Sound Global Ltd. Annual Report 2014

expanding our *Tributaries*

桑德國際
sound global

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contents

expanding our tributaries

Every river aspires to reach the ocean.

From the mountains, dew and rain flow down to the valley. Along the way, underground wells feed into it. As small streams merge into one another, major arteries are formed. Although flowing on the ground, the river maintains a bird's eye view, flowing with conviction and a long-term vision. As it meanders through tough terrain, the river seeks alternative routes to expand its tributaries. Finally, after falling through cliffs, seeping through caves, and splitting up mountains, the waters reach the river mouth. Reflecting the rays of sunrise, the river turns golden - it has finally fulfilled its aspiration.

At Sound Global, we aspire to conquer the oceans. Through merger and acquisition opportunities and organic growth strategies, we have grown from strength to strength. Maintaining a bird's eye view, we will not lose sight of our final destination. At the same time, we will continue to explore new frontiers in order to continually expand our tributaries. Eventually our aspiration will be fulfilled.

corporate profile

Sound Global Ltd. is one of China's leading turnkey water & wastewater treatment solutions providers. Backed by extensive Research and Development ("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.

pursuing mergers and acquisitions

One side was blue, the other was green. The blue was travelling a little faster, but the green was swirling more deeply. Despite these differences, both sides had so much in common: they had the same width, they served the same community, and they shared the same ultimate aim – to flow towards the wide ocean. But both sides had never met; they travelled in parallel.

As both rivers flowed further, the landscape nudged them along, a degree of bend here, another degree of meander there. Finally after travelling for a few thousand miles, the two sides finally met. The waters engulfed each other like two long lost friends who have finally located each other. After the commotion has settled, the width has doubled but the speed has not been compromised. The waters turned a deep turquoise, purer and clearer. The merger was complete.

At Sound Global, we actively pursue partners who share the same aspirations for mergers and projects that can enhance our width and depth for acquisitions. We aspire to turn out deep turquoise waters, purer and clearer.

chairman's statement

Dear shareholders,

First of all, on behalf of Sound Global Ltd, I would like to express my heartfelt gratitude to all shareholders for your trust and support to the Company throughout the years.

Review

During the past two years, the environmental protection industry in China entered its golden era, due to a series of policies intensively promoted by the central government. There were improvements in the technical standards in numerous fields: control of water pollution, control of air pollution, vibration control, treatment and disposal of solid waste and control of noise pollution. As a result, the entire industry developed in a rapid and steady trend.

Under the Plan for Facilities Construction for Urban Wastewater Treatment and Recycling under the 12th Five-Year Plan (《"十二五"期間的城鎮污水處理及再生利用設施建設規劃》) promulgated by The State Council of the People's Republic of China, a forecasted investment fund of RMB430 billion would be required, due to the following four major reasons: Firstly, the sewage treatment capacity under the 12th Five-Year Plan would reach 50 billion cubic meters with a focus on provincial capitals and prefecture-level cities, with a total of 379 cities with construction requirement projected during the period. Although the new facilities would mainly have small to medium treatment capacities, they would maintain a trend of growing capacities. Secondly, as a result of the upgrade of sewage treatment projects completed or under construction from level B Class I to level A Class I, many of the existing sewage treatment plants would have to be upgraded and transformed. Thirdly, with the increase in urban population, coupled with the increase in the number of water quality monitoring indicators from 35 to 106 items stipulated in the 12th Five-Year Plan, there would be demand to construct new water supply plants and to increase their capacities. Fourthly, with the development of a low carbon economy in China with focus on energy conservation and emission reduction, municipal sewage treatment would focus on reduction of discharged pollutants, sludge treatment and water recycling would become the new market focuses. Under the new urbanization model, although municipal sewage treatment would still be the market focus, sub-segments of the industry such as water treatment and supply in rural areas, industrial wastewater treatment and seawater desalination have continuously shown great potential. According to the statistics of 2012, the sewage treatment rates in cities, counties, towns and villages in China are 87%, 75%, 28% and 8% respectively, which would mean that business opportunities of sewage treatment would mainly be in counties, towns and villages. However, the methods used in municipal sewage collection and treatment are not applicable to the sewage problems in rural areas, small cities and towns. As a result, there would be challenges to adapt existing techniques and management models to the new urbanization plan.

With a proactive approach to cope with challenges, Sound Global has seized opportunities for development, built up our internal expertise to strive for breakthrough chances, enhanced our integrated service capabilities by exploring innovative business development models, and implemented our business strategy. As a result, we have secured a number of sizeable projects through investments, acquisitions and rights to operations in various cities such as Beijing, Fujian, Guizhou, Anhui, Xinjiang, Guangdong, Sichuan, Jiangsu, Shaanxi, Jilin and Liaoning. In 2014, leveraging on its capabilities in technological innovation and through the construction of new water plants, upgrade of existing plants, acquisition of operation rights of water treatment facilities and the expansion of municipal water supply projects, Sound Global achieved satisfactory economies of scale in the municipal water treatment business. In the area of industrial wastewater treatment, Sound Global's strong technical experience and flexible business cooperation models enabled the company to focus in depth on areas such as centralized water treatment in industrial parks, new models adapted in the coal chemical industry, coking wastewater treatment and recycling, leather-related industrial wastewater treatment, polyvinyl alcohol ("PVA") wastewater treatment, and shale oil and gas, attaining encouraging results in these fields. In rural water treatment, Sound Global demonstrated its capabilities by securing 200 projects in various villages and towns. Moreover, in view of the great potential market of rural water treatment, Sound Global continued to invest heavily in R&D so as to provide integrated water supply and treatment to rural areas.

In 2014, Sound Global's new business development model achieved significant breakthroughs -- the proportion of projects achieved through merger and acquisition rose rapidly. Through the Public-Private Partnership ("PPP") model that promotes strategic cooperation between the government and enterprises, Sound Global established a joint venture company with Chongqing Yulong Group (重慶渝隆集團) and a joint venture company with the Tongling Economic Development Area (銅陵市經濟開發區). By effectively integrating the PPP business model with the strategies of facility acquisition and obtaining operation rights to third party water facilities, Sound Global enhanced its overall competitive strength and consolidated its leading position in the industry.

Prospects

In 2015, the historically most-stringent Environment Protection Law will be implemented together with the four Complementary Measures of New Environment Protection Law. The industry is of the view that the encompassing measures, which will administer more stringent punishments against unlawful acts, will create greater market potential as a result of tightening standards of sewage treatment plants. The imminent Action Plan for Water Pollution Prevention and Control, also known as the Ten Water Plans, is one of the significant complementary measures of the New Law. According to forecast, the Ten Water Plans will create RMB2 trillion worth of investment demand. Due to the multiple positive stimulations of the New Environmental Protection Law, the major environmental enterprises will accelerate their development to match the demands of the capital market. In today's environmental protection industry in China, a relatively complete industrial system and an industrial cluster in its initial stage of gaining scale have started to form. Privately-owned environmental enterprises are also getting more widely accepted and sought after by the capital market.

The new model of urbanization is an important strategy of the nation which focuses on creating harmony among urbanization, industrialization and ecology so as to achieve sustainable development. The National New Urbanization Plan (2014-2020) explicitly emphasizes the acceleration of developing small and medium cities as its main thrust of development. As a result, small towns and cities will be the major markets of wastewater treatment in the future. However, the treatment and control of pollution in small towns and cities and in the rural areas are encountering conflicting issues of technology and cost.

Addressing the issues of wastewater management in the rural areas and the safety of potable water, Sound Global was the first in the nation to put forward a "Solution of an Integrated System for Water Drainage and Supply in Villages and Towns." The results we have witnessed in the past few years were testament to the success of the "Sound Model." Combining the various schools of thought from the internet, Sound Global launched the concept of "Integration of Villages and Towns, Integration of Production and Distribution as well as Integration of Water Drainage and Supply." At the same time we implemented the PPP model to resolve the conflict between technology and cost. We are expecting to reap rewards for our efforts in 2015.

Global water treatment technologies are currently undergoing transformation in both depth and breadth. Future development targets to achieve a high standard of water quality, to focus on recycling between energy and resource, and to emphasize environmental friendliness. In the new economy, the transformation of environment management has also expanded the scope of the environment protection industry – the evolution of the economy structure will further enhance the scope for the environment protection industry while the innovation of the industry will create a new environment and additional opportunities. At Sound Global, we will continuously enhance our independent R&D capabilities and will actively promote, using the PPP model, joint ventures and cooperation in municipal, industrial and rural water projects between state and private enterprises. We will also actively seek out rights to manage projects and facilities. At the same time, we will focus our resources on acquiring a batch of high quality projects and expanding our investment in and management of industrial parks and rural township projects. We will also strengthen our investment in the water supply market, establish an effective business model and a technology roadmap. With the advent of tributary management, we will actively participate in tributary management projects and at the same time explore new business models.

In 2015, players from all aspects of the environmental protection industry are looking forward to the rewards, resources and expanded market scope from the implementation of new government policies. We reap what we have sowed and in this highly challenging and imaginative market, Sound Global will not disappoint with our harvest.

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信任和支持表示衷心的感謝！

往事回顧

過去的兩年間，在中央政府密集出台的一系列環境保護政策推動下，中國的環保產業進入了發展的黃金時期。水污染防治、大氣污染治理、固體廢物處理處置、噪聲與振動控制等多個領域的產業技術水平有所提升，整個產業呈現出穩定、快速發展的趨勢。

按照國務院《"十二五"期間的城鎮污水處理及再生利用設施建設規劃》預測的投資需求達4300億元，主要體現在以下四個方面：第一，"十二五"規劃污水年處理量將達500億立方米，省會和地級市仍是建設的重點，期間有建設需求的城市共379個，新增設施的處理規模將以中小規模為主，但保持持續增加態勢。第二，已建、在建污水處理項目從一級B提高到一級A，現存大量的污水處理廠需要升級改造。第三，隨著城鎮人口的不斷增加，並且"十二五"供水水質檢測指標從35項標準提高到106項，供水廠也存在著新建和擴容的需求。第四，根據國家節能減排和發展低碳經濟的要求，城市污水處理將以污染物減排為重點，污泥處理及污水再生利用，將成為行業發展的新熱點。隨著新型城鎮化進程的推進，市政污水處理依然是熱點，同時農村給排水市場、工業廢水、海水淡化等細分行業潛力也釋放出來。根據2012年的統計數據，中國城市、縣城、建制鎮、村莊的污水處理率分別為87%、75%、28%、8%，這意味著，污水處理市場機會集中在縣城、建制鎮和村莊。但是城市污水收集與處理方法不適宜農村與小城鎮的污水問題，新型城鎮化進程的生態建設再遇技術和管理模式的挑戰。

桑德國際積極應對挑戰，把握住發展機遇，穩健扎實苦練內功、審時度勢尋求突破，不斷提高綜合服務能力、探索創新業務發展模式，並按照預定的發展戰略進行了佈局，其中北京、福建、貴州、安徽、新疆、廣東、四川、江蘇、陝西、吉林、遼寧等地實現了一定規模的、涉及多個水務領域的投資和併購項目、託管服務項目集群。2014年，桑德國際在市政水務領域，發揮技術創新能力，通過新增和存量的水廠升級改造、水務設施託管運營、市政供水等項目的拓展，獲得了令人滿意的規模效益。在工業水環境領域，憑藉厚實的技術功底、靈活的商業合作模式，在工業園區綜合治理領域、新型煤化工領域、焦化廢水深度處理回用領域、皮革廢水處理領域、聚乙烯醇（「PVA」）廢水處理領域、葉岩油和葉岩氣等領域聚焦並有所建樹；在村鎮水務領域，覆蓋多达200個鄉鎮項目的佳績再度體現了桑德國際的實力。不僅如此，在有極大吸引力的農村環境治理市場，桑德持續耕耘、深度研究開發，業務視角和產品技術向村莊供排水一體化延伸。

2014年，桑德國際新業務發展模式也取得了突破：快速擴大併購業務在投資業務比重；以公私合作（「PPP」）模式的政企戰略合作模式，與重慶渝隆集團合資組建了運營公司、與銅陵市經濟開發區合資組建了專業水務公司。通過將PPP模式、設施併購、輕資產的第三方水務設施託管運營與業務發展的有效結合，提升了桑德國際的整體競爭優勢和行業引領能力。

未來展望

2015年，被稱為史上最嚴的《環境保護法》開始實施，與新環保法4個配套辦法正式落地。業內認為，配套政策加大違法處罰力度，為正在推進的城鎮污水處理廠提標改造拓寬市場空間。《水污染防治行動計劃》（簡稱水十條）是新法配套重要政策之一，根據預測，

