	186,113
Singapore Dollar ("S$")	2,628	2,729
Bangladeshi Taka ("BDT")	8,065	1,067
Hongkong Dollar ("HKD")	36	386
Australian Dollar ("AUD")	1,223	347
Japanese Yen ("JPY")	1,251	-

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
US$	61,579	182,946
S$	2,530	2,653
AUD	1,223	347
HKD	36	386

Restricted bank balances of the Group

As of December 31, 2013, bank balances of certain subsidiaries of RMB52,492,000 (2012: RMB80,708,000) have been pledged to banks in respect of letters of guarantees issued to certain subsidiaries to secure construction contracts and bank balances of certain subsidiaries of RMB 57,000,000(2012: nil) have been pledged to banks for the issuance of bills payables. The restricted bank balances bear prevailing interest rate is 0.35% (2012: 0.35% to 0.5%) per annum as of December 31, 2013. The restricted bank balances will be released upon the completion of relevant contracts or maturity of related bill payables.

25. BANK BALANCES AND CASH - continued

Restricted bank balances of the Group - continued

As at December 31, 2013, restricted bank balances of RMB nil (2012: RMB27,571,000) has been pledged to secure construction contracts that will be completed one year after the end of the reporting period, therefore they are classified as non-current assets.

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

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
S$	21,671	23,165
US$	10,303	12,294

26. TRADE AND OTHER PAYABLES

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

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade payables		
Within 90 days	640,180	334,294
91 days to 180 days	150,711	162,540
181 days to 1 year	103,898	100,454
1 to 2 years	131,252	128,829
2 to 3 years	85,667	40,890
More than 3 years	57,901	17,742
	1,169,609	784,749
Bills payable within 180 days	55,117	35,000
Other payables	53,384	62,685
Borrowings interest payables	9,156	3,939
Convertible loan notes interest payables (Note 29)	10,500	10,500
Senior notes interest payables (Note 32)	47,275	43,873
Bid and compliance deposits	51,379	10,955
Advance from customers	11,496	24,455
Value added tax payables	76,064	61,947
Business tax payables	164,724	128,545
Other tax payables	5,287	3,961
	1,653,991	1,170,609

26. TRADE AND OTHER PAYABLES - continued

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade payables to subsidiaries		
Within 90 days	-	557
181 days to 1 year	1,716	-
1 to 2 years	557	4,220
2 to 3 years	4,220	-
	6,493	4,777
Other payables	5,727	3,760
Convertible loan notes interest payables (Note 29)	10,500	10,500
Senior notes interest payables (Note 32)	47,275	43,873
Due to a subsidiary	48,861	-
Financial guarantee contract	7,910	-
	126,766	62,910

Trade payables principally comprise amounts outstanding for trade purchases and on-going costs.

The amount due to a subsidiary is interest-free, unsecured and repayable on demand.

The average credit period on purchases of goods is 90 days (2012: 90 days).

27. BORROWINGS

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Secured bank borrowings (note i)	938,920	847,800
Borrowings from International Finance Corporation (note ii)	328,806	393,208
Unsecured bank borrowings (note vi)	1,013,452	113,150
	2,281,178	1,354,158
Carrying amount repayable (note iv):		
Within one year	698,404	375,206
More than one year but not exceeding two years	348,091	169,583
More than two years but not exceeding five years	1,016,841	514,635
More than five years	217,842	294,734
	2,281,178	1,354,158
Less: Amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause	(65,220)	(90,290)
Amounts due within one year	(698,404)	(375,206)
Amounts shown under current liabilities	763,624	465,496
Amounts shown under non-current liabilities	1,517,554	888,662

27. BORROWINGS - continued

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Borrowings from International Finance Corporation (note ii)	328,806	393,208
Unsecured bank borrowings	91,616	-
	420,422	393,208
Carrying amount repayable (note iv):		
Within one year	144,674	54,146
More than one year, but not exceeding two years	53,638	54,713
More than two years but not exceeding five years	164,709	167,855
More than five years	57,401	116,494
	420,422	393,208
Less: Amounts due within one year shown under current liabilities	(144,674)	(54,146)
Amount shown under non-current liabilities	275,748	339,062

The borrowings comprise:

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Fixed-rate borrowings	70,000	50,000
Variable-rate borrowings (note iii)	2,211,178	1,304,158
	2,281,178	1,354,158

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Variable-rate borrowings (note iii)	420,422	393,208

27. BORROWINGS - continued

The effective interest rates per annum at the respective reporting dates, are as follows:

	The Group	
	December 31, 2013	December 31, 2012
Variable-rate borrowings	1.917% ~ 8.16%	2.901% ~ 8.16%
Fixed-rate borrowings	6.00% ~ 6.60%	6.00%

	The Company	
	December 31, 2013	December 31, 2012
Variable-rate borrowings	1.917% ~ 5.457%	2.901% ~ 5.457%

Notes:

(i) As of December 31, 2013, bank borrowings of approximately RMB75,000,000 were mortgaged and secured by certain buildings and land use rights of the Group. Bank borrowings of approximately RMB80,000,000 were secured by certain trade receivables of the Group. Bank borrowings of approximately RMB733,920,000 were secured by certain BOT subsidiaries' charging rights under the service concession contracts. Bank borrowing of approximately RMB50,000,000 was secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

As of December 31, 2012, bank borrowings of approximately RMB75,000,000 were mortgaged and secured by certain buildings and land use rights of the Group. Bank borrowings of approximately RMB100,000,000 were secured by certain trade receivables of the Group. Bank borrowings of approximately RMB672,800,000 were secured by certain BOT subsidiaries' charging rights under the service concession contracts.

(ii) Borrowings from International Finance Corporation of approximately RMB328,806,000 (2012: RMB393,208,000) denominated in US$ as at December 31, 2013 were advanced from International Finance Corporation ("IFC") which were secured by the equity interest in certain subsidiaries. The interest rate was 3.5% per annum above the relevant London Interbank Offered Rate ("LIBOR") interest rate. The effective interest rate after considering the transaction costs (see note 30) is 4.84% and 5.46% per annum.

(iii) The interest rate of variable-rate bank borrowings of the Group was varied according to the loan interest published by the People's Bank of China ("PBOC') or LIBOR.

(iv) The amount due are based on scheduled repayment dates set out in the loan agreements.

(v) The Group's borrowings that are denominated in currencies other than functional currencies are all denominated in US$ and amounted to RMB 1,075,848,000 and RMB393,208,000 as at December 31, 2013 and 2012 respectively.

(vi) During the current year, the Group has obtained unsecured borrowings denominated in US$. Such US$ borrowings amounted to RMB 747,041,000 as at December 31, 2013.

(vii) The above borrowings will be repayable from January, 2014 to August, 2020.

28. ISSUED CAPITAL

Issued and paid up	The Group and the Company Number of shares	RMB'000
At January 1, 2012, December 31, 2012 and 2013	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.

The amount of issued capital represents the net proceeds from allotment of ordinary shares.

29. CONVERTIBLE LOAN NOTES

The Company issued RMB885 million, 6% convertible loan notes on September 15, 2010. The convertible loan notes 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) fixed in RMB. In 2012, the conversion price was adjusted to RMB3.384 per share as a result of the dividend declared by the company according to the terms of the convertible loan notes agreement. Unless previously redeemed, purchased or cancelled, the convertible loan notes will be redeemed on September 15, 2015. Interest of 6% per annum will be paid semi-annually with the first interest payment date falling on March 15, 2011.