“水十條”將會產生超過2萬億元投資需求。在新環保法的多重利好政策刺激下，各大環保企業也會加快與資本市場的對接。現今的中國環保產業，已形成相對完善的產業體系和初具規模的產業集群，其中民營環保企業正越來越被資本市場接受和推崇。

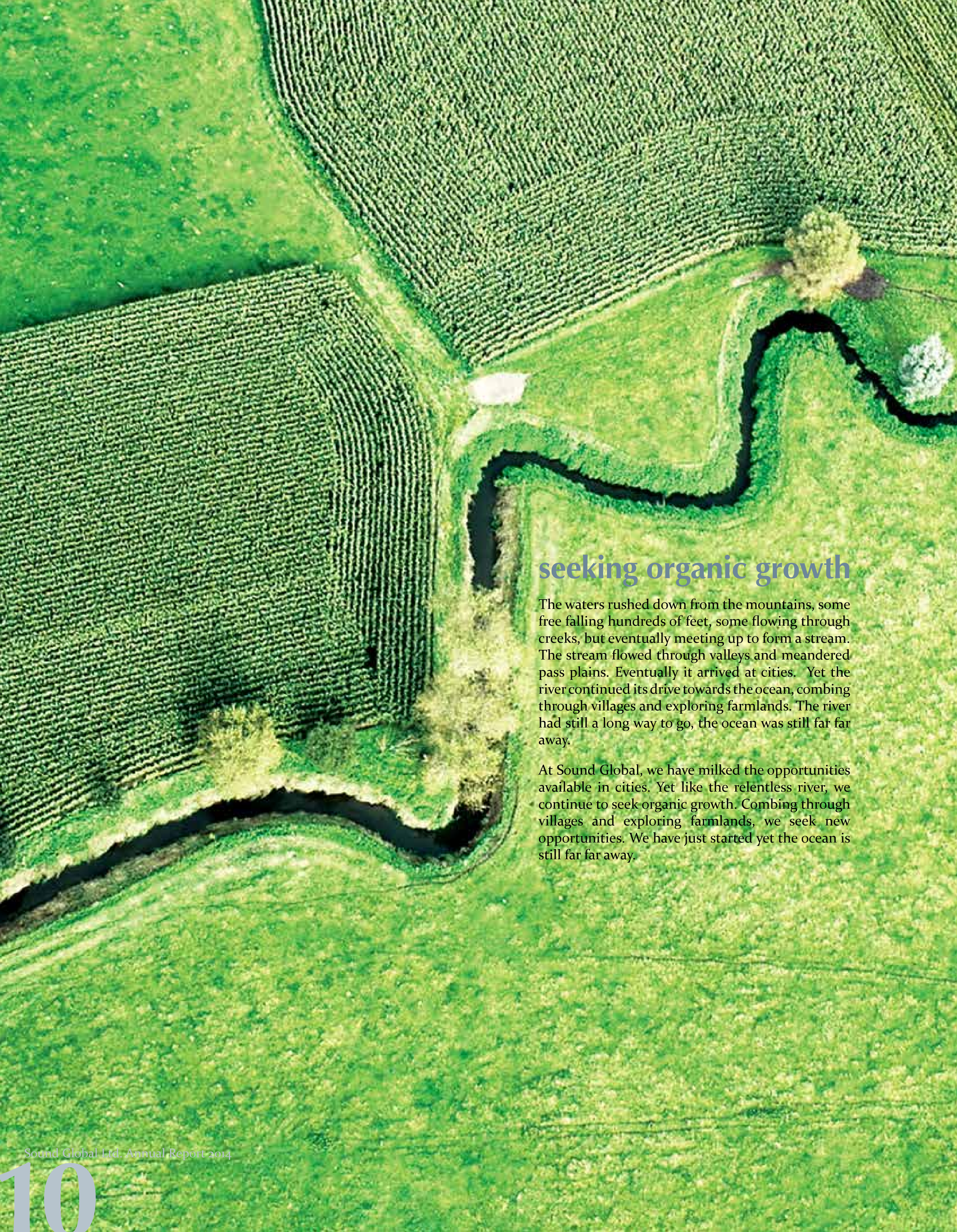
新型城鎮化是國家重大戰略，其發展內涵是城鎮化、工業化、生態環境和諧可持續發展。《國家新型城鎮化規劃(2014~2020)》明確要加快發展中小城市作為優化城鎮規模結構的主攻方向、有重點地發展小城鎮。因此，小城鎮成為未來污水處理的重要市場。但是，小城鎮、農村的面源污染治理面臨的是“技術與經濟”的相互矛盾。

桑德把握住了這一命題，針對村鎮水環境治理及飲用水安全保障問題，率先在國內提出了“村鎮給排水水務一體化系統解決方案”，過去的幾年所取得業績證明了“桑德模式”的成功。桑德結合互聯網思維提出了“城鄉一體化、廠網一體化、供排水一體化”理念，並推進PPP模式，探索出技術與經濟矛盾的解題答案。2015年，將會有所收穫。

當今世界範圍內的水處理技術正在發生廣泛而深刻的變化，追求高品質的出水標準、注重能源與資源的循環、注重環境友好，是未來發展目標。在經濟新常態下的環境管理轉型也拓展了環保產業的範圍；經濟結構調整將進一步促進環境服務業的增長；產業模式創新將會帶來新的業態和產業機會。桑德國際仍然會不斷提升自主創新能力，並還將在市政水務、工業水環境、村鎮水務領域積極推進以PPP模式，與政府及企業間的合資、合作及託管運營輕資產業務。同時，集中精力併購一批優質項目。大力拓展工業園區和村鎮水務項目的投資和運營服務。隨著新型城鎮化進程，加強在供水市場的投資機會並形成有效商業模式和技術路線。隨著流域治理的啟動，積極參與流域治理項目並探索新的商業模式。

2015年，環保產業相關各方都在期待著政策落地所帶來的紅利，能釋放更多資源與市場空間，以期勞有所得、投有所獲。在這場充滿挑戰和想像的饕餮盛宴上，桑德國際定然會不負眾望。

文一波



seeking organic growth

The waters rushed down from the mountains, some free falling hundreds of feet, some flowing through creeks, but eventually meeting up to form a stream. The stream flowed through valleys and meandered pass plains. Eventually it arrived at cities. Yet the river continued its drive towards the ocean, combing through villages and exploring farmlands. The river had still a long way to go, the ocean was still far far away.

At Sound Global, we have milked the opportunities available in cities. Yet like the relentless river, we continue to seek organic growth. Combing through villages and exploring farmlands, we seek new opportunities. We have just started yet the ocean is still far far away.

ceo's operations review

Dear shareholders,

I am very thankful for your understanding and solid support for the Company all these years. In the past year, the state actively launched a series of macro-policies concerning environmental protection, i.e. enhancement of sewage treatment standards, strengthening of regulation and sanctions governing waste discharge and third-party management of waste discharge and active promotion of the PPP mode of cooperation between state and private enterprises. Amid the current transformation of our economy and the age of the internet, environmental protection enterprises innovated technically, commercially and strategically to develop competitive edges and enhance leading positions in this new competitive landscape.

The current and future trend of competition in the water industry translates into a tussle for leadership positions, specifically in the areas of scale, business model and market analysis.

Operations Review

For the past year, the Company strived to consolidate our foundation, enhance our synergy, improve our competitive edges and strengthen our leadership position. On the one hand, the Company adopted the approach of business segmentation, reformed its internal corporate structure and strengthened its training of professional competency. On the other hand, the Company further innovated its business development model – by integrating the PPP model, acquisitions of projects and facilities, as well as the asset-light Operation and Maintenance ("O&M") model into the Company's development strategy. As a result, the Company's competitive edges and leadership position have been enhanced and it developed rapidly.

Driven by the passion for success and the undying pioneering spirit of all staff members, the Company successfully executed all the projects for the year.

Technological Services

In 2014, according to the guiding principle of business segmentation, the Company developed a model of technical support for innovation, further enhanced its advantages in integrated operations and gradually developed dedicated technologies for municipal, industrial and rural sectors of the industry.

In the municipal sector, the Company intensified research in upgrading of existing facilities as well as in techniques and design of water supply. In the industrial sector, the Company focused on the energy and chemical sub-sectors and the integrated management of industrial parks. In the rural sector, the Company upgraded the SMART* technology and achieved a breakthrough in technology to further reduce the scale of integrated supply and discharge systems.

As the Company is aware that technological innovation involves marginal improvements, it has provided comprehensive technical services in all stages of project implementation: from market support in the initial stages, to construction support in the intermediate stages, to operation and management support in the final stages. While on the basis of guaranteed completion of various externally commissioned and forward-looking research, the emphasis of its research in application technology has always been for the benefit of its development as well as the demands of the market. In this aspect, the Company achieved its targeted results.

Market Development

The development of municipal water treatment towards mass production has enabled the industry to reap rewards due to economy of scale. In the past year, the Company grasped opportunities to upgrade and improve existing plants as well as to construct new plants to increase capacity for municipal sewage facilities. At the same time, the Company intensified its efforts on the integration of equipment, the innovation of techniques and the pursuit of new investment projects through BOT and Rehabilitate, Operate and Transfer ("ROT"). From the tremendous opportunity created by the South-to-North Water Diversion project, the Company intensified its pursuit of projects in the area of municipal water supply. As a result of the Company's continuous innovation of its business model, it secured a number of quality municipal sewage and water supply projects.

The implementation of uniform standards in the rural water treatment industry bolstered future growth potential in the sector. After generating the nationwide development blueprint, integration of villages and towns and integration of water supply and sewage were implemented: research and development, market development and project commissioning were consolidated. As a result, the speed and quality of development as well as the influence of the Company in rural water treatment were greatly enhanced. Apart from the progress made in the provinces such as Hunan, Jiangsu and Shandong, breakthroughs were also achieved in Guizhou, Anhui, Guangdong and Sichuan.

The development of water treatment in industrial parks enabled the Company to showcase its competitive advantages. The innovation of service models, the provision of integrated water supply and discharge solutions inside the park and the construction of centralised sewage and waste water treatment plants were considered by the Company as the focus of development for water treatment in industrial parks. In view of the complicated and ever-changing nature of water treatment investment projects in industrial parks, the Company strengthened its pursuit and servicing of major customers and proactively sought other effective solutions and achieved significant breakthroughs employing various business models: Engineering, Procurement and Construction ("EPC"), O&M, BOT and PPP. We have seen a steady increase in the number of industrial park projects secured by the Company and as a result it has also enhanced our competitive edge.

Leveraging on its ability to invent business models and its outstanding professional abilities, the Company strived to to further augment its leading position. It increased the number of acquisition projects as well as joint-development projects with the state through the PPP model. The Company achieved significant breakthroughs in the deployment of the PPP business model. In the past year, the number of projects acquired through acquisitions outstripped the number of projects from investments, further augmenting the Company's leadership position.

Human capital

The Company holds fast the philosophy of "talents strengthen the enterprise" and consistently develops and nurtures its human capital. The Company ensures that there is adequate manpower to fulfil the needs of the industry, that its manpower is well-trained and its managers are well versed in integrated management. Through an effective performance appraisal system, the Company motivates all staff to initiate creativity. This has translated into higher productivity. Human capital is a strategic guarantee for the continuous development of the Company. Hence it pays special attention to build up a team of talents to continuously sustain its ambition.

Development Objectives

Not only is 2015 a year to wrap up the "12th Five-Year Plan", it is also the year for the strategic planning of the "13th Five-Year Plan", the first year for the implementation of "Environmental Laws", as well as the year for initialising the "Action Plan for Water Pollution Prevention and Control (the Ten Water Plans)". In this new environment, the Company stands firm on its strategy based on platforms, segmentation and integration: to establish Sound Global as a leading turnkey water treatment company both domestically and globally; to segment the Company's main businesses into municipal, industrial and rural segments; riding on the foundation the Company has built from its municipal projects, to further realise the benefit of economy of scale; to augment our leading positions in the industrial and rural wastewater treatment segment; and to build up the Company's global business and establish its global brand.

The Company will also stand firm on its values and further systemised its management approach in order to grasp business opportunities from the market and from government policies to ensure rapid, sustainable and healthy growth.

Appreciation

On behalf of the management, I would like to express my gratitude to all shareholders for their guidance, support and assistance to the Company in the past year; to other industry players and business partners for their cooperation and support for the Company; and to all staff for their dedication to achieve development for the Company.

I sincerely wish all shareholders, staff and their families successful and healthy in the new year.

Zhang Jingzhi

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

首席執行官營運回顧

尊敬的各位股東：

非常感謝所有股東一直以來對公司業務的理解和強有力的支持。在過去的2014年，國家出台了一系列積極的生態環境保護宏觀政策，提高了排放標準，強化了排污企業及第三方治污企業的排放監管和處罰力度，力推政企合作的PPP模式。同時在經濟轉型的形勢要求和互聯網時代背景下，環保企業進一步從技術和商業模式深度創新的角度，在發展戰略及模式上進行思考和轉型定位，力求在新的環境政策和新一輪的競爭格局中形成核心競爭優勢和突出主導地位。

當前及未來水務市場的競爭突出體現為企業引領能力的競爭，具體表現為規模優勢引領能力的競爭、業務發展模式引領能力的競爭、細分市場專業水平引領能力的競爭。

經營狀況

在過去的一年裡，公司本著"夯實專業基礎，增強協同能力，提升競爭優勢和引領能力"的發展目標。一方面，確立了業務分類發展原則，優化內部組織結構，強化專業能力建設；另一方面，進一步創新業務發展模式，將PPP模式、設施併購、輕資產的第三方水務設施託管運營（「O&M」）與公司業務發展有效結合，提升了作為專業公司的競爭優勢和引領能力，有力助推了公司快速發展。

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。

技術服務

過去的2014年，公司根據業務分類發展指導原則，創新技術支持模式，提升一體化優勢，逐步形成了市政、工業、村鎮專業技術發展的格局。

在市政技術領域，加強了升級改造技術的研究、供水技術的研究和設計；在工業水務技術領域，進一步聚焦在能源化工領域、工業園區綜合治理等領域；在村鎮水務領域，進一步提升SMART*工藝，強化村級更小規模的供、排水一體化設備工藝技術的研究並取得了突破。

根據技術發展微創新的特點，加強了對工程項目前期市場支持、中期工程建設支持以及後期運營管理支持。同時在保證完成各類外部研發課題以及前瞻性技術研發的基礎上，重點進行了面向公司發展需求以及市場需求的應用型技術研發，取得了針對性成果。

市場拓展

市政水務規模化發展，獲取規模效益。公司在過去的一年裡，緊緊抓住市政污水設施提標改造及新建擴容的機會，加大設備集成、工藝改造的力度和以BOT、改建-運營-移交（「ROT」）模式拓展新增投資項目的力度；面對國家南水北調機遇期，公司在市政供水領域加強了項目的拓展。公司通過不斷創新業務模式，獲取了一批優質市政污水和供水項目。

村鎮水務一體化發展，謀求未來發展空間。村鎮水務在全國範圍內進行全面佈局的基礎上，進一步進行了村鎮一體化發展和供排水一體化發展，集技術研發、市場拓展、項目調試為一體，提升了公司村鎮業務發展的速度、質量和影響力。在湖南、江蘇、山東等省份地域的基礎上進一步在貴州、安徽、廣東、四川等省份取得了突破並形成了常態化發展的基礎。

工業水務園區化發展，引領專業競爭優勢。公司認為工業園區水環境服務模式創新、園區內企業供排水一體化解決方案及集中污水處理廠的建設將是工業園區水務發展的重點。公司面對

工業園區投資項目複雜多變的各項因素，強化大客戶的開發和維護，積極尋求其有效的解決方式，以設計-採購-施工（「EPC」）、O&M、BOT、PPP等各種商業模式取得了較大突破，工業園區水務項目佔比逐年增加，增強了公司專業競爭優勢。

創新業務發展模式，提升引領能力。公司充分發揮商業模式創新的優勢和過硬的專業能力，加強併購業務以及PPP模式下的政企戰略合作的開展，特別是在PPP業務發展模式方面取得了較大突破，同時公司併購業務佔比投資業務快速增長，進一步引領公司規模發展優勢。

人力資源

公司始終堅持“人才強企”工作思路，不斷加強人力資源開發和培養力度，按照業務發展需求，在數量上做到“人才足”；在專業方面做到“人才精”；在企業管理方面做到“人才綜合能力強”。公司通過合理的績效制度安排，有效激發了各級員工的創新主動性，提高了勞動生產率。人才資源是公司可持續發展的戰略保障，公司為此逐步搭建起了相應的人才梯隊，以滿足公司可持續發展的人才需求。

發展目標

2015年是中國“十二五規劃”收官之年，也是“十三五規劃”的謀局之年；是新“環保法”的實施元年，也是“水污染防治計劃（水十條）”的啟動之年。在生態環境保護工作“新常態”的要求下，公司堅持戰略導向，建立“平台化、板塊化、一體化”發展路徑。將“桑德國際打造成為國內外一流的業務方向和業務鏈條健全的綜合性水務平台公司”；業務劃分為“市政水務專業板塊、工業水務專業板塊、村鎮水務專業板塊”。市政水務為發展基礎，突出規模效益；村鎮水務和工業水務為發展重點，突出引領優勢和專業優勢；強化國際業務，突出國際化定位。

公司也將堅持價值導向，進一步完善系統管理，緊抓市場和政策機遇，推動公司快速、持續、健康發展。

致謝

本人謹代表管理層，感謝所有股東在過去的一年裡對公司的指導、支持和幫助；感謝同行企業及業務合作夥伴對公司的協同支持；感謝公司全體員工為公司發展所做出的卓有成效的努力和成果。

在此，真誠祝願各位股東、同仁在新的一年裡工作順利，身體康健，闔家幸福！

張景志

** 小型及精巧的、多功能及模塊化的、靈活及自動化的、快速及工藝領先的*

financial highlights

revenue (RMB '000)

2010	1,765,672
2011	2,287,575
2012	2,652,256
2013	3,162,578
2014	**3,557,661**

gross profit (RMB '000)

2010	536,145
2011	722,052
2012	800,387
2013	968,264
2014	**1,086,293**

profit before income tax (RMB '000)

2010	349,067
2011	481,208
2012	503,411
2013	578,693
2014	**651,449**

profit attributable to owners of the company (RMB '000)

2010	289,104
2011	413,825
2012	427,509
2013	432,566
2014	**502,943**

five years financial summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)			
Revenue	3,557,661	3,162,578	2,652,256	2,287,575	1,765,672
Gross profit	1,086,293	968,264	800,387	722,052	536,145
Profit before income tax	651,449	578,693	503,411	481,208	349,067
Income tax expenses	(147,518)	(143,890)	(75,902)	(67,383)	(59,877)
Profit for the year	503,931	434,803	427,509	413,825	289,190
Profit for the year attributable to					
Owners of the company	502,943	432,566	427,509	413,825	289,104
Non-controlling interests	988	2,237	-	-	86
	503,931	434,803	427,509	413,825	289,190
Earnings per share (in RMB cents)					
Basic	35.19	33.53	33.14	32.08	22.41
Diluted	34.73	32.99	32.35	31.32	22.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
Current assets	6,985,431	6,361,755	5,025,112	3,701,937	3,501,693
Non-current assets	3,120,686	2,603,054	1,974,449	1,254,247	848,605
Total assets	10,106,117	8,964,809	6,999,561	4,956,184	4,350,298
Current liabilities	4,377,886	2,656,408	1,843,675	2,064,145	1,356,485
Non-current liabilities	1,482,248	3,161,463	2,438,153	587,370	1,057,558
Total liabilities	5,860,134	5,817,871	4,281,828	2,651,515	2,414,043
Capital and reserves	4,245,983	3,146,938	2,717,733	2,304,669	1,936,255

management discussion & analysis

SIGNIFICANT TRENDS, CONDITIONS AND EVENTS

The PRC's economy development has entered the "New Normal" stage, changing from high growth rate to medium-high growth rate while the environmental carrying capacity has reached or is near its ceiling, implying that a new model of green and low carbon cycle development would be likely. In particular, as pollution control and strict environmental law enforcement is further emphasised by the formal implementation of the newly amended environmental law, the PRC's environmental protection industry will enter into a new phase.

As a leading professional water enterprise, the Company will further develop into an integrated professional water platform incorporating the three major business segments of municipal water, industrial water and townships water, with a strategy of using municipal water as development foundation to achieve economies of scale, using townships water and industrial water as development focus to highlight the Company's leading advantage and professional edge, and strengthening international operation to further establish the basis for the Company's business internationalisation.

In the coming years, the PRC's water industry will enter into a critical period of industrial consolidation to increase industry concentration and economies of scale. On the other hand, the state will further eliminate backward production capacity and implement strict environmental standard to control the development of high-polluting industries and enhance the management effort on such industries, which laid a solid ground for environmental governance and created more space for the development of water industry. The Company will give full play to its flexible business model and innovation superiority in technology in order to seize market and policy opportunities and further promote the performance growth of the Company.

The Company aims to enhance the promotion and application efforts of the PPP model in the business segment of municipal water to obtain quality projects. With the promotion of the PPP model in the field of infrastructure construction by the government and the gradual introduction of ancillary policies by the government, the PRC's urban environmental infrastructure PPP model will mature and achieve further enhancement and improvement. The Company will also increase investment on the municipal water segment based on the PPP model to obtain returns to scale.

The Company strives to enhance its market share in the industrial water segment with the concept of third party treatment and by utilising the Company's professional advantage. In 2014, the eighteen Third Plenary Session explicitly put forward the "promotion of third party treatment of environmental pollution", which fundamentally changed the concept of industrial pollution treatment to "polluter pays and third party treatment". With the introduction of specialised environmental treatment enterprise to the environmental pollution treatment area through market mechanism, pollution treatment will be relatively concentrated, repeated investment on environmental treatment facilities and treatment costs will be reduced, treatment level will be enhanced and the responsibilities will also be explicitly clarified to facilitate the supervision by the environmental authorities. The Company will utilise its technology and treatment experiences in the industrial area from the past 20 years and its advantage of having expertise in the whole industrial chain to increase the Company's market share.

Grasping the opportunity of new rural development and urbanisation process, the Company will strengthen its development idea of townships water integration to seek more space for development in the future. Promoted by the PRC's new urbanisation plan (2020), the creation of beautiful villages and the development of urban-rural integrated infrastructure have been incorporated into the PRC's national strategies. As the maturity of the townships water industry has been greatly improved, financing polices are becoming more concrete, the relevant pricing mechanism has improved with policies on the relevant charge introduced and project investment tariff mechanism improved. By applying the state-of-art SMART* patent technology and innovative business model, the Company, through centralised, modularised, clustered and intellectualised management, will step up its effort in developing its sewage treatment business in smaller cities in the PRC to the fullest. 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 establishing its leading position in the industry.

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

management discussion & analysis

The Company aspires to establish an integrated international operation platform. The Company has gained competitive edges as an international business and laid a solid foundation in the areas such as technological services, equipment packages, EPC and the whole industry chain of investment business. The Company will also construct a three-dimensional marketing channel, including setting up own overseas branches, establishing close strategic partnership with domestic large international companies and founding strategic partnership with target state-owned agencies . The Company will select overseas projects with controllable risk and relatively good return for investment and acquisition to enhance the influence of the Company's overseas business, facilitate expansion and strengthen management capacity, thereby further increasing the long-term operation economies of scale of its facilities and lay a solid foundation and development platform for the construction of an international enterprise.

Last but not least, the Company will endeavour in creating an innovative business development model and improvement of the Company's leadership capacity. Under the PPP model framework, the Company will cooperate with the government, set up joint ventures and cooperate with other enterprises to achieve in-depth innovation of business development model. The Company will also build on the tradition business model of equipment packages, technological services, EPC and BOT, in order to further acquire municipal water projects and invest in municipal water supply projects, further invest in the industrial parks water environment facilities, further increase third-party trust operation effort in the three major business areas, further enhance the intensity of integrated townships water supply and drainage business and further research and develop basin treatment technology, which enable the Company to achieve innovation of business model and breakthrough with controllable risks and to expand its overseas business market.

With the trend of economic transformation and given the backdrop of the internet era, the Company will seek repositioning on its development strategy and model from the perspective of in-depth technical and business model innovation, in order to form leading competitive advantages in economies of scale, business development model and professional market division under new environmental policy and a new competitive landscape, and at the same time highlight the Company dominant position in the new stage of environmental protection industry development.

REVIEW OF GROUP'S FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by approximately RMB395.1 million or 12.5% from approximately RMB3,162.6 million in 2013 to approximately RMB3,557.7 million in 2014.

Turnkey revenue increased by approximately RMB327.1 million or 11.3% from approximately RMB2,882.9 million in 2013 to RMB3,210.0 million in 2014 as the Group expands its operations. Profit contribution from turnkey projects and services increased by approximately RMB81.9 million or 11.8% from approximately RMB692.8 million in 2013 to approximately RMB774.7 million in 2014. The Group continues to be awarded and is fulfilling its EPC projects in PRC.

External revenue from equipment fabrication segment decreased by approximately RMB26.7 million or 41.8% from approximately RMB63.8 million in 2013 to RMB37.1 million in 2014 as it further fulfils inter-segment sales. Profit contribution from equipment fabrication segment decreased by approximately RMB16.1 million or 164.3% from approximately RMB9.8 million in 2013 to loss at approximately RMB6.3 million in 2014. The loss was mainly due to the lower profit margin from orders of which manufacturing works were subcontracted out.