On or at any time after September 15, 2013, the Company may redeem all but not some of the convertible loan notes at a redemption price equivalent to RMB principal amount together with interest accrued on that date on some conditions (as defined in the Terms and Conditions of the Bonds in the Offering Circular dated September 10, 2010 (the "Offering Circular")). Meanwhile, the holders will have a right to require the Company to redeem the convertible loan notes following the occurrence of Relevant Event (as defined in the Offering Circular) at a redemption price equivalent to RMB principal amount together with interest accrued on that date. As at December 31, 2012 and 2013, there was no Relevant Event which may trigger the redemption right of the holders. The Group therefore classified the convertible loans notes as non-current liabilities.

The convertible loan notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible loan notes reserve". The transaction costs of RMB25,435,000 are allocated to the liability and equity components in proportion to the allocation of the gross proceeds at initial recognition. The effective interest rate of the liability component is 9% per annum.

On September 15, 2012, the Company partially redeemed convertible loan notes of an aggregate principal amount of RMB263,000,000 at the option of the holders and the redemption price is equivalent to RMB principal amount together with interest accrued on that date. The consideration paid has been allocated between the liability and equity components of the convertible loan notes. The difference between the consideration allocated to the liability component and the carrying amount of the liability component is recognized as redemption loss of RMB 117,000 which was charged to profit or loss.

29. CONVERTIBLE LOAN NOTES - continued

On November 20, 2012 and December 20, 2012, the Company repurchased convertible loan notes with an aggregate principal amount of RMB15,000,000 and RMB7,000,000 respectively by way of an over-the-counter purchase at consideration of RMB15,010,000 and RMB7,042,000 respectively. The consideration paid has been allocated between the liability and equity components of the convertible loan notes. The difference between the consideration allocated to the liability component and the carrying amount of the liability component is recognized as redemption loss of RMB2,000 which was charged to profit or loss.

The movements of the liability component of the convertible loan notes for the year are set out below:

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Carrying amount as at January 1	568,118	818,252
Interest charge (Note 9)	51,529	66,250
Interest paid	(36,000)	(53,101)
Early redemption by the holders	-	(242,610)
Repurchased by the Company	-	(20,673)
Carrying amount as at December 31	583,647	568,118
Less: Amounts shown under current liabilities (Note 26)	(10,500)	(10,500)
	573,147	557,618

30. WARRANTS

On December 5, 2011, the Company issued warrants to IFC as condition to draw down a borrowing of US$36,000,000 from IFC (the "IFC loan"). Each warrant carries the right for IFC to subscribe for one share at the initial exercise price of S$1.10 (subject to adjustments) per share until December 4, 2014.

Based on the initial exercise price of S$1.10 per share, 28,154,545 shares will be allotted and issued upon full exercise of the warrants, representing approximately 2.18% of the issued capital of the Company as at December 31, 2013.

The warrants are derivatives and classified as financial liabilities at FVTPL. The warrants are issued in connection with the IFC loan and therefore considered as transaction costs directly attributable to the IFC loan. The fair value of the warrants at initial recognition amounting to approximately RMB7,953,000 was deducted against the proceed received from the IFC loan and included in estimating the effective interest of the IFC loan. The carrying amount of those warrants is approximately RMB1,647,000 (2012: RMB3,531,000) as at December 31, 2013.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Fair value of foreign currency forward contracts classified as financial assets	3,384	-
Fair value of a swap contract classified as financial liability (note)	53,978	-

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Fair value of a swap contract classified as financial liability (note)	53,978	-

Note: During the year ended December 31, 2013, the Group has signed a swap contract with the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") and the contract will mature in 2017. Under the contract, the Group will receive fixed amounts and pay floating amounts (except for the first year which is fixed at 10.875% per annum) on a semi-annual basis. In respect of the swap contract, the Group entered into International Swaps and Derivatives Association Master Agreements with HSBC which is subject to an enforceable master netting arrangement. As at December 31, 2013, the Group did not have significant deposits placed with HSBC.

32. SENIOR NOTES

On August 6, 2012, the Company issued guaranteed senior fixed rate notes to the public at par with the aggregated nominal value of US$150,000,000 (the "Notes") which carried at fixed interest rate of 11.875% per annum (interest payable semi-annually in arrears) and will be fully repayable by August 10, 2017.

The Notes are listed on the SEHK. They are senior obligations of the Company and guaranteed by certain of the Company's existing subsidiaries, other than (i) those organized under the laws of the PRC and (ii) Sound International Investment Holdings Limited. The guarantees are effectively subordinated to the secured obligations of each guarantor, to the extent of the value of the assets serving as security.

At any time on or after August 10, 2015, the Company may on any one or more occasions redeem all or any part of the Notes, at the redemption prices (expressed as percentages of principal amount) set forth as below, plus accrued and unpaid interest, if any, to the applicable date of redemption.

Year	Redemption price
2015	105.9375%
2016 and thereafter	102.96875%

32. SENIOR NOTES - continued

At any time prior to August 10, 2015, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the redemption date.

Applicable Premium means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note at August 10, 2015, plus all required remaining scheduled interest payments due on such Note through August 10, 2015 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as disclosed in the offering circular dated August 6, 2012 plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

At any time and from time to time prior to August 10, 2015, the Company may, subject to certain conditions, at its option redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 111.875% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.

In the opinion of the directors, the fair value of all early redemption options is insignificant on initial recognition and at the end of the reporting period.

Upon the occurrence of a change control triggering event, the Company is required to make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date.

If the Company or a guarantor would become obliged to pay certain additional amounts as a result of certain changes in specified tax laws, the Company may redeem the Notes, in whole but not in part, at redemption price equal to 100% of the principal amount plus accrued and unpaid interest, if any, to the date fixed by the Company for redemption.

The net carrying amount of the Notes on date of issuance is stated net of issue expenses totalling US$146,233,000, (equivalent to approximately RMB923,084,000) and the effective interest rate of the Notes is 14.70% per annum.

The movement of the Notes for the year ended December 31, 2013 are set out below:

	The Group and the Company	
	2013	2012
	RMB'000	RMB'000
Carrying amount as at January 1	966,517	-
Initial fair value on the date of issuance	-	923,084
Interest charge (Note 9)	139,488	45,511
Interest paid	(132,048)	-
Exchange gain	(27,987)	(2,078)
Carrying amount at the end of the year	945,970	966,517
Less: Interest payables within one year included in payables shown under current liabilities (Note 26)	(47,275)	(43,873)
	898,695	922,644

33. ACQUISITION OF SUBSIDIARIES

In November 30 2013, the Group acquired 100% shares of three BOT companies which are Beijing Jingyushi Water Co., Ltd. ("Jingyushi"), Beijing Jingyuyang Water Co., Ltd. ("Jingyuyang"), Beijing Jingyushun Environment Water Co., Ltd. ("Jingyushun") from a third party, and for an aggregate consideration of RMB137,896,000. The acquisitions have been accounted for using the acquisition method. There was no goodwill arising from these acquisitions. The three BOT companies are mainly engaged in management and operation of the municipal wastewater projects located in Beijing under three service concession arrangements with remaining service concession periods of 16 to 20 years.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Bank balances and cash	13,880
Trade and other receivables	3,504
Property, plant and equipment	1,220
Intangible assets	67,846
Service concession receivables	207,724
Trade and other payables	(114,746)
Deferred tax liabilities	(30,732)
Bank borrowings	(10,800)
Total	137,896
Net cash outflow arising on this acquisition	
Cash consideration paid	137,896
Less: Bank balances and cash acquired	(13,880)
	124,016

Included in the profit for the year of Group, is loss of RMB1,377,520.54 and revenue RMB1,822,713 attributable to the three acquired BOT companies.