Revenue from O&M segment increased by approximately RMB94.7 million or 43.9% from approximately RMB215.9 million in 2013 to approximately RMB310.6 million in 2014. Profit contribution from O&M segment increased by approximately RMB27.5 million or 21.1% from approximately RMB130.2 million in 2013 to approximately RMB157.7 million in 2014. Revenue and profit increased as additional five BOT and five O&M projects started operations in 2014.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB118.0 million or 12.2% from approximately RMB968.3 million in 2013 to approximately RMB1,086.3 million in 2014. The increase in 2014 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 30.6% in 2013 and approximately 30.5% in 2014. Turnkey projects and services segment remains the main contributor to the Group's revenue. 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 from one period to the next 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 RMB32.3 million or 31.5% from approximately RMB102.4 million in 2013 to approximately RMB134.7 million in 2014. The increase in 2014 was mainly due to the increase in deemed interest on service concession receivables by approximately RMB31.3 million as a result of an increase in investment of BOT projects.

Other Gains and Losses

Other losses increased by approximately RMB48.3 million or 418.9% from approximately RMB11.5 million in 2013 to approximately RMB59.8 million in 2014 mainly due to the loss arising on change in fair value of warrants. During the year, IFC exercised warrants and was allotted 28,154,545 ordinary shares of the Company on 1 December 2014 at exercise price of SGD1.10 per share. Higher loss was recorded as the Company's share price increases during the year. The Company's closing share price as at 1 December 2014 was HKD8.43. These losses were partly offset by the gain on the change in fair value of early redemption options of senior notes.

Distribution and Selling Expenses

Distribution and selling expenses remained relatively consistent at approximately RMB38.4 million in 2013 and approximately RMB40.2 million in 2014.

Research and Development Expenses

Research and development expenses remained relatively consistent at approximately RMB20.3 million in 2013 and approximately RMB20.8 million in 2014.

Administrative Expenses

Administrative expenses increased by approximately RMB22.8 million or 16.9% from approximately RMB135.0 million in 2013 to approximately RMB157.8 million in 2014. This was due to the increase in:

(i) staff costs by approximately RMB10.0 million as a result of salary increment and increase of Group's headcount;

(ii) legal and consultancy fees by approximately RMB5.1 million mainly relating to the connected transactions and audit fee for 2014; and

(iii) amortisation of intangible assets by approximately RMB3.4 million. The intangible assets arose from the four BOT plants which the Group acquire in November 2013 and September 2014.

Finance Costs

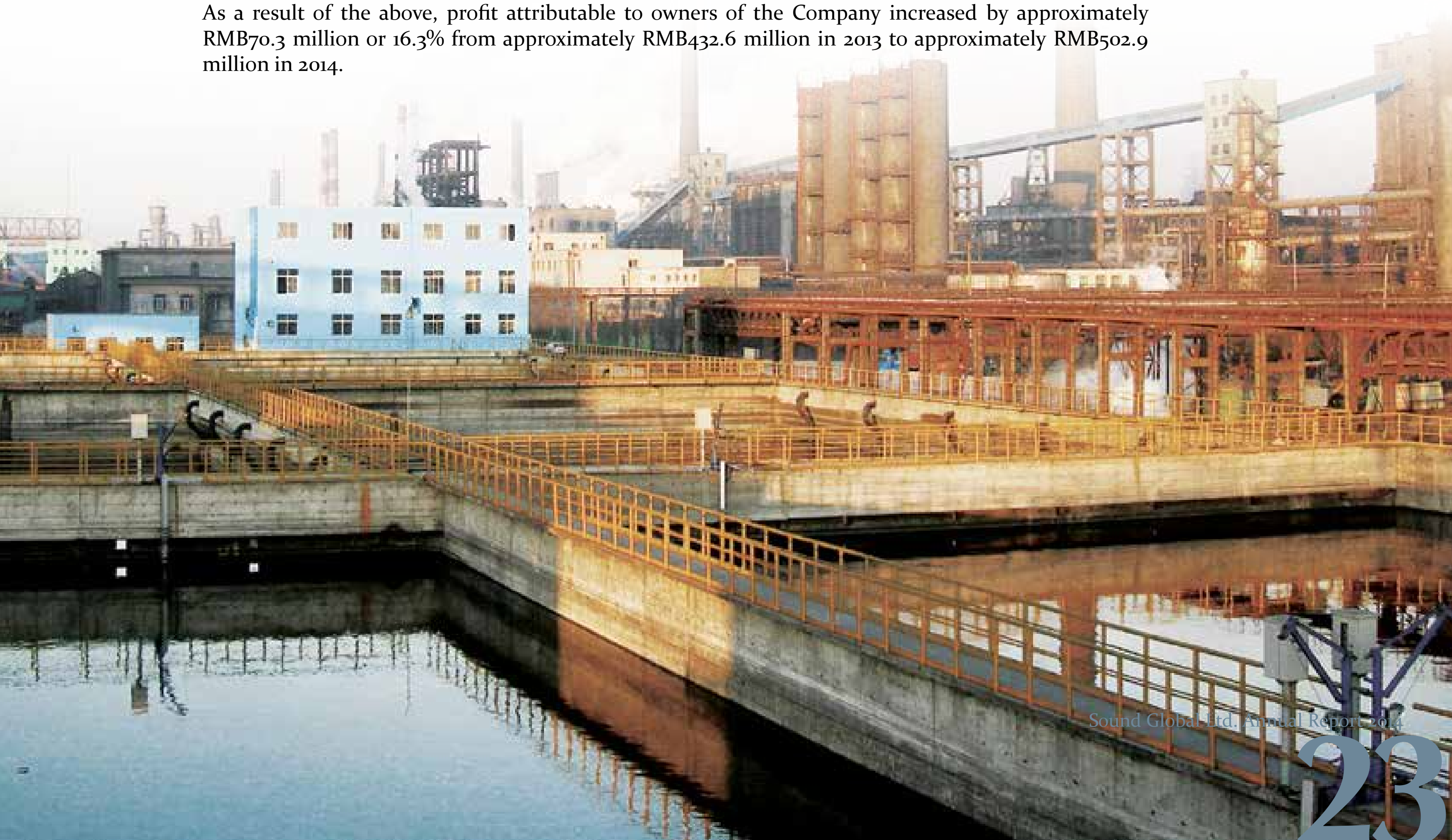
Finance costs remained relatively consistent at approximately RMB286.7 million in 2013 and approximately RMB291.0 million in 2014.

Income Tax Expenses

Income tax expenses remained relatively consistent at approximately RMB143.9 million in 2013 and approximately RMB147.5 million in 2014. The Group's overall tax rate (income tax expense over profit before income tax) is relatively consistent at 24.9% in 2013 and 22.6% in 2014.

Profit Attributable to Owners of the Company

As a result of the above, profit attributable to owners of the Company increased by approximately RMB70.3 million or 16.3% from approximately RMB432.6 million in 2013 to approximately RMB502.9 million in 2014.



management discussion & analysis

REVIEW OF GROUP'S FINANCIAL POSITION

Current Assets

Current assets increased by approximately RMB623.6 million or 9.8% from approximately RMB6,361.8 million as at 31 December 2013 to approximately RMB6,985.4 million as at 31 December 2014 mainly due to the increase in business operations.

Non-Current Assets

Non-current assets increased by approximately RMB517.6 million or 19.9% from approximately RMB2,603.1 million as at 31 December 2013 to approximately RMB3,120.7 million as at 31 December 2014 mainly arose from increase in service concession receivables as investment in BOT projects increased.

Current Liabilities

Current liabilities increased by approximately RMB1,721.5 million or 64.8% from approximately RMB2,656.4 million as at 31 December 2013 to approximately RMB4,377.9 million as at 31 December 2014 mainly arose from new borrowings raised and the classification of senior notes in current liabilities (classified as non-current liabilities in 2013) due to the redemption in November 2015.

Non-Current Liabilities

Non-current liabilities decreased by approximately RMB1,679.3 million or 53.1% from approximately RMB3,161.5 million as at 31 December 2013 to approximately RMB1,482.2 million as at 31 December 2014 mainly due to the full conversion of all the convertible loan notes to ordinary shares and the classification of senior notes to current liabilities in 2014.

Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB1,098.3 million or 35.0% from approximately RMB3,141.4 million as at 31 December 2013 to approximately RMB4,239.7 million as at 31 December 2014 mainly due to the increase in share capital by RMB857.2 million (reasons as disclosed in Note 28 to the financial statements) and 2014 profits of approximately RMB502.9 million.

The non-controlling interest of approximately RMB6.2 million as at 31 December 2014 relates to 10% minority interest in Anyang Taiyuan Water Co., Ltd and 50% of Chongqing Yusang Environment Technology Co., Ltd.

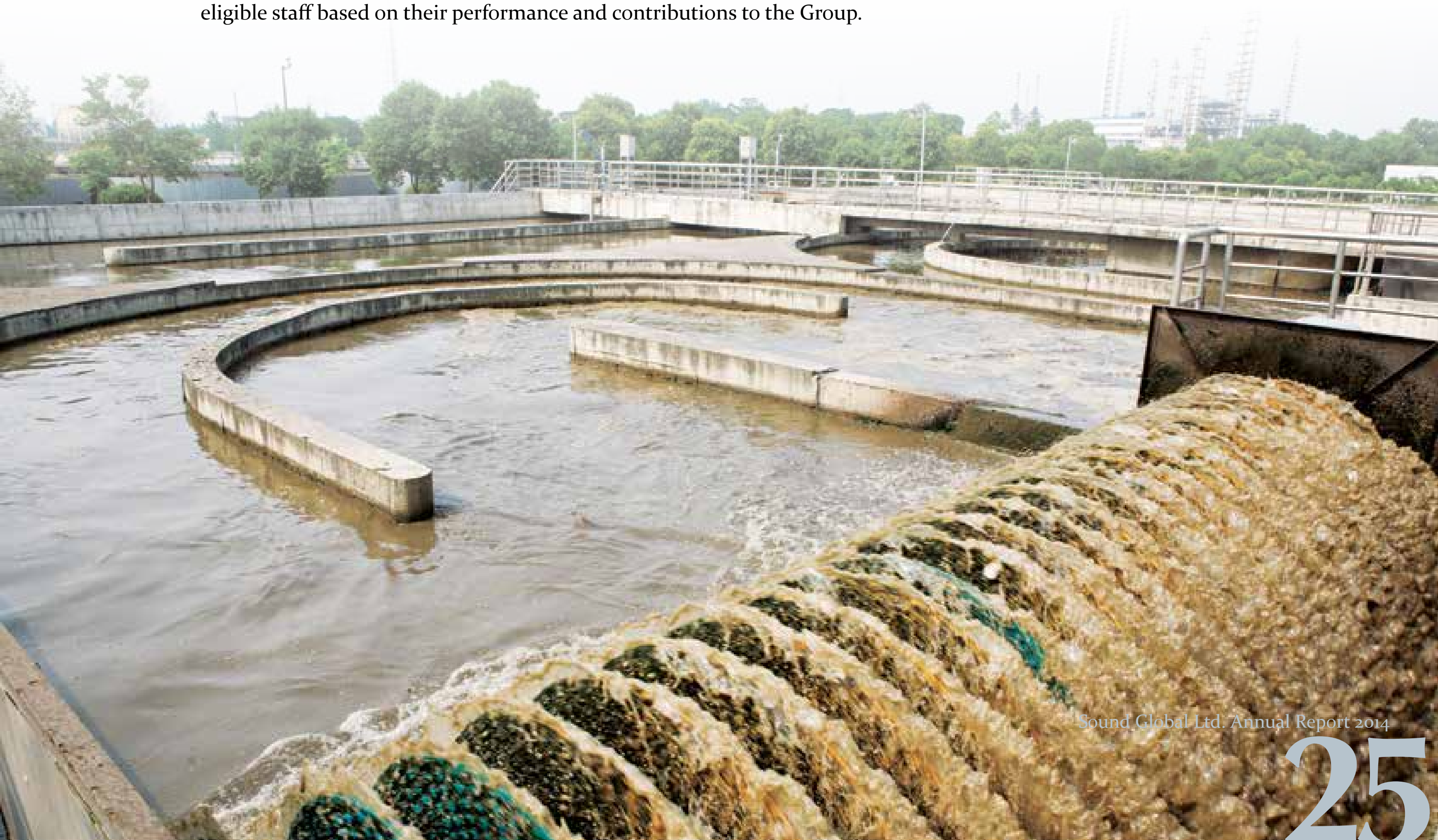
FINANCIAL REVIEW

Gearing

	31 December 2014 RMB'000	31 December 2013 RMB'000
Borrowings (current)	1,448,286	763,624
Borrowings (non-current)	1,272,652	1,517,554
Convertible loan notes (non-current)	-	573,147
Senior notes (current)	907,073	-
Senior notes (non-current)	-	898,695
Total debt	3,628,011	3,753,020
Bank balances and cash	1,968,239	3,533,580
Equity attributable to owners of the Company	4,239,737	3,141,427
Net debt	Net debt	Net debt
Total debt to equity ratio	0.86	1.19

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, there were 2,201 (2013: 1,689) employees in the Group. Staff remuneration packages are determined taking into 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 subject to the reporting and annual review requirements

New Framework Agreement

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

For the year ended 31 December 2014, the contract amounts of the new contracts entered into under the New Framework Agreement was RMB279.6 million.