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 from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, convertible loan notes, senior notes and equity attributable to owners of the Company, comprising issued 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

35a. Categories of financial instruments

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Financial assets		
Loans and receivables		
Service concession receivables	2,363,029	1,722,065
Trade receivables	1,249,567	1,203,826
Bills receivables	23,328	45,378
Bid and compliance deposits	70,626	23,642
Other receivables	36,048	20,759
Restricted bank balances	109,492	80,708
Bank balances and cash	3,533,547	2,912,077
Fair value through profit or loss		
-Foreign currency forward contracts	3,384	-
Total	7,389,021	6,008,455

	The Group	
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables	1,169,609	784,749
Bills payables	55,117	35,000
Other payables	53,384	62,685
Borrowings interest payables	9,156	3,939
Convertible loan notes interest payables	10,500	10,500
Senior notes interest payables	47,275	43,873
Bid and compliance deposits	51,379	10,955
Borrowings	2,281,178	1,354,158
Convertible loan notes	573,147	557,618
Senior notes	898,695	922,644
	5,149,440	3,786,121
Fair value through profit or loss		
Held for trading		
- Warrants	1,647	3,531
- Swap contract	53,978	-
Total	5,205,065	3,789,652

35. FINANCIAL INSTRUMENTS - continued

35a. Categories of financial instruments - continued

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Financial assets		
Loans and receivables		
Trade receivables	5,451	5,401
Dividend receivables from subsidiaries	912,750	587,750
Due from subsidiaries	40	-
Other receivables	4,460	696
Bank balances and cash	65,368	186,332
Total	988,069	780,179
Financial liabilities		
Financial liabilities at amortized cost		
Trade payables	6,493	4,777
Due to a subsidiary	48,861	-
Other payables	5,727	3,760
Convertible loan notes interest payables	10,500	10,500
Senior notes interest payables	47,275	43,873
Borrowings	420,422	393,208
Senior notes	898,695	922,644
Convertible loan notes	573,147	557,618
	2,011,120	1,936,380
Financial guarantee contract	7,910	-
Fair value through profit or loss		
Held for trading		
- Warrants	1,647	3,531
- Swap contract	53,978	-
Total	2,074,655	1,939,911

35.b Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, service concession receivables, trade and other payables, borrowings, convertible loan notes, senior notes, warrants, derivative financial instruments, restricted bank balances, 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 from prior year.

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

The Company's major financial instruments include trade and other receivables, trade and other payables, borrowings, convertible loan notes, senior notes, warrants, derivative financial instruments, bank balances and cash. Details of these financial instruments are disclosed in the respective notes.

The Company's objectives, policies and processes in managing risk, and the methods used, are similar to those applied to the Group.

Credit risk management

The Group's and 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 statements of financial position at the respective reporting dates. The Company's exposure to credit risk also includes the amount financial guarantee issued to its subsidiary as set out in note 39(d).

In order to minimize the credit risk, the management of the Group and Company 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 Group's and Company's management based on prior experience and the current economic environment. The Group and Company 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 and Company'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 no significant concentration of credit risk as the top five biggest customers account for approximately 21% (2012: 22%) of the carrying amounts of trade receivables as of December 31, 2013. 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.

The Group is exposed to the concentration of credit risk on its service concession receivables as approximately 31% (2012: 41%) of the carrying amounts of service concession receivables as of December 31, 2013 are from top five grantors which are government bodies. 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.

The Company's credit risk primarily relates to the Company's dividend receivables from subsidiaries, bank balances and financial guarantee provided to its subsidiary. The management of the Company considers the credit risk associated with the Company's dividend receivables from subsidiaries is low as those subsidiaries are with strong cash flow position. The credit risk in relation to the Company's bank balances is not significant as the corresponding banks are reputable banking institutions.

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

Market risk management

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates, interest rates and price risk of the Company's shares. 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.

(i) Foreign currency risk management

The Group and the Company undertake certain financing and treasury transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and use foreign exchange forward contracts to eliminate the currency exposures if needed. In current year, the Group entered into foreign currency forward contracts with the Bank of China for the contract executed in the future to avoid its risk exposure to Japanese Yen.

The carrying amounts of foreign currency denominated monetary assets of restricted bank balances and bank balances and cash and monetary liabilities of borrowings and senior notes that are denominated in currencies other than the respective group entities functional currencies at the reporting date are as follows:

	The Group			
	Liabilities		Assets	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
US$	1,976,800	1,315,852	597,407	198,407
S$	2,407	-	24,925	25,894
BDT	-	-	8,065	1,067
HKD	-	-	36	386
JPY	-	-	1,251	-
AUD	-	-	1,259	347

	The Company			
	Liabilities		Assets	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
S$	2,407	-	3,156	2,653
US$	1,370,235	1,315,852	65,168	182,946
HKD	-	-	36	386
AUD	2,274	-	1,259	347

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

Market risk management - continued

(i) Foreign currency risk management - continued

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. As the impact of foreign currency risk arising from the foreign currency forward contracts to the Group is not material and hence no sensitivity analysis is presented for it. 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.

	The Group					
	S$		US$		BDT	
	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	(2,252)	(2,589)	137,939	111,745	(807)	(107)

	The Group					
	HKD		AUD		JPY	
	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	(4)	(39)	(126)	(35)	(125)	-

	The Company			
	S$		US$	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	(75)	(265)	130,507	113,291

	The Company			
	HKD		AUD	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year	(4)	(39)	101	(35)

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

Market risk management - continued

(ii) Interest rate risk management

The Group is mainly exposed to fair value interest rate risk in relation to its fixed-rate borrowings, convertible loan notes and senior notes (see Notes 27, 29 and 32 for details). The Company is mainly exposed to fair value interest rate risk in relation to its convertible loan notes and senior notes (see Notes 29 and 32 for details).

The Group and the Company are also exposed to cash flow interest rate risk in relation to its variable-rate borrowing and bank balances which carry prevailing market interest rates. The Group's and the Company`s exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of loan interest published by PBOC and LIBOR. The Company's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. 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 the management of the Group and the Company considered they are not sensitive to fluctuation in interest rate. The analysis is prepared assuming the variable interest rate borrowings outstanding at the end of the reporting period 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 RMB8,556,000 (2012: RMB5,361,000) for the year ended December 31, 2013.

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Company's profit for the year would decrease/increase by approximately RMB1,745,000 (2012: RMB1,632,000) for the year ended December 31, 2013.

(iii) Equity price risk management

The Group and the Company are exposed to equity price risk through its warrants issued. The management closely monitors the price risk and will take proper action if the risk is significant. The impact of equity price risk to the Group and the Company is not material and hence no sensitivity analysis is presented.

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

Liquidity risk management

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 can be required to pay. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of reporting period.

The Group	Weighted average interest rate %	On demand RMB'000	Within one year RMB'000	1 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As of December 31, 2013							
Trade payables		-	1,169,609	-	-	1,169,609	1,169,609
Other payables		-	53,384	-	-	53,384	53,384
Bid and compliance deposits		-	51,379	-	-	51,379	51,379
Bills payable		-	55,117	-	-	55,117	55,117
Convertible loan notes	6.00	-	36,000	636,000	-	672,000	583,647
Senior notes	11.875	-	108,842	1,243,085	-	1,351,927	945,970
Borrowings							
Fixed-rate	6.10	-	73,295	-	-	73,295	70,000
Variable-rate	5.68	90,290	712,292	1,502,057	236,798	2,541,437	2,220,334
Total		90,290	2,259,918	3,381,142	236,798	5,968,148	5,149,440
As of December 31, 2012							
Trade payables		-	784,749	-	-	784,749	784,749
Other payables		-	62,685	-	-	62,685	62,685
Bid and compliance deposits		-	10,955	-	-	10,955	10,955
Bills payable		-	35,000	-	-	35,000	35,000
Convertible loan notes	6.00	-	36,000	672,000	-	708,000	568,118
Senior notes	11.875	-	112,187	1,393,477	-	1,505,664	966,517
Borrowings							
Fixed-rate	6.00	-	52,692	-	-	52,692	50,000
Variable-rate	6.32	112,650	371,644	753,998	317,569	1,555,861	1,308,097
Total		112,650	1,465,912	2,819,475	317,569	4,715,606	3,786,121

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

35. FINANCIAL INSTRUMENTS - continued

35.b Financial risk management objectives and policies - continued

Liquidity risk management - continued

The Group	Weighted average interest rate %	Within one year RMB'000	1 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
31 December 2013	7.35	30,775	72,464	-	103,239	90,290
31 December 2012	7.79	30,255	95,298	9,085	134,638	112,650

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The Company	Weighted average interest rate %	On demand RMB'000	Within one year RMB'000	1 - 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As of December 31, 2013							
Trade payables		-	6,493	-	-	6,493	6,493
Other payables		-	5,727	-	-	5,727	5,727
Due to a subsidiary		-	48,861	-	-	48,861	48,861
Convertible loan notes	6.00	-	36,000	636,000	-	672,000	583,647
Senior notes	11.875	-	108,842	1,243,085	-	1,351,927	945,970
Borrowings							
Variable-rate	4.68	-	162,498	256,191	60,154	478,843	420,422
Financial guarantee contract		677,963	-	-	-	677,963	7,910
Total		677,963	368,421	2,135,276	60,154	3,241,814	2,019,030
As of December 31, 2012							
Trade payables		-	4,777	-	-	4,777	4,777
Other payables		-	3,760	-	-	3,760	3,760
Convertible loan notes	6.00	-	36,000	672,000	-	708,000	568,118
Senior notes	11.875	-	112,187	1,393,477	-	1,505,664	966,517
Borrowings							
Variable-rate	4.84	-	73,677	272,440	124,420	470,537	393,208
Total		-	230,401	2,337,917	124,420	2,692,738	1,936,380

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of reporting period.

The amounts included above for financial guarantee contracts are the maximum amounts the company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

35. FINANCIAL INSTRUMENTS - continued

35c. Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group's derivatives are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets/Financial liabilities	Fair value as at(RMB '000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	December 31, 2013	December 31, 2012				
1) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Assets 3,384	N/A	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Swap contract classified as derivative financial instruments in the consolidated statement of financial position	Liabilities 53,978	N/A	Level 2	(i)Discounted cash flow is used to determine the first year's payoff which is fixed. (ii)Black-Scholes pricing model and discounted cash flows are used to determine the fair value of the remaining term of the swap which can be seen as 7 separated index call options minus fixed cash flow payments. The key inputs are HSBC MacroEconomic Treasury Yield Spread Volatility Budgeted Index as mentioned in the swap contract, the expected volatility of the index, risk free rate and discount rate.	N/A	N/A
3) Warrants in the consolidated statement of financial position	Liabilities 1,647	Liabilities 3,531	Level 3	The Binomial model was used. Stock price of the Company and volatility of the stock price is considered as the key input in determining the fair value of the warrants.	Volatility of the stock price.	The higher of the volatility the higher the fair value.

There is no transfer between level 2 and level 3 during the current and prior years.

35. FINANCIAL INSTRUMENTS - continued

35c. Fair value measurements of financial instruments - continued

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values:

The Group and the Company	2013 Carrying amount RMB'000	2013 Fair value RMB'000	2012 Carrying amount RMB'000	2012 Fair value RMB'000
Financial liabilities				
Convertible loan notes				
(Liability component) (note a)	583,647	601,332	568,118	615,330
Senior notes	945,970	995,549	966,517	1,006,010

Notes: (a) The fair value represents the fair value of the entire convertible loan notes that include the liability component and the equity component.

(b) The fair value hierarchy of the fair value of the Convertible loan notes and Senior notes are included in the level 1. The fair values of the financial liabilities included in the level 1 category above have been determined using the quoted bid prices in an active market.

(iii) Reconciliation of Level 3 fair value measurements

As detailed in above, the warrants issued by the Company to IFC are classified as financial liabilities at FVTPL. The fair value of those warrants was measured by Level 3 fair value measurements. An unrealised gain of RMB 1,884,000 (2012: RMB 4,422,000) arising on change in fair value of the warrants were recognized during the year.

36. OPERATING LEASES COMMITMENTS

The Group as lessee

Lease payment recognized as an expense:

	2013 RMB'000	2012 RMB'000
Minimum lease payments paid under operating lease recognized as an expense in the year	2,616	3,666

36. OPERATING LEASES COMMITMENTS - continued

The Group as lessee - continued

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

	The Group	
	2013	2012
	RMB'000	RMB'000
Within one year	1,916	2,111
In the second to fifth years inclusive	1,575	1,589
	3,491	3,700

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 year ended December 31, 2013, 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:

	The Group	
	2013	2012
	RMB'000	RMB'000
Contribution to defined contribution plan	12,618	9,071

As of December 31, 2013, the contribution due in respect of the year that had not been paid to the schemes is RMB2,590 (2012: RMB15,000).

38. SHARE-BASED PAYMENT TRANSACTIONS

Epure Share Option Scheme

The Company's Epure Share Option Scheme, was adopted pursuant to a resolution passed on April 30, 2010 for the primary purpose of providing an opportunity for employees and directors (including non-executive and independent directors) of the Group to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services. Under the Epure Share Option 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. At December 31, 2013, the number of shares in respect of which options had been granted under the Epure Share Option Scheme was 64,500,000 (2012: 64,500,000), representing 5% (2012: 5%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Epure Share Option Scheme is not permitted to exceed 10% 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 issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Persons who are controlling shareholders (being persons who directly or indirectly have an interest of 15% of the Company's issued capital) or their associates shall not participate in the Epure Share Option Scheme unless their participation and the actual number of shares to be issued to them and the terms of any options to be granted to them, have been approved by independent shareholders of the Company in general meeting by way of a separate resolution for each such person.

All the options under the Epure Share Option Scheme were granted on July 23, 2010 at a consideration of S$1 paid by each grantee and will be valid for 5 years from the date of grant. The options may be exercised after the first anniversary of the offering date of that option, provided always that the options shall be exercised before the fifth anniversary of the relevant offering date or such earlier date as may be determined by the committee appointed by the Board to administer the Epure Share Option Scheme. The exercise price for each share in respect of which a market price option is exercisable shall be fixed by the committee as the price equal to the average of the last dealt price(s) for a share, for the last five market days immediately preceding the offering date of that option ("Market Price"). The exercise price for each share in respect of which a discount price option is exercisable shall be determined by the committee at its absolute discretion, and fixed by the committee at a price which is set at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX).