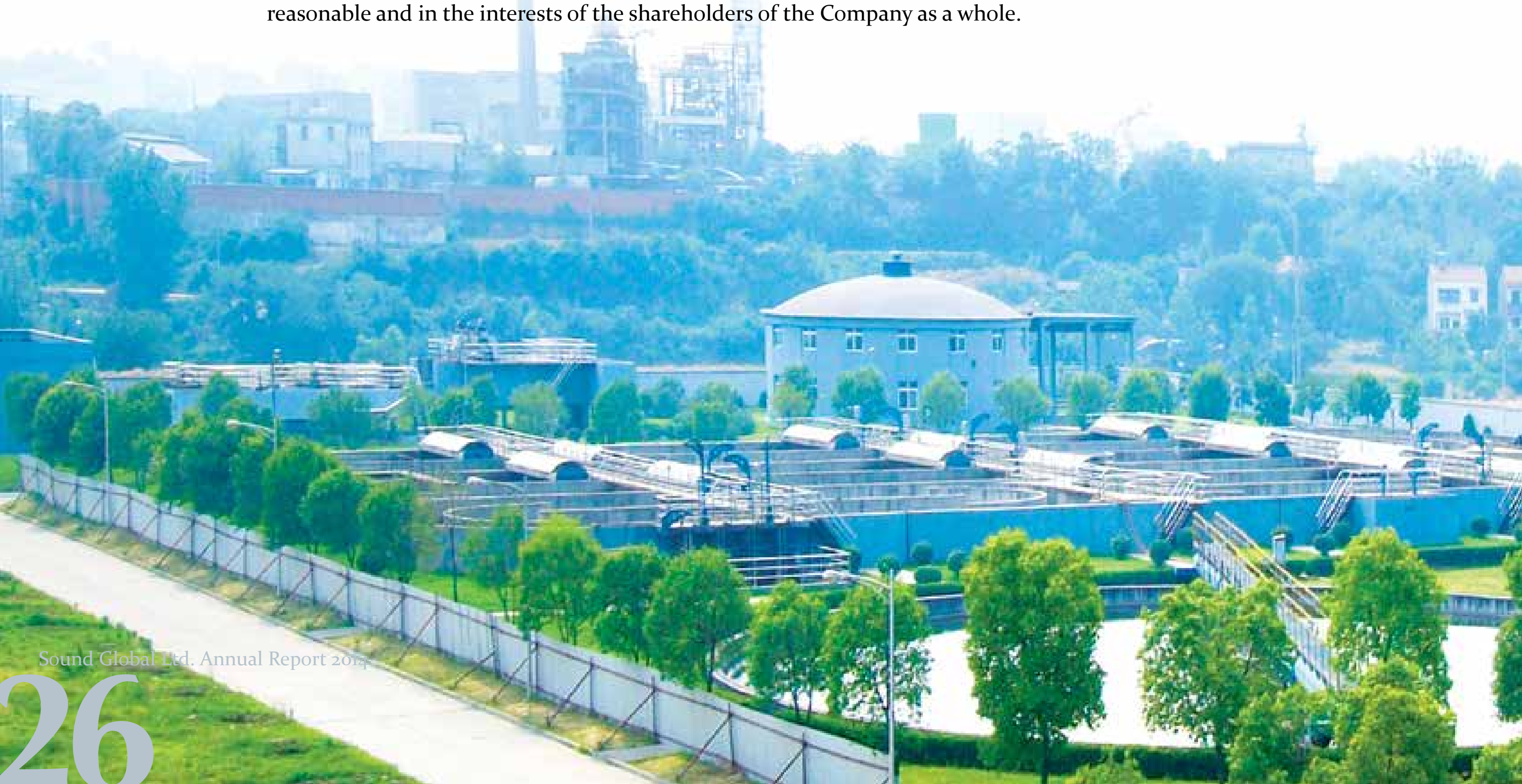
(B) Confirmation from Independent Non-Executive Directors

The independent non-executive Directors of the Company reviewed the continuing connected transactions above as required under Rule 14A.55 of the Lising Rules and in their opinion:

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

(ii) the transactions were carried out on normal commercial terms or better; and

(iii) 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.



(C) 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.56 of the Listing Rules as follows:

(i) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

(ii) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that caused them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) nothing has come to their attention that caused them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) nothing has come to their attention that caused them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the respective announcement made by the Company in respect of each of the disclosed continuing connected transactions.

exploring new frontiers

The further the water wandered, the more diverse landscape it encountered. Bright lights and loud sounds gave way to scarecrows and cricket chirps, and then to bright stars and deafening silence. The river has reached a bottle neck. The cold walls of the mountains presented a huge barricade, attempting to stop the river in its tracks. But the river knew no defeat; it continued to press on, exploring new routes and methods. The river plugged on, inch by inch, yard by yard, and soon split the mountain. New frontiers awaited the river.

At Sound Global, we will continue to plug away. New frontiers await us as well.

board of directors

WEN YIBO
Executive Director and Chairman

Mr. Wen Yibo, aged 49, is the founder of our Group. He was appointed to our Board on 7 November 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, a part-time researcher in Tianjin University and a mentor of Sound Post-Doctoral Research Centre.

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 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 in 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. Mr. Wen was also honoured the "Top 10 Person in Zhongguancun" in 2013.

Mr. Wen is currently a director of Sound Environmental Resources Co., Ltd (Shenzhen Stock Code : 826), the shares of which are listed on Shenzhen Stock Exchange. He is also the director of Sound Water (BVI) Limited, a substantial shareholder of the Company.

ZHANG JINGZHI
Executive Director and Chief Executive Officer

Mr. Zhang Jingzhi, aged 44, was appointed as the Executive Director and Chief Executive Officer of Sound Global on 4 March 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 (Shenzhen Stock Code : 826), 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 52, 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 24 December 2010, and is currently the Chief Financial Officer and general manager 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 43, was appointed to the Board on 3 October 2011. He has a PhD and is currently the deputy general manager 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 September 2002, he successively worked in Beijing China Union Engineering Company Limited and 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.; in August 2005, he pursue his PhD at Washington State University and at the same time, he was the assistant researcher in the university; from July 2010 to 2013, 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; since March 2014, he is the deputy general manager and 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, 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).

LUO LIYANG
Executive Director

Mr. Luo Liyang, aged 42, was appointed to our Board on 2 February 2011. Mr. Luo currently acts as deputy general manager 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 the vice manager of the environmental protection department of Henan Xuchang Biochemical Co., Ltd. From March 1998 to May 2000, he was the 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 combines specific demands of the market and customers to flexibly apply various business models to the market, thereby introducing new solutions and investment practices.

LIU WEI
Executive Director

Mr. Liu Wei, aged 36, is an Executive Director and was appointed to the Board on 30 July 2015. Currently, he serves as general manager of Epure International Engineering Pte. Ltd. (Saudi Arabia Branch).

Mr. Liu graduated with a master degree in environmental engineering from National University of Singapore. In 2002, Mr Liu obtained a bachelor degree in thermal engineering from Shandong University. After graduating from Shandong University, he joined Shandong Province Industry and Design Institute as a chief engineer until 2007. From February 2008 to June 2009, he worked as an assistant researcher in the Water Research Centre of National University of Singapore. He joined the Company in September 2009 as a technical engineer and successively served as the project manager of the Saudi Arabia's sewage treatment project. Since December 2013, he is a member of United States Project Management Institute and obtained the Project Management Professional Certificate.

board of directors

MA YUANJU
Lead Independent Non-Executive Director

Mr. Ma Yuanju, aged 58, is an Independent Non-Executive Director and was appointed to the Board on 20 April 2015.

Mr. Ma graduated with a master degree from the School of Accountancy of Shanghai University of Finance and Economics in January 1987 and a doctorate degree in management from the School of Business of Renmin University of China in July 2004. In July 1982, he graduated from the Finance Department of Xinjiang University of Finance & Economics, majoring in Corporate Finance. He is currently a professor of accountancy and a doctoral supervisor in the School of Accountancy of Capital University of Economics and Business.

Mr. Ma is also experienced in teaching and scientific researches. From July 1982 to December 1993, he was engaged in teaching and scientific researches as well as management of teaching and scientific researches in Xinjiang University of Finance and Economics; from January 1994 to September 2001, he was engaged in teaching and teaching management in Zhuhai Radio & TV University; from July 2004 to present, he has been engaged in teaching and scientific researches on accounting in the School of Accountancy of Capital University of Economics and Business.

In recent years, Mr. Ma researched on "Fair Accounting Theory", "Accounting Ethics Education" and "Management Accounting Tool Applications". Following his research, he published one treatise and several academic theses in academic periodicals successively. Two of his teaching-material publications were graded as Beijing Elite Teaching Material for Higher Institutes of Learning and two were selected as the planned teaching materials at the State level.

Mr. Ma is currently an independent director of Jinhe Biotechnology Co., Ltd. (Shenzhen Stock Code: 2688), shares of which are listed on Shenzhen Stock Exchange. He was an independent director of Qinghai Huading Industrial Co., Ltd. (Shanghai Stock Code: 600243) ("Qinghai Huading") and Tibet Cheezheng Tibetan Medicine Co., Ltd. (Shenzhen Stock Code: 2287) ("Tibet Cheezheng") from May 2008 to August 2014 and from October 2007 to February 2014 respectively. Shares of Qinghai Huading are listed on Shanghai Stock Exchange and shares of Tibet Cheezheng are listed on Shenzhen Stock Exchange.

ZHANG SHUTING
Independent Non-Executive Director

Mr. Zhang Shuting, aged 59, is an Independent Non-Executive Director and was appointed to the Board on 9 July 2015.

Mr. Zhang graduated with a doctoral degree in chemical engineering from University of Tokyo. Currently, he served as professor in School of Environmental Science and Engineering of Tianjin University, doctoral supervisor and head of Institute of Resources and Environment Research.

In 1982, Mr. Zhang graduated from Hebei Institute of Mining and Metallurgy with a bachelor degree in coking chemistry. In 1987, he obtained a master degree in chemical engineering from the Institute of Coal Chemistry, Chinese Academy of Sciences. In 1988, he studied in the Institute of Physical and Chemical Research in Japan and obtained a doctoral degree in chemical engineering from the University of Tokyo in 1994. After graduating from the University of Tokyo, Mr. Zhang taught at the university before he was engaged in the technology development at Kyodoshoji Corporation Limited. From November 2001 to October 2009, he worked as the dean of School of Environment of Tianjin University and he is currently a professor in the university.

From September 2007 to April 2014, Mr. Zhang was an independent director of Sound Environmental Resources Co., Ltd. (Shenzhen Stock Code: 000826), the shares of which are listed on Shenzhen Stock Exchange.

LUO JIANHUA
Independent Non-Executive Director

Mr. Luo Jianhua, aged 51, is an Independent Non-Executive Director and was appointed to the Board on 31 July 2015.

Mr. Luo graduated with a bachelor degree in science in 1984 from the geology department of Nanjing University. From 1984 to 1991, he served as the Secretary General of the China Geological Society of Youth Working Committee in Chinese Academy of Geological Science. From 1992 to 1993, he worked in the Policy Research Centre for Environment and Economy of State Environmental Protection Administration as the Secretary General of China Youth Environmental Forum Committee. He worked in the Research Office of the Environment and Resources Protection Committee of the Chinese National People's Congress (NPC) from 1993 to 2007 and successively served as Deputy Division Chief, Division Chief and eventually as Deputy Director. He is currently the Secretary General of China Environment Service Industry Association, a post he has held since 2008.

After years of practice, Mr. Luo has deep insights of environmental protection especially in policy making. He was involved in the organization of enforcement inspections of environmental protection regulation for the NPC Standing Committee, the drafting of primary enforcement inspection reports over the last few years. He planned various activities for China Environmental Protection Century, drafted recommendations and suggestions on the development of the recycling economy, energy conservation for the "11th Five-Years-Plan", the construction of the environmental protection agency and other issues for the Environmental and Resources Protection Committee of NPC that were submitted to the Central Committee and the State Council. He also participated in drafting the "recycling economy law" for the "12th Five-Years-Plan" for the energy conservation industry. In January 2013, he was invited by sustainable development strategy research department of the Chinese Academy of Sciences to write "China Environmental Strategy Path in Next Decade", which was submitted to the Premier of the State Council Li Keqiang for review and eventually approved. Mr. Luo is currently an independent director of KEDA Clean Energy Co., Ltd (Shanghai Stock Code: 600499), shares of which are listed on Shanghai Stock Exchange.

joint company secretaries

TAN WEI SHYAN
Joint Company Secretary

Mr. Tan Wei Shyan, aged 38, 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 58, 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.

maintaining a bird's eye view

Standing at the foot of the mountain looking at the peak, the task seemed daunting, almost impossible. Taking one small step at a time, the group slowly ventured up. Initially there was apprehension yet a sense of excitement filled the air. But slowly the excitement made way for doubt – how long more to the top? Would we ever get to the top? Soon, the doubts became beliefs – honestly we would not be able to make it? But one belief pushed us to go further; at the top of the mountain the view would be worth the effort. We prodded on, cheering each other in the process. The peak grew from a small tip to a big crest. Before we knew it we were standing on top of the world. The one belief was proven correct.

When we were standing at the bottom of the mountain, we could only see one peak. Standing on that peak, we had a bird's eye view: how the river tributaries flowed into each other, more peaks in the distance.

At Sound Global, we climb mountains every day. While keeping our vision on the nearest peak, we know that we also have to maintain a bird's eye view.

group structure

as at 31 October 2015

桑德國際 sound global

- 100% Sound International Investment Holdings Limited (BVI)
- 100% Sound Global (Hong Kong) Limited (Hong Kong)
- 100% Beijing Epure International Water Co., Ltd (China)
- 75% Beijing Sound Environmental Engineering Co., Ltd (China)
- 20% Beijing Epure Environmental Engineering Co., Ltd (China)

25% (Beijing Epure International Water Co., Ltd – Beijing Sound Environmental Engineering Co., Ltd)

80% (Beijing Sound Environmental Engineering Co., Ltd – Beijing Epure Environmental Engineering Co., Ltd)

Northwest China

- 100% Sound Hanzhong Yang County Water Co., Ltd
- 100% Xi'an Trade & Logistics Park Sound Water Co., Ltd
- 100% Ankang Wuli Sound Water Co., Ltd
- 100% Tongliao Sound Water Co., Ltd
- 100% Xi'an Changqing Sound Water Co., Ltd
- 100% Xingping City Hualu Sound Water Co., Ltd
- 100% Xianyang Xingping Sound Water Co., Ltd
- 100% Xunyang Sound Water Co., Ltd
- 100% Hancheng City Sound Water Co., Ltd
- 100% Shangluo Sound Water Co., Ltd
- 100% Yulin City Jingzhou Water Co., Ltd
- 10% / 90% Tacheng City Sound Water Co., Ltd
- 10% / 90% Urumqi Sound Water Co., Ltd
- 18% / 82% Xi'an Chang'an Sound Water Co., Ltd.
- 18% / 82% Xi'an Hu County Sound Water Co., Ltd.
- 25% / 75% Ankang Sound Water Co., Ltd
- 25% / 75% Yining City Huize Water Co., Ltd
- 25% / 75% Yulin Sound Water Co., Ltd

East China

- 100% Hongze Zeqing Water Co., Ltd
- 100% Sound Siyang Water Co., Ltd
- 20% / 80% Yantai Bihai Water Co., Ltd
- 100% Anhui Sound Water Co., Ltd
- 100% Fu'an Sound Water Co., Ltd
- 100% Fuqing Qingxi Water Co., Ltd
- 100% Hongze Sound Water Co., Ltd
- 100% Huoqiu Sound Water Co., Ltd
- 100% Jinjiang Sound Water Co., Ltd
- 100% Lanxi Sound Water Co., Ltd
- 100% Luoyuan Beimei Water Co., Ltd
- Luoyuan Beimei Water Co., Ltd 10% / 90% Luoyuan Beimei (Phase II) Water Co., Ltd
- 23.17% / 76.83% Taizhou Sound Water Co., Ltd
- 100% Quanzhou Sound Water Co., Ltd
- 100% Quanzhou Sound Water Investment Co., Ltd
- 100% Sanming Sound Water Co., Ltd
- 100% Shandong Chengwu Yingyuan Industrial Co., Ltd
- 100% Shanxian Huadu Water Co., Ltd
- 100% Shanxian Sound Xinnong Water Co., Ltd
- 100% Siyang Siqing Water Co., Ltd
- 100% Sound Wellmind Jiangsu Water Co., Ltd
- 100% Xintai Sound Water Co., Ltd
- 20% / 80% Tongling Sound Water Co., Ltd
- 10% / 90% Fuqing Sound Water Co., Ltd
- 10% / 90% Fuqing Sound Rongqing Water Co., Ltd
- 20% / 80% Jiangyan Qinlong Water Co., Ltd
- 10% / 90% Xinghua City Sound Water Co., Ltd
- 35% / 65% Siyang Yangqing Water Co., Ltd
- 25% / 75% Xintai Sound Zhengyuan Water Co., Ltd
- 25% / 75% Xintai Biqing Water Co., Ltd
- 30.65% / 69.35% Xinghua Huqing Water Co., Ltd
- 25% / 75% Fuyang Sound Water Co., Ltd
- 25% / 75% Taihe Sound Water Treatment Co., Ltd
- 100% Wuyi Sound Water Co., Ltd

South China

- 100% Fogang Zhanyang Domestic Sewage Treatment Co., Ltd
- 100% Fusui Sound Water Co., Ltd
- 100% Hainan Sound Water Co., Ltd
- 100% Huazhou Sound Water Co., Ltd
- 100% Huizhou Sound Water Co., Ltd
- 100% Yangchun City Sound Water Co., Ltd
- 100% Guangxi Sound Water Co., Ltd


100%
100%
100%
100%
Sound International Engineering Ltd (BVI)
Epure International Engineering Pte. Ltd. (Singapore)
Advanced Resources Holdings Pte. Ltd. (Singapore)
Advanced Water Engineering Pte. Ltd. (Singapore)
Southwest China
North China
Northeast China
Central China
Saudi Arabia
100% Bazhong Sound Environment Investment Co., Ltd
Bazhong Sound Environment Investment Co., Ltd 75% Bazhong Sound Water Co., Ltd 25%
Bazhong Sound Environment Investment Co., Ltd 70% Bazhong Sound Mingjiang Water Co., Ltd 30%
100% Dazhou Sound Water Co., Ltd
100% Huangping County Sound Water Co., Ltd
100% Liangping Sound Water Co., Ltd
100% Shuicheng Sound Water Co., Ltd
100% Xishui County Qianqing Water Co., Ltd
10% 90% Fengdu County Sound Water Co., Ltd
44.44% 55.56% Tongzi Sound Water Co., Ltd
50% 50% Chongqing Yusang Environment Technology Co., Ltd
25% 75% Huangping County Qianjing Water Co., Ltd
25% 75% Tongjiang Sound Water Co., Ltd
25% 75% Xingren County Sound Water Co., Ltd
25% 75% Xishui County Qianyuan Water Co., Ltd
25% 75% Tongzi Sound Panlong Water Co., Ltd
100% Advanced Water (Pengxi) Co., Ltd
100% Advanced Water Reclamation (Chengdu) Co., Ltd
100% Advanced Water Technologies (Chengdu) Co., Ltd
100% Beijing Hi-Standard Water Treatment Equipment Co., Ltd
100% Beijing Jingyushi Water Co., Ltd
100% Beijing Jingyushun Environment Co., Ltd
100% Beijing Jingyuyang Water Co., Ltd
100% Jingxian Sound Water Treatment Co., Ltd
25% 75% Gucheng Sound Water Co., Ltd
10% 90% Baoding Sound Water Treatment Co., Ltd
20% 80% Linfen Yi'ande Water Co., Ltd
100% Beijing Epure Sound Environmental Engineering Technology Co., Ltd
100% Fushun Sound Water Co., Ltd
25% 75% Anshan Qinglang Water Co., Ltd
25% 75% Anshan Qingchang Water Co., Ltd
100% Hailun Sound Water Co., Ltd
100% Helong Sound Water Co., Ltd
100% Jilin Sound Water Co., Ltd
100% Tai'an Sound Water Co., Ltd
100% Zhaodong Sound Water Co., Ltd
20% 80% Anshan Tianqing Water Co., Ltd
10% 90% Changbaishan Protection and Development Zone Sound Water Co., Ltd
10% 90% Changbaishan Protection and Development Zone Sound Water Supply Co., Ltd
100% Xiangxiang Sound Water Co., Ltd
100% Xinshao Sound Water Co., Ltd
25% 75% Leiyang Sound Water Co., Ltd
10% 90% Anyang Taiyuan Water Co., Ltd
20% 80% Changsha Sound Water Co., Ltd.
20% 80% Hunan Epure Environmental Engineering Co., Ltd.
100% Anyang Zongcun Sound Water Co., Ltd
100% Daye Honglian Water Co., Ltd
Epure International Engineering Pte. Ltd. (Saudi Arabia Branch)

information for investors

Annual Results Announcement
24 November 2015

Annual General Meeting
12 January 2016

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

corporate governance report, financial statements and other information

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

As at the date of this Report, the Board comprises 9 Directors: 1 executive Director and Chairman, 5 executive Directors and 3 independent non-executive Directors. The members of the Board are as follows:

Name of Director	Age	Date of first appointment	Date of last re-election	Position	Current Occupation
Wen Yibo	49	7 November 2005	29 April 2013	Executive Director and Chairman	Executive Director and Chairman
Zhang Jingzhi	43	4 March 2013	29 April 2013	Executive Director and Chief Executive Officer ("CEO")	Executive Director and CEO
Wang Kai	52	24 December 2010	29 April 2013	Executive Director and Chief Financial Officer ("CFO")	Executive Director and CFO
Luo Liyang	41	2 February 2011	22 May 2014	Executive Director	Deputy General Manager
Jiang Anping	42	3 October 2011	27 April 2012	Executive Director	Deputy General Manager

Name of Director	Age	Date of first appointment	Date of last re-election	Position	Current Occupation
Liu Wei	36	30 July 2015	NA	Executive Director	General Manager of Epure International Engineering Pte Ltd (Saudi Arabia Branch)
Ma Yuanju	58	20 April 2015	NA	Independent Non-Executive Director	Professor of Capital University of Economics and Business
Zhang Shuting	59	9 July 2015	NA	Independent Non-Executive Director	Professor of Tianjin University
Luo Jianhua	51	31 July 2015	NA	Independent Non-Executive Director	Secretary General of China Environment Service Industry Association

Changes in directors of the Company since 31 December 2014 and up to the date of this report are as follows:-

As at 31 December 2014, the Board comprised 8 Directors: 1 executive Director and Chairman, 4 executive Directors and 3 independent non-executive Directors.

On 26 March 2015, Mr. Wong See Meng has resigned as an independent non-executive Director, the chairman of audit committee and nomination committee, and a member of remuneration committee of the Company.

On 20 April 2015, Mr. Ma Yuanju has been appointed as an independent non-executive director, chairman of audit committee, chairman of nomination committee and member of the remuneration committee of the Company.

On 6 July 2015, Mr. Fu Tao has resigned as an independent non-executive Director, member of audit committee and remuneration committee of the Company.

On 9 July 2015, Mr. Zhang Shuting has been appointed as an independent non-executive Director, member of audit committee and remuneration committee of the Company.

On 30 July 2015, Mr. Liu Wei has been appointed as an executive Director of the Company.

On 31 July 2015, Mr. Seow Han Chiang Winston has resigned as an independent non-executive Director, chairman of remuneration committee, member of audit committee and nomination committee of the Company.

On 31 July 2015, Mr. Luo Jianhua has been appointed as an independent non-executive Director, chairman of remuneration committee, member of audit committee and nomination committee of the Company.

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 31 December 2014, 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 under Rule 3.10 and Rule 3.10A of the Listing Rules. The Board also at all times 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.

As a result of the resignation of Mr. Wong See Meng on 26 March 2015, the number of independent non-executive Directors and members of the audit committee of the Company had fallen below the minimum number as required under Rules 3.10(1) and 3.21 of the Listing Rules.

The number of independent non-executive Directors also did not represent at least one-third of the Board as required under Rule 3.10A of the Listing Rules. In addition, there was non-compliance of Rule 3.10(2) and Rule 3.21 of the Listing Rules since the remaining two independent non-executive Directors and two members of the audit committee did not possess the appropriate professional qualifications or accounting or related financial management expertise.