Details of the options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price
July 2010	July 23, 2010	July 23, 2010 to July 22, 2014	July 23, 2011 to July 22, 2015	S$0.745

38. SHARE-BASED PAYMENT TRANSACTIONS - continued

Epure Share Option Scheme - continued

Upon the participant ceasing to be in the full-time employment of the Group, the options shall, to the extent unexercised, immediately lapse. The exercise of the option granted under the Epure Share Option Scheme is also subject to the following conditions:

(a) the options will be exercisable in four equal tranches, commencing one year from the date of grant and on each anniversary of the date of grant up to the fifth anniversary;

(b) the increase in profit after tax for each of the financial years ended December 31, 2012 and 2013 must be at least 10%, excluding all exceptional items; and

(c) the compounded growth rate for profit after tax, based on profit after tax for the financial year ended December 31, 2009, must be at least 15% for each of the financial years ended December 31, 2012 and 2013, excluding all exceptional items.

Movements in the share options in the year ended December 31, 2013 are as follows:

	Outstanding at January 1, 2013	Granted during 2013	Forfeited during 2013	Outstanding at December 31, 2013
Options granted as at 23 July 2010	33,150,400	-	(646,000)	32,504,400
Exercisable at the end of the year				24,378,300
Weighted average exercise price	S$ 0.745	N/A	S$ 0.745	S$ 0.745

Movements in the share options in the year ended December 31, 2012 are as follows:

	Outstanding at January 1, 2012	Granted during 2012	Forfeited during 2012	Outstanding at December 31, 2012
Options granted as at 23 July 2010	42,989,200	-	(9,838,800)	33,150,400
Exercisable at the end of the year				16,575,200
Weighted average exercise price	S$ 0.745	N/A	S$ 0.745	S$ 0.745

38. SHARE-BASED PAYMENT TRANSACTIONS - continued

Epure Share Option Scheme - continued

The Group recognized the total expense of RMB2,756,000 for the year ended December 31, 2013 (2012: RMB9,003,000) in relation to the share option granted by the Company.

The number of the share options granted expected to vest has been reduced to reflect directors' best estimation at the end of the reporting period and accordingly the share option expense has been adjusted.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined with reference to the historical price volatility data from the date of valuation back to the period equal to the life of option. As the Company has a trading history shorter than the life of option and thus, the calculation of volatility is based on the longest available historical pricing data.

39. (A) RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of Sound Water, the ultimate holding company's group of companies.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation.

(a) At the reporting date, the Company had the following balances with related parties:

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables		
Subsidiary:		
Xi'an Chang'an Sound	5,300	5,300

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Due from a subsidiary		
Subsidiary:		
Sound Global (Hong Kong) Limited	40	-

39. (A) RELATED COMPANY TRANSACTIONS - continued

(a) At the reporting date, the Company had the following balances with related parties:- continued

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade payables		
Subsidiaries:		
Beijing Sound	400	400
Beijing Epure	3,820	3,820
Beijing Hi-Standard Water Treatment Equipment Co., Ltd	2,273	557
	6,493	4,777

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Dividend receivables		
Subsidiaries:		
Beijing Sound	294,750	294,750
Beijing Epure	618,000	293,000
	912,750	587,750

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Due to a subsidiary		
Subsidiary:		
Sound Global (Hong Kong) Limited	48,861	-

39. (B) RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements of the Group are with related parties. Unless otherwise stated, the balances are unsecured, interest-free and repayable on demand.

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

	The Group	
	2013 RMB'000	2012 RMB'000
Revenue from construction contracts		
Fellow subsidiaries:		
Laohekou Qingyuan Water Co., Ltd. ("Laohekou Qingyuan ")	18,259	-
Mingguang City Kangqing Environment Co., Ltd. ("Mingguang Kangqing ")	4,900	-
Ezhou Qinghe Environmental Engineering Co., Ltd. ("Ezhou Qinghe")	3,696	-
Beijing Guozhong Biology Technology Co., Ltd. ("Beijing Guozhong Biology Technology")	553	7,101
Anda Anhua Environmental Co., Ltd. ("Anda Anhua")	44	7,520
Linqu Yiqing Environment Energy Co., Ltd. ("Linqu Yiqing")	-	2,620
	27,452	17,241

	The Group	
	2013 RMB'000	2012 RMB'000
Revenue from sales of goods		
Fellow subsidiaries:		
Laohekou Qingyuan	8,416	-
Ezhou Qinghe	3,247	-
Mingguang Kangqing	2,051	-
Sound Group	1,176	-
Huzhou Zheqing Water Co., Ltd. ("Huzhou Zheqing")	-	284
Tongliao Bibo Water Co., Ltd ("Tongliao Bibo")	-	77
	14,890	361
Revenue from design service		
Fellow subsidiaries:		
Beijing Xiaojiahe Wastewater Treatment Co., Ltd ("Beijing Xiaojiahe ")	9,387	-
Laohekou Qingyuan	1,145	-
Linqu Yiqing	613	-
Mingguang Kangqing	660	-
Anda Anhua	660	-
Ezhou Qinghe	356	-
	12,821	-

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

39. (B) RELATED PARTY TRANSACTIONS - continued

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

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Trade receivables		
Fellow subsidiaries:		
Beijing Xiaojiahe	9,950	-
Laohekou Qingyuan	5,893	-
Jiayu Jiaqing Water Co., Ltd.	2,399	5,399
Beijing Guozhong Biology Technology	2,220	-
Baotou Lucheng Water Co., Ltd.	-	2,653
Jingzhou Jingqing Water Co., Ltd.	-	1,098
Anda Anhua	376	665
Jingmen Xiajiawan Water Co., Ltd.	-	408
Huzhou Zheqing	-	333
Linqu Yiqing	-	284
Tongliao Bibo	-	134
Xianning Ganyuan Water Co., Ltd.	-	81
Nanchang Xianghu Water Co., Ltd.	-	69
Yichang Sanxia Water Co., Ltd.	59	59
Ezhou Qinghe	35	-
	20,932	11,183
Amounts due from customers for contract work		
Fellow subsidiaries:		
Laohekou Qingyuan	1,466	-
Ezhou Qinghe	752	-
Beijing Guozhong Biology Technology	-	1,667
Anda Anhua	-	376
Linqu Yiqing	-	131
	2,218	2,174
Other receivables		
Director		
Luo Liyang	-	85

The maximum balance outstanding for amounts due from Luo Liyang, a director during the year was RMB85,000 (2012: RMB130,000).

39. (B) RELATED PARTY TRANSACTIONS - continued

(b) At the reporting date, the Group had the following balances with related parties:- continued

	The Group	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Other payables		
Fellow subsidiary		
Tongliao Bibo	-	3,076
Director		
Luo Liyang	28	-
	28	3,076

The maximum balance outstanding for amounts due to Luo Liyang, a director during the year was RMB72,000 (2012: nil).

Advance from customers		
Fellow subsidiary		
Sound Group	-	408

(c) Compensation of key management personnel

The emoluments of key management during the year including the directors and chief executive disclosed in Note 12 were as follows:

	The Group	
	2013 RMB'000	2012 RMB'000
Wages and salaries	2,447	2,282
Performance related incentive payments	127	170
Contributions to defined contribution plan	179	143
Share-based payments	901	1,773
	3,654	4,368

(d) Guarantees

At the end of the reporting period, the borrowings amounting to RMB599,240,000 (2012: RMB451,600,000) of the Group was guaranteed by Sound Group. The above borrowings include the bank borrowing of approximately RMB50,000,000 secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

At the end of the reporting period, the bank borrowings amounting to RMB655,426,000 (2012: nil) of Sound Global (Hong Kong) Limited was jointly guaranteed by the Company, Sound International Engineering Ltd, Sound International Investment Holdings Ltd and Epure International Engineering Pte Ltd.