The Company has appointed Mr. Ma Yuanju as an independent non-executive director, chairman of audit committee, chairman of nomination committee and member of the remuneration committee of the Company to fill the casual vacancy with effect from 20 April 2015 and has since then re-complied with the aforesaid requirements of the Listing Rules.

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 31 December 2014 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	3	1	1	3
Wen Yibo	1 3*	1^ 2*^	1	1^	1
Zhang Jingzhi	2 2*	1^ 2*^	NA	NA	2
Wang Kai	1 3*	1^ 2*^	NA	NA	1
Luo Liyang	3*	2*^	NA	NA	0
Jiang Anping	4*	3*^	NA	NA	0
Wong See Meng (resigned on 26 March 2015)	4	3	1	1	2
Fu Tao (resigned on 6 July 2015)	3*	2*	NA	1	0
Seow Han Chiang Winston (resigned on 31 July 2015)	2 2*	1 2*	1	1	3

^: by invitation
*: via conference call

Apart from regular Board meetings, the Chairman also held meeting at least annually 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 31 December 2014, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to the Directors. Mr. Liu Wei, Mr. Ma Yuanju, Mr. Zhang Shuting and Mr. Luo Jianhua have also upon their appointment as Directors of the Company received orientation, training and regular updates.

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 as at the date of this report are set out as follows:

	AC	RC	NC
Wen Yibo			Member
Ma Yuanju	Chairman	Member	Chairman
Zhang Shuting	Member	Member	
Luo Jianhua	Member	Chairman	Member

The details of the membership in the committees for the financial year ended 31 December 2014 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 the 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 of the Board members 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 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:

Ma Yuanju (Chairman and Independent Non-Executive Director)
Wen Yibo (Executive Director and Chairman of the Board)
Luo Jianhua (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 (as at the date of this Report) 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 Environment (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 Sound Water Holdings Ltd Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	NIL

Name of Director	Present Directorships	Past directorships for the past 3 year
Zhang Jingzhi	Epure International Engineering Pte. Ltd. Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. 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
Jiang Anping	Beijing Sound Environmental Engineering Co., Ltd Beijing Epure Environmental Engineering Co., Ltd	NIL
Liu Wei	Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	NIL
Ma Yuanju	Jinhe Biotechnology Co., Ltd. Beijing Hanjian Heshan Pipeline Co., Ltd	Qinghai Huading Industrial Co., Ltd Tibet Cheezheng Tibetan Medicine Co., Ltd.
Zhang Shuting	NIL	Sound Environmental Resources Co., Ltd.
Luo Jianhua	KEDA Clean Energy Co., Ltd	NIL

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. Wen Yibo, Mr. Jiang Anping, Mr. Liu Wei, Mr. Ma Yuanju, Mr. Zhang Shuting and Mr. Luo Jianhua will retire at the forthcoming AGM. The NC 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 being non-executive Directors, 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:

Luo Jianhua (Chairman and Independent Non-Executive Director)
Ma Yuanju (Independent Non-Executive Director)
Zhang Shuting (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 close 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:

Ma Yuanju (Chairman and Independent Non-Executive Director)
Luo Jianhua (Independent Non-Executive Director)
Zhang Shuting (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 (resigned with effect from 17 July 2015), Deloitte & Touche LLP, Singapore (resigned with effect from 10 September 2015), (collectively known as "DT"), and HLB Hodgson Impey Cheng Limited ("HLB") (appointed with effect from 21 July 2015) and Foo Kon Tan LLP, Singapore ("FKT") (appointed with effect from 27 October 2015). 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.

For the year under review, the AC has reviewed the quarterly, half-year and annual financial statements and results 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.

Auditors' Remuneration

The AC has reviewed the independence of HLB and FKT including the volume of non-audit services supplied by HLB and FKT and is satisfied of the position of HLB & FKT as independent external auditors. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditors. For the year under review, the Group has paid/will pay approximately RMB5,170,000 to HLB and FKT for its audit services and has paid/will pay approximately RMB45,000 to FKT for tax consultancy services. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Group has paid/will pay approximately RMB2,718,000 and RMB374,000 to DT for its audit and non-audit services respectively for the year. The Board has accepted the AC's recommendation to nominate HLB and FKT 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 HLB and FKT, which are member firms of HLB International, 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 upon its review, the effectiveness of the system of internal controls maintained by the Company and its subsidiaries was in place.

Any internal control weaknesses identified by the external auditors, HLB and FKT, 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 recognised 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. Subsequent to the year ended 31 December 2014 and up to the date of this report, the Company has engaged PKF Accountants & Business Advisers as its internal control consultant to review and advise on the Company's financial reporting procedures and internal control systems and put in place adequate procedures. 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 recognises 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 31 December 2014. 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 financial position 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 2014 AGM due to his other pre-assigned 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 31 December 2014.

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 minimise 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 Singapore Companies Act, Chapter 50 ("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 total number of paid-up Shares 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 31 December 2014. These financial statements are prepared in accordance with International 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 42 to the financial statements.

2. RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the financial position of the Company and the Group at that date are set out in the financial statements on pages 79 to 192 of this annual report.

The Directors do not propose any final dividend in respect of the year ended 31 December 2014.

3. RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity to the financial statements. The Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to RMB65.4 million (2013: RMB5.2 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 31 December 2014.

10. MAJOR SUPPLIERS AND CUSTOMERS

The purchase from the largest supplier of the Group for 2014 was approximately RMB201.6 million, which accounted for 9.1% of the total purchase of the Group for the year and the total purchase from the five largest suppliers was approximately RMB801.3 million, which accounted for 36.0% of the total purchases of the Group for the year. None of the Directors and their close 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 2014 was approximately RMB169.7 million, which accounted for 4.8% of the total sales of the Group for the year and the total sales from the five largest customers was approximately RMB603.2 million, which accounted for 17.0% 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 (Chief Financial Officer)
Luo Liyang
Jiang Anping
Liu Wei (Appointed on 30 July 2015)

Independent Non-Executive Directors
Wong See Meng (Resigned on 26 March 2015)
Fu Tao (Resigned on 6 July 2015)
Seow Han Chiang Winston (Resigned on 31 July 2015)
Ma Yuanju (Appointed on 20 April 2015)
Zhang Shuting (Appointed on 9 July 2015)
Luo Jianhua (Appointed on 31 July 2015)

In accordance with Article 88 of the Articles of Association of the Company, Mr. Liu Wei, Mr. Ma Yuanju, Mr. Zhang Shuting and Mr. Luo Jianhua will be subject to re-election by the Shareholders at the forthcoming AGM, and being eligible, will offer themselves for re-election. Also, in accordance with Article 89 of the Articles of Association of the Company, Mr. Wen Yibo and Mr. Jiang Anping will retire 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, UNDERLYING 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, Chapter 50 except as follows:

	Shareholdings registered in name of Director		Shareholdings in which Directors are deemed to have an interest	
Name of Director and companies in which interest are held	At 1 January 2014	At 31 December 2014	At 1 January 2014	At 31 December 2014
	Number of ordinary shares			
Sound Water (BVI) Limited – Ordinary shares of US$1.00 each				
Wen Yibo	631,605,600	633,405,600	70,178,400	70,378,400
The Company				
Wen Yibo	11,733,000	15,333,000	713,289,000	738,018,944

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 31 December 2014, the interests and short positions of the Directors and chief executives 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, 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

Name	Number of Shares/underlying Shares held, capacity and nature of interest: Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage to the issued share capital of the Company (%)
Wen Yibo	15,333,000	-	1,828,361,620[#1]	1,843,694,620	122.41
Zhang Jingzhi	7,559,000[#2]	-	-	7,559,000	0.50
Wang Kai	9,558,000[#2]	-	-	9,558,000	0.63
Luo Liyang	9,557,400[#2]	-	-	9,557,400	0.63
Jiang Anping	7,625,000[#2]	-	-	7,625,000	0.51

Notes:

#1 This includes 703,784,000 Shares held by Sound Water (BVI), 22,729,944 Shares held by Sound (HK) Limited, 11,505,000 Shares held by Green Capital Holdings Limited and Sound Environment (Hong Kong) Limited's interest in 280,373,831 Shares to be subscribed under a subscription agreement and 264,797,507 Shares to be acquired under a sale and purchase agreement (completion of which are subject to the fulfilment of the conditions under the respective agreements).

Sound Water (BVI) Limited, Sound (HK) Limited and Sound Environment (Hong Kong) Limited are, directly or indirectly, controlled by Mr. Wen and therefore, Mr. Wen is deemed to be interested in these Shares under Part XV of the SFO.

Sound Water (BVI) Limited has signed an undertaking to act in concert with Sound Environment (Hong Kong) Limited to the effect that Sound Water (BVI) Limited would exercise its voting power as shareholder in accordance with the decisions or instructions of Sound Environment (Hong Kong) Limited at shareholders' meetings or resolutions of the Company in respect of matters including the business operation, management and appointment of directors and senior management of the Company.

Green Capital has signed an acting in concert agreement with Mr. Wen.

Remark: The subscription agreement and sale and purchase agreement were terminated on 9 April 2015.

#2 These include Shares held directly and share options granted under Epure Share Option Scheme and Sound Global Share Option Scheme of the Company.

Remark: The share options granted under the Epure Share Option Scheme expired in July 2015.

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

Name	Number of Shares/underlying Shares held, capacity and nature of interest: 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 31 December 2014, none of the Directors or chief executives 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, 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:

Luo Jianhua (Chairman)
Ma Yuanju
Zhang Shuting

The Scheme was adopted pursuant to a resolution passed on 30 April 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 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 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 immediately following its completion of the SEHK Listing, 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 number of issued shares of the Company) 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.

As at the date of this Annual Report, the remaining number of shares which may be issued upon exercise of options to be granted under the Scheme is 39,000,000 shares, representing 2.6% of the number of issued shares of the Company. The remaining life of the Scheme is approximately 5 years.

As at 31 December 2014, the number of shares in respect of which options had been granted under the Scheme was 90,000,000 (2013: nil), representing 6% (2013: nil) of the shares of the Company in issue at that date.

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

Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at 1 January 2014	Granted during the year	Forfeited	Outstanding at 31 December 2014
9 December 2014	#4	#5	HKD8.11	-	90,000,000	-	90,000,000

In respect of options granted on 9 December 2014, 27,249,000 options were granted to the then executive directors and 62,751,000 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 Scheme is as follows:

Name	Date of grant	Vesting period	Exercisable period	Exercisable price	Outstanding at 1 January 2014	Granted during the year	Forfeited	Outstanding at 31 December 2014
Director								
Zhang Jingzhi	9 December 2014	#4	#5	HKD8.11	-	7,459,000	-	7,459,000
Wang Kai	9 December 2014	#4	#5	HKD8.11	-	6,790,000	-	6,790,000
Luo Liyang	9 December 2014	#4	#5	HKD8.11	-	6,500,000	-	6,500,000
Jiang Anping	9 December 2014	#4	#5	HKD8.11	-	6,500,000	-	6,500,000
Other employees[#6]	9 December 2014	#4	#5	HKD8.11	-	62,751,000[#6]	-	62,751,000

#4 Vesting period is from 9 December 2014 to the 7th day after the Company announced its annual results for the financial year ending 31 December 2016.

#5 Exercisable period is from the 8th day after the Company announced its annual results for each of the financial years ended/ending 31 December 2014, 2015 and 2016 to 30 September 2017.

#6 Of the 62,751,000 share options granted during the year under review, 130,000 options were granted to Mr. Liu Wei as employee on 9 December 2014. Mr. Liu Wei was appointed as Director of the Company on 30 July 2015.

No employees or employee of related corporations has received 5% or more of the total options granted under the 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 Scheme is also subject to the following conditions:

1) The Options will be exercisable in three tranches over three financial years in total of not more than, 40%, 70% and 100%, upon fulfilling the condition (as denoted in item 2 below), and

2) The growth rate for net profit, based on net profit for the financial year ended 31 December 2013, must be at least 35%, 85% and 150% for the financial years ending 31 December 2014, 2015 and 2016 respectively, excluding all exceptional items in the profit and loss statement. If the growth rate for net profit cannot be achieved in a particular financial year, the exercisable Options allocated for that financial year shall be lapsed automatically.