39. (B) RELATED PARTY TRANSACTIONS - continued

(e) 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 Sound Group 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 Sound Group pursuant to a Trademarks Transfer Agreement dated March 23, 2006. Sound Group will in return grant the Group the right to use the trademarks for a period of up to 50 years at nil consideration.

40. EVENT AFTER THE REPORTING PERIOD

An extraordinary general meeting was held on January 3, 2014, and the resolution relating to the approval of the proposed voluntary delisting of the Company from the Official List of The Singapore Exchange Securities Trading Limited (The "SGX-ST") was duly passed. The shares of the Company were delisted from the Official List of the SGX-ST with effect from 9.00 a.m. on January 27, 2014.

41. INVESTMENT IN SUBSIDIARIES

	The Company	
	December 31, 2013 RMB'000	December 31, 2012 RMB'000
Unquoted equity shares, at cost	667,034	666,108
Deemed investment *	1,357,353	1,427,662
Total	2,024,387	2,093,770

* This represent the deemed investment arising from amount due from subsidiaries. The subsidiaries have no contractual obligation to repay the funding to the Company and the eventual return of capital contribution is at the discretion and ability of the subsidiaries.

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013 Direct %	December 31, 2013 Indirect %	December 31, 2012 Direct %	December 31, 2012 Indirect %	Principal activities
Beijing Sound 北京桑德環境工程有限公司	The PRC	RMB500,000,000	75	25	75	25	Environmental construction related to water treatment
Beijing Epure 北京伊普国際水務有限公司	The PRC	US$20,000,000	100	-	100	-	Research and development of water treatment technologies and provision of services of technology consultation
Sound International Investment Holdings Limited (“Sound Investment”)	The BVI	US$1	100	-	100	-	Investment holding
Sound International Engineering Ltd. (“Sound International Engineering”)	The BVI	US$1	100	-	100	-	Investment holding
Epure International Engineering Pte. Ltd. (“Epure International Engineering “)	Singapore	S$1	100	-	100	-	Investment holding
Beijing Epure Sound Environmental Engineering Technology Co., Ltd 北京伊普桑德環境工程技術有限公司	The PRC	RMB15,000,000	-	100	-	100	Research and development of water treatment technologies and provision of services of technology consultation
Hi-Standard Equipment 北京海斯頓水處理設備有限公司	The PRC	RMB66,000,000	-	100	-	100	Manufacture of wastewater treatment equipment
Xi’an Hu County Sound 西安户縣桑德水務有限公司 (“Formerly known as Xi’an Huqing Water Co., Ltd” “西安户清水務有限公司”)	The PRC	RMB24,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects, and sales of treated water

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013 Direct %	December 31, 2013 Indirect %	December 31, 2012 Direct %	December 31, 2012 Indirect %	Principal activities
Xi'an Chang'an Sound 西安長安桑德水務有限公司 ("Formerly known as Xi'an Qinqing Water Co., Ltd" "西安秦清水務有限公司")	The PRC	RMB51,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Guangxi Sound 广西桑德水務有限公司 ("Formerly known as Guangxi Liqing Water Co., Ltd" "广西漓清水務有限公司")	The PRC	US$5,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hangcheng 韓城市桑德水務有限公司 ("Formerly known as Hancheng City Yiqing Water Co., Ltd" "韓城市頤清水務有限公司")	The PRC	RMB14,200,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Shangluo 商洛桑德水務有限公司 ("Formerly known as Shangluo Wastewater Treatment Co., Ltd" "商洛污水處理有限公司")	The PRC	RMB13,800,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Yulin Jingzhou 榆林市靖洲水務有限公司	The PRC	RMB31,030,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Taizhou Sound 泰州桑德水務有限公司 "Formerly known as Jiangyan Jiangyuan Wastewater Treatment Co., Ltd" "姜堰姜源水務有限公司"	The PRC	RMB145,800,000	-	76.8 (note i)	-	76.8	Construction, management and operation of the municipal wastewater projects

41. **INVESTMENT IN SUBSIDIARIES - continued**

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013		December 31, 2012		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Fushun Sound Water Co., Ltd 撫順桑德水務有限公司 (“Formerly known as “Fushun Qingxi Water Co., Ltd” “撫順清溪水務有限公司”)	The PRC	US$13,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hainan Sound Water Co., Ltd 海南桑德水務有限公司 (“Formerly known as Hainan Baichuan Water Co., Ltd” “海南百川水務有限公司”)	The PRC	RMB5,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anyang Zongcun 安陽宗村桑德水務有限公司 (“Formerly known as Anyang Mingbo Water Co., Ltd” “安陽明波水務有限公司”)	The PRC	RMB45,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Yantai Bihai Water Co., Ltd 烟台碧海水務有限公司	The PRC	RMB38,000,000	-	100 (note xii)	-	80	Construction, management and operation of the municipal wastewater projects
Daye Honglian Water Co., Ltd 大冶鴻漣水務有限公司	The PRC	RMB18,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Changsha Sound Water Co., Ltd. 長沙桑德水務有限公司 (“Formally known as Changsha County Xianghai Water Co., Ltd” “長沙縣湘海水務有限公司”)	The PRC	RMB43,524,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hongze Zeqing Water Co., Ltd. 洪澤澤清水務有限公司	The PRC	US$12,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013 Direct %	December 31, 2013 Indirect %	December 31, 2012 Direct %	December 31, 2012 Indirect %	Principal activities
Xi'an Trade & Logistics Park 西安港務區桑德水務有限公司 ("Formerly known as Xi'an Weiqing Water Co., Ltd" "西安渭清水務有限公司")	The PRC	US$3,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Sound Hanzhong Yang County Water Co., Ltd. 桑德漢中洋縣水務有限公司 (Formerly known as "Hanzhong Hanyuan Water Co., Ltd" "漢中漢源水務有限公司")	The PRC	US$7,280,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anyang Taiyuan Water Co., Ltd. 安陽泰元水務有限公司	The PRC	RMB30,000,000	-	90	-	90	Construction, management and operation of the municipal wastewater projects
Hunan Epure Environmental Engineering Co., Ltd. 湖南伊普環境工程有限公司 ("Hunan Epure") (note iii)	The PRC	RMB6,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Fushun Qingxu Environment Co., Ltd. 撫順清旭環保有限公司 ("Fushun Qingxu ") (note ii & iv)	The PRC	US$1,000,100	-	N/A	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Tianqing Water Co., Ltd 鞍山天清水務有限公司 ("Anshan Tianqing")	The PRC	RMB30,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Qinglang Water Co., Ltd 鞍山清朗水務有限公司 ("Anshan Qinglang")	The PRC	RMB102,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013 Direct %	December 31, 2013 Indirect %	December 31, 2012 Direct %	December 31, 2012 Indirect %	Principal activities
Anshan Qingchang Water Co., Ltd 鞍山清暢水務有限公司 ("Anshan Qingchang")	The PRC	RMB92,350,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Jiangyan Qinlong Water Co., Ltd 姜堰市溱瀧水務有限公司 ("Jiangyan Qinlong")	The PRC	RMB43,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Sound Siyang Water Co.,Ltd. 桑德泗陽水務有限公司 ("Siyang Water")	The PRC	USD$18,300,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Quanzhou Sound Water Co., Ltd 泉州桑德水務有限公司 ("Quanzhou Sound")	The PRC	RMB23,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Sound Global (Hong Kong) Limited ("Sound HK") (note xi)	Hong Kong	USD$150,000	100	-	-	N/A	Investment holding
Hailun Sound Water Co., Ltd 海倫桑德水務有限公司 ("Hailun Water") (note xi)	The PRC	RMB9,000,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Liangping Sound Water Co., Ltd 梁平桑德水務有限公司 ("Liangping Sound Water ") (note xi)	The PRC	RMB12,400,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Xianyang Xingping Sound Water Co., Ltd 咸陽興平桑德水務有限公司 ("Xianyang Xingping Water") (note xi)	The PRC	RMB10,000,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013 Direct %	December 31, 2013 Indirect %	December 31, 2012 Direct %	December 31, 2012 Indirect %	Principal activities
Fuqing Sound Water Co., Ltd 福清桑德水務有限公司 ("Fuqing Water") (notev& xi)	The PRC	RMB14,420,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Quanzhou Sound Water Investment Co., Ltd 泉州桑德自來水投資有限公司 ("Quanzhou Water") (note xi)	The PRC	RMB23,750,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Xinghua City Sound Water Co.,Ltd 興化市桑德水務有限公司 ("Xinghua Sound") (note vi&xi)	The PRC	RMB 7,200,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Siyang Yangqing Water Co., Ltd 泗陽水務有限公司 ("Siyang Yangqing") (note vii&xi)	The PRC	RMB18,200,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Xintai Sound Biqing Water Co.,Ltd 新泰桑德碧清水務有限公司 ("Xintai Biqing") (note viii&xi)	The PRC	USD 670,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Xintai Sound Zhengyuan Water Co.,Ltd 新泰桑德正源水務有限公司 ("Xintai Zhengyuan") (1) (note ix&xi)	The PRC	USD 1,800,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Fuqing Sound Rongqing Water Co.,Ltd 福清桑德融清水務有限公司 ("Fuqing Rongqing") (1) (note x&xi)	The PRC	RMB2,010,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects

41. INVESTMENT IN SUBSIDIARIES - continued

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up Issued capital/ registered capital	Equity interest attributable to the Company as at December 31, 2013		December 31, 2012		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Jingyushi 北京京禹石水務有限公司 (note xiii)	The PRC	RMB25,060,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Jingyuyang 北京京禹陽水務有限公司 (note xiii)	The PRC	RMB34,580,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects
Jingyushun 北京京禹順環保水務有限公司 (note xiii)	The PRC	RMB32,000,000	-	100	-	N/A	Construction, management and operation of the municipal wastewater projects

None of the subsidiaries had issued any debt securities at the end of the year.

41. INVESTMENT IN SUBSIDIARIES - continued

Notes:

(i) Pursuant to the contract for Chinese-foreign contractual joint venture between the owners of Taizhou Sound, the Company has control over Taizhou Sound and is entitled to 100% of the dividend distributed by this entity.

(ii) Fushun Qingxu was liquidated on December 26, 2013.

(iii) The registered capital of Hunan Epure is RMB30,000,000, of which RMB6,000,000 has been paid as at December 31, 2013.

(iv) The registered capital of Fushun Qingxu is US$5,000,000, of which US$1,000,100 has been paid as at December 31, 2012.

(v) The registered capital of Fuqing Water is RMB72,100,000, of which RMB14,420,000 has been paid as at December 31, 2013.

(vi) The registered capital of Xinghua Sound is RMB 36,000,000, of which RMB 7,200,000 has been paid as at December 31, 2013.

(vii) The registered capital of Siyang Yangqing is RMB52,000,000, of which RMB18,200,000 has been paid as at December 31, 2013.

(viii) The registered capital of Xintai Biqing is USD2,680,000, of which USD 670,000 has been paid as at December 31, 2013.

(ix) The registered capital of Xintai Zhengyuan is USD7,200,000, of which USD 1,800,000 has been paid as at December 31, 2013.

(x) The registered capital of Fuqing Rongqing is RMB10,040,000, of which RMB2,010,000 has been paid as at December 31, 2013.

(xi) Those entities are newly incorporated or established in the current year.

(xii) In the current year, the Group acquired 20% the non-controlling interests of "Yantai Bihai". After the acquisition, the Group obtained 100% equity interest of "Yantai Bihai". Detail disclosures have been set out in note (ii) to the "Consolidated Statement of Changes in Equity".

(xiii) Those entities are acquired in the current year.

(xiv) Except for Taizhou Sound, the equity interests in other subsidiaries are same with the voting rights in the subsidiaries. The equity interest of the Company in Taizhou Sound is 76.8%, while the voting right in Taizhou Sound is 100%.

(xv) In the opinion of the directors of the Company, the Group has no non-wholly owned subsidiary with material non-controlling interests.

42. RECONCILIATION BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS AND SINGAPORE FINANCIAL REPORTING STANDARDS

These consolidated financial statements are also in compliance with the Singapore Financial Reporting Standards.

In the current year, the new or revised Singapore Financial Reporting Standards ("SFRS") that have become effective for the first time are similar to the International Financial Reporting Standards described in Note 2 to the Financial Statements except for SFRS 110 – Consolidated Financial Statements and SFRS 112 – Disclosure of Interest in Other Entities which will be mandatorily effective from financial year beginning on or after January 1, 2014. On the basis that the Group early adopts the requirements of SFRS 110 and SFRS 112 for financial year beginning January 1, 2013, the impact of adoption is similar to those equivalent IFRSs described in Note 2 to the Financial Statements.

Under the Singapore Financial Reporting Standards, the following new or revised standards that are relevant to the Group were issued but not effective at the date of authorisation of the Financial Statements:

Annual Improvements to SFRSs[1]	
Amendments to SFRS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to SFRS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
INT FRS 121	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014

The SFRS requirements of those new and revised SFRSs are similar to those of the equivalent IFRSs. The equivalent of IFRS 9 has not been issued under SFRSs. The impact of adoption of these new and revised SFRSs in the period of its initial adoption is similar to those described above for the equivalent IFRSs.

On the basis that the directors have early adopted the amendments to SFRS 36 in advance of effective date and prepared the disclosures relating to recoverable amount of non-financial assets in accordance with the amendments, the impact of adoption is similar to the equivalent IFRS described in Note 2 to the Financial Statements.

FIVE-YEAR FINANCIAL SUMMARY

Consolidated Results

	For the year ended December 31,				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000 (restated)
Revenue	3,139,500	2,652,256	2,287,575	1,765,672	1,293,476
Profit before income tax	566,178	503,411	481,208	349,067	292,989
Income tax expenses	(140,801)	(75,902)	(67,383)	(59,877)	(10,236)
Profit for the year	425,377	427,509	413,825	289,190	282,753
Profit for the year attributable to					
Owners of the Company	423,347	427,509	413,825	289,104	281,869
Non- controlling interests	2,030	-	-	86	884
	425,377	427,509	413,825	289,190	282,753

Consolidated Statement of Financial Position

	December 31,				
	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000	2009 RMB'000 (restated)
Total assets	8,797,281	6,839,125	4,956,184	4,350,298	2,582,783
Total liabilities	5,722,990	4,184,613	2,651,515	2,414,043	990,839
Net assets	3,074,291	2,654,512	2,304,669	1,936,255	1,591,944

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of **SOUND GLOBAL LTD.** (the "**Company**") will be held at United Conference Centre, 10/F, United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 22 May 2014 at 9:00 a.m. (the "**Annual General Meeting**") for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2013 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To re-elect the following Directors retiring pursuant to the Company's Articles of Association (the "**Articles**"):

   Mr. Luo Liyang as an Executive Director (Article 89) **(Ordinary Resolution 2)**
   Mr. Wong See Meng as an Independent Non-Executive Director (Article 89) **(Ordinary Resolution 3)**
   Mr. Seow Han Chiang Winston as an Independent Non-Executive Director (Article 89) **(Ordinary Resolution 4)**
   See Explanatory Note (i)

3. To approve the payment of Directors' fees of S$122,000/– for the year ended 31 December 2013 (2012: S$122,000/–). **(Ordinary Resolution 5)**

4. To re-appoint Deloitte Touche Tohmatsu, Hong Kong and Deloitte & Touche LLP, Singapore as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

5. To transact any other ordinary business which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue ordinary shares in the capital of the Company ("Shares") — Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**") and the Rules Governing the Listing of Securities (the "**Listing Rules**") of The Stock Exchange of Hong Kong Limited (the "**SEHK**"), the Directors of the Company be authorised and empowered to:

   (A) (i) issue Shares whether by way of bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company shall in their absolute discretion deem fit; and

(B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined); or (ii) the exercise of any option scheme of similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and its subsidiaries and/or other eligible persons of Shares or rights to acquire Shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of the cash payment for a dividend on Shares of the Company in accordance with the Articles of the Company, shall not exceed 20.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as at the time of passing of this Resolution) and the said approval shall be limited accordingly;

(ii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Rules as amended from time to time (unless such compliance has been waived by the SEHK) and the Articles;

(iii) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting is required by law to be held, whichever is the earlier; and

(iv) for the purpose of this Resolution, "**Right Issue**" means an offer of shares or other securities of the Company open for a period fixed by the Directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside the Hong Kong Special Administrative Region of the People's Republic of China)."
See Explanatory Note (ii) **(Ordinary Resolution 7)**

7. Authority to grant options and issue Shares under the Sound Global Share Option Scheme

"That, pursuant to Section 161 of the Companies Act, the Directors be and are hereby empowered to grant options, and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of options granted under the Sound Global Share Option Scheme (the "**Scheme**") provided always that the aggregate number of Shares in respect of which such options may be granted and which may be issued pursuant to the Scheme shall not exceed 10.0% of the shares of the Company in issue as at the date of the passing of this Resolution."
See Explanatory Note (iii) **(Ordinary Resolution 8)**

8. **Authority to renew the Share Purchase Mandate (as defined below)**

"That:

(A) the exercise of the Directors of the Company of all the powers of the Company to purchase or acquire Shares not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), by way of on-market purchase(s) (the "**Market Purchase**"), transacted on the SEHK through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose, and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act, the Listing Rules and the rules and regulations of the Securities and Futures Commission of Hong Kong as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(B) unless varied or revoked by the Shareholders of the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period from the date of passing this Resolution and expiring on:

(i) conclusion of the next annual general meeting of the Company;

(ii) the date by which the next annual general meeting of the Company is required by the Articles or any applicable laws to be held;

(iii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate have been carried out to the full extent mandated; or

(iv) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest;

(C) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10.0% of the total number of issued Shares as at the date of the passing of this Resolution;

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed 105.0% of the Average Closing Price (hereinafter defined);

"**Average Closing Price**" means the average of the closing market prices of a Share for the five consecutive market days (being a day on which the SEHK is open for trading in securities) on which the Shares are transacted on the SEHK immediately preceding the date of the Market Purchase by the Company, and deemed to be adjusted in accordance with the Listing Rules for any corporate action which occurs after the relevant five-market day period;

"**Shareholder**" means a duly registered holder from time to time of the Shares in the capital of the Company; and

(D) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

See Explanatory Note (iv) **(Ordinary Resolution 9)**

By Order of the Board
SOUND GLOBAL LTD.
Tan Wei Shyan
Company Secretary

Singapore, 11 April 2014

Explanatory Notes:

(i) With reference to item 2 above:

(a) Mr. Wong See Meng will upon re-election as an Independent Non-Executive Directors of the Company, remain as chairman of the Audit Committee and Nomination Committee and a member of the Remuneration Committee. He will be considered independent for the purposes of Rule 3.13 of the Listing Rules.

(b) Mr. Seow Han Chiang Winston will upon-relection as an Independent Non-Executice Director of the Company, remain as a Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He will be considered independent for the purposes of Rule 3.13 of the Listing Rules.

(ii) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 20.0% of the total number of issued Shares (excluding treasury shares) in the capital of the Company.

(iii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors of the Company to grant options and to allot and issue Shares upon the exercise of such options in accordance with the Scheme.

(iv) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company to exercise all powers of the Company to purchase or acquire Shares not exceeding in aggregate the Maximum Limit, at such price(s) as may be determined by the Directors from time to time up to the Maximum Price subject to and in accordance with the terms of the Share Purchase Mandate set out in the Circular.

Notes:

1. A Shareholder of the Company is entitled to attend and vote at the Annual General Meeting is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a Shareholder of the Company.
2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting, or any adjournment thereof.
4. For determining the entitlement to attend and vote at the Annual General Meeting of the Company to be held on 22 May 2014 (Thursday), the register of members of the Company will be closed from 20 May 2014 (Tuesday) to 22 May 2014 (Thursday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 19 May 2014 (Monday).

As at the date of this Notice, the Executive Directors are Wen Yibo, Zhang Jingzhi, Wang Kai, Luo Liyang, Jiang Anping and the Independent Non-executive Directors are Fu Tao, Seow Han Chiang Winston and Wong See Meng.

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Executive Directors
Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai (Chief Financial Officer)
Luo Liyang
Jiang Anping

Independent Non-Executive Directors
Wong See Meng (Lead Independent Non-Executive Director)
Seow Han Chiang Winston
Fu Tao

COMMITTEES
Audit Committee
Wong See Meng (Chairman)
Seow Han Chiang Winston
Fu Tao

Remuneration Committee
Seow Han Chiang Winston (Chairman)
Wong See Meng
Fu Tao

Nomination Committee
Wong See Meng (Chairman)
Wen Yibo
Seow Han Chiang Winston

AUTHORISED REPRESENTATIVES (SEHK)
Wen Yibo
Wong Tak Yee

JOINT COMPANY SECRETARIES
Tan Wei Shyan (LLB)
Wong Tak Yee (FCIS, FCS (PE))

REGISTERED OFFICE
1 Robinson Road #17-00
AIA Tower
Singapore 048542
Telephone: +65 6535 1944
Facsimile: +65 6535 8577

OFFICES
Our Principal Office and Contact Details
National Environmental Protection Industry Zone
Tongzhou District, Beijing 101102, PRC
Telephone: +8610 6050 4718
Facsimile: +8610 6050 4766

Our Singapore Office and Contact Details
460 Alexandra Road #14-04
PSA Building
Singapore 119963
Telephone: +65 6272 6678
Facsimile: +65 6272 1658

Our Hong Kong Office and Contact Details
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: +852 2980 1888
Facsimile: +852 2545 1628

CORPORATE WEBSITE
http://www.soundglobal.com.sg

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

AUDITORS
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
6 Shenton Way
OUE Downtown 2
#32-00
Singapore 068809
Partner-in-charge: James Xu
Date of appointment: April 29, 2013

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F., One Pacific Place
88 Queensway
Hong Kong

SOLICITORS
Shook Lin & Bok LLP
1 Robinson Road #18-00
AIA Tower
Singapore 048542

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

Li & Partners
22/F., World-Wide House
Central
Hong Kong

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sound global

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