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

The Group adopted the Epure Scheme on 15 August 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 31 December 2014, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2013: 64,500,000), representing 5% (2013: 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	Outstanding at 1 January 2014	Forfeited	Exercised	Outstanding at 31 December 2014
23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S$0.745	32,504,400	342,000	4,317,000	27,845,400

In respect of options granted on 23 July 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 1 January 2014	Forfeited	Exercised	Outstanding at 31 December 2014
Director								
Wang Kai	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S$0.745	3,075,000	-	640,000	2,435,000
Luo Liyang	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S$0.745	3,057,400	-	560,000	2,497,400
Jiang Anping	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S$0.745	1,140,000	-	137,000	1,003,000
Other employees	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S$0.745	25,232,000	342,000	2,980,000	21,910,000

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 31 December 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 31 December 2009, for each of the financial years ended 31 December 2010, 2011, 2012 and 2013 must be at least 25%, 25%, 15% and 15% respectively, excluding all exceptional items.

16. SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, so far as is known to the Directors or chief executives 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	1,843,694,620(L)#7	122.41(L)
Sound Water (BVI) Limited	1,248,955,338(L)	82.92(L)
Beijing Sanghua Environmental Technology Development Co., Ltd.	567,901,282(L)	37.70(L)
Sound Group Limited ("Sound Group")	567,901,282(L)	37.70(L)
Sound Environment (Hong Kong) Limited	545,171,338(L)	36.20(L)
Sound Environmental Resources Co., Ltd.	545,171,338(L)	36.20(L)
International Finance Corporation	104,622,795(L)	6.95 (L)
Central Huijin Investment Ltd	167,069,767(L)	11.09(L)
China Construction Bank Corporation	167,069,767(L)	11.09(L)
JP Morgan Chase & Co.	85,989,152(L) 17,662,000(S) 24,504,192(P)	5.71(L) 1.17(S) 1.63(P)

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

Note:

#7 This includes 15,333,000 Shares held by her husband, Mr. Wen Yibo, 703,784,000 Shares held by Sound Water (BVI) Limited, 22,729,944 Shares held by Sound (HK) Limited, 11,505,000 Shares held by Green Capital Holdings Limited and Sound Environment (Hong Kong) Limited's interest in 280,373,831 Shares to be subscribed under a subscription agreement and 264,797,507 shares to be acquired under a sale and purchase agreement (completion of which are subject to the fulfilment of the conditions under the respective agreements).

Sound Water (BVI) Limited has signed an undertaking to act in concert with Sound Environment (Hong Kong) Limited to the effect that Sound Water (BVI) Limited would exercise its voting power as shareholder in accordance with the decisions or instructions of Sound Environment (Hong Kong) Limited at shareholders' meetings or resolutions of the Company in respect of matters including the business operation, management and appointment of directors and senior management of the Company.

Sound Water (BVI) Limited, Sound (HK) Limited and Sound Environment (Hong Kong) Limited are, directly or indirectly, controlled by Mr. Wen and Green Capital has signed an acting in concert agreement with Mr. Wen. Therefore, Ms. Zhang is deemed to be interested in these Shares under Part XV of the SFO.

Remark: The subscription agreement and sale and purchase agreement were terminated on 9 April 2015.

Save as disclosed above, as at 31 December 2014, no person (other than Directors or chief executives 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:

Ma Yuanju (Chairman)
Zhang Shuting
Luo Jianhua

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 the Group's financial and operating results and accounting policies;

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

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

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

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

h) review Continuing Connected Transactions.

The AC had full access to and co-operation of the management and the external auditors, HLB and FKT, have been given the resources required for them to discharge their function properly. HLB and FKT have 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 HLB and FKT including the volume of non-audit services supplied by HLB and FKT and is satisfied of the position of HLB and FKT as independent external auditors. 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 HLB and FKT for re-appointment as external auditors at the forthcoming AGM of the Company.

The audited consolidated financial statements of the Company for the year ended 31 December 2014 have been reviewed by the AC of the Company.

18. AUDITORS

The financial statements of the Company, which include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance and the CA, are prepared in accordance with International Financial Reporting Standards. Deloitte Touche Tohmatsu, Hong Kong has resigned as auditors of the Group in Hong Kong with effect from 17 July 2015 and HLB has been appointed as the auditors of the Group in Hong Kong with effect from 21 July 2015.

Deloitte & Touche LLP, Singapore has resigned as statutory auditors of the Company and its subsidiary incorporated in Singapore (Epure International Engineering Pte. Ltd.). FKT has been appointed at the extraordinary general meeting of the Company held on 27 October 2015 as statutory auditors of the Company to fill the casual vacancy following the resignation of Deloitte & Touche LLP, Singapore and to hold office until the conclusion of the forthcoming AGM of the Company.

These financial statements were audited by HLB and FKT. The auditors, HLB and FKT shall retire at the forthcoming annual general meeting and they have expressed their willingness to accept re-appointment as the Company's 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 31 December 2014.

21. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in Note 40 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

Equity transfer of Tongliao Sound Water Co., Ltd. ("Tongliao")

On 30 May 2014, Beijing Sound Environmental Engineering Co., Ltd ("Beijing Sound") entered into an agreement (the "Equity Transfer Agreement") with Sound Group whereby Beijing Sound agreed to purchase and Sound Group agreed to sell its 97.8% of the equity interest in Tongliao at a consideration of approximately RMB192,427,000. At the time of entering into the agreement, Sound Group is held by Beijing Sanghua Environmental Technology Development Co., Ltd ("Beijing Sanghua") (70.0%), Mr. Wen (29.0%) and an independent third party (1.0%), Beijing Sanghua is in turn held by Mr. Wen (22.2%) and Ms. Zhang (77.8%), and therefore Sound Group is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction under the Equity Transfer Agreement was completed in July 2014.

Save for the New Framework Agreement as mentioned under the paragraph headed "Continuing Connected Transactions" of this report and the Equity transfer of Tongliao, there were no other transactions which constituted connected transaction(s) or continuing connected transaction(s) for the Company under Chapter 14A of the Listing Rules during the year. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

ON BEHALF OF THE DIRECTORS

Wen Yibo

Zhang Jingzhi

24 November 2015

statement of directors

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 79 to 192 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014, and of the financial performance, changes in equity and cash flows of the Group 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

Zhang Jingzhi

24 November 2015

independent auditors' report

to the members of Sound Global Ltd.
(incorporated in the Republic of Singapore with limited liability)

国衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

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 79 to 192, which comprise the consolidated statement of financial position as at 31 December 2014, 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 issued 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.

Auditors' 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 auditors' judgement, 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 auditors consider 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.

independent auditors' report

to the members of Sound Global Ltd.
(incorporated in the Republic of Singapore with limited liability)

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its 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.

Emphasis of matter

We draw attention to Note 41(a) in the consolidated financial statements which set forth matters relating to the suspension of the trading of shares of the Company and describes the uncertainty relating to the resumption of the trading of the shares of the Company. Our opinion is not qualified in respect of this matter.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed unmodified opinion on those statements on 25 March 2014.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 24 November 2015

independent auditors' 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 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 79 to 192.

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, Chapter 50 (the "Act") and International Financial Reporting Standards, and for 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 financial statements and to maintain accountability of assets.

Auditor's 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.

independent auditors' report

to the members of Sound Global Ltd.
(incorporated in the Republic of Singapore with limited liability)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards to give a true and fair view of the financial position of the Group and the Company as at 31 December 2014, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Emphasis of matter

We draw attention to Note 41(a) in the consolidated financial statements which set forth matters relating to the suspension of the trading of shares of the Company and describes the uncertainty relating to the resumption of the trading of shares of the Company. Our opinion is not qualified in respect of these matters.

Other matters

(i) The financial statements for the financial year ended 31 December 2014 have been included in the Annual Report to be filed with The Stock Exchange of Hong Kong Limited. These financial statements have been reproduced for the purpose of filing with the Accounting and Corporate Regulatory Authority of Singapore.

(ii) The financial statements for the financial year ended 31 December 2013 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements in its report dated 25 March 2014.

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 auditor have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 24 November 2015

consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
Revenue	6	3,557,661	3,162,578
Cost of sales		(2,471,368)	(2,194,314)
Gross profit		1,086,293	968,264
Other income	7	134,683	102,401
Other gains and losses	8	(59,751)	(11,514)
Distribution and selling expenses		(40,164)	(38,420)
Research and development expenses		(20,817)	(20,309)
Administrative expenses		(157,818)	(135,033)
Finance costs	9	(290,977)	(286,696)
Profit before income tax		651,449	578,693
Income tax expenses	10	(147,518)	(143,890)
Profit for the year	11	503,931	434,803
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		(5,279)	1,219
Total comprehensive income for the year (net of tax)		498,652	436,022
Profit for the year attributable to:			
Owners of the Company		502,943	432,566
Non-controlling interests		988	2,237
		503,931	434,803
Total comprehensive income for the year attributable to:			
Owners of the Company		497,664	433,785
Non-controlling interests		988	2,237
		498,652	436,022
Earnings per share (in RMB cents)			
Basic	15	35.19	33.53
Diluted	15	34.73	32.99

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statement of financial position

At 31 December 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	52,069	50,253	48,015
Intangible assets	17	61,158	77,548	20,000
Land use rights	18	40,820	41,978	43,136
Goodwill	19	41,395	41,395	41,395
Service concession receivables	20	2,917,514	2,380,315	1,786,510
Deferred tax assets	21	7,730	8,181	7,822
Derivative financial instruments	31	-	3,384	-
Restricted bank balances	25	-	-	27,571
		3,120,686	2,603,054	1,974,449
CURRENT ASSETS				
Inventories	22	34,872	28,140	24,548
Trade and other receivables	24	3,692,690	1,592,817	1,445,901
Land use rights	18	1,158	1,158	1,158
Amounts due from customers for contract work	23	1,157,581	1,096,568	584,436
Derivative financial instruments	31	18,037	-	-
Restricted bank balances	25	112,854	109,492	53,137
Bank balances and cash	25	1,968,239	3,533,580	2,915,932
		6,985,431	6,361,755	5,025,112
CURRENT LIABILITIES				
Trade and other payables	26	1,821,459	1,728,962	1,234,812
Warrants	30	-	1,647	-
Tax payables		100,003	107,968	64,117
Borrowings	27	1,448,286	763,624	465,496
Senior notes	32	907,073	-	-
Obligation under finance lease	33	-	12,840	16,191
Amounts due to customers for contract work	23	101,065	41,367	63,059
		4,377,886	2,656,408	1,843,675
NET CURRENT ASSETS		2,607,545	3,705,347	3,181,437
TOTAL ASSETS LESS CURRENT LIABILITIES		5,728,231	6,308,401	5,155,886

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	21	162,582	118,089	52,858
Borrowings	27	1,272,652	1,517,554	888,662
Obligation under finance lease	33	-	-	12,840
Convertible loan notes	29	-	573,147	557,618
Warrants	30	-	-	3,531
Derivative financial instruments	31	47,014	53,978	-
Senior notes	32	-	898,695	922,644
		1,482,248	3,161,463	2,438,153
TOTAL ASSETS LESS TOTAL LIABILITIES		4,245,983	3,146,938	2,717,733
CAPITAL AND RESERVES				
Issued capital	28	1,690,579	833,368	833,368
Reserves		2,549,158	2,308,059	1,872,374
Equity attributable to owners of the Company		4,239,737	3,141,427	2,705,742
Non-controlling interests		6,246	5,511	11,991
		4,245,983	3,146,938	2,717,733

The consolidated financial statements on pages 79 to 192 were approved and authorised for issue by the Board of Directors on 24 November 2015 and are signed on its behalf by:

Wen Yibo
Director

Zhang Jingzhi
Director

The accompanying notes form an integral part of these consolidated financial statements.

statement of financial position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Equipment	16	22	46
Investment in subsidiaries	42	1,977,276	2,024,387
		1,977,298	2,024,433
CURRENT ASSETS			
Trade and other receivables	24	3,245,986	922,701
Derivative financial instruments	31	15,321	-
Bank balances	25	135,366	65,368
		3,396,673	988,069
CURRENT LIABILITIES			
Trade and other payables	26	2,318,527	126,766
Warrants	30	-	1,647
Borrowings	27	307,701	144,674
Senior notes	32	907,073	-
		3,533,301	273,087
NET CURRENT (LIABILITIES) ASSETS		(136,628)	714,982
TOTAL ASSETS LESS CURRENT LIABILITIES		1,840,670	2,739,415
NON-CURRENT LIABILITIES			
Borrowings	27	-	275,748
Convertible loan notes	29	-	573,147
Derivative financial instruments	31	47,014	53,978
Senior notes	32	-	898,695
		47,014	1,801,568
TOTAL ASSETS LESS TOTAL LIABILITIES		1,793,656	937,847
CAPITAL AND RESERVES			
Issued capital	28	1,690,579	833,368
Reserves		103,077	104,479
		1,793,656	937,847

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statement of changes in equity

For the year ended 31 December 2014

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
At 1 January 2013 as originally stated	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
Effect of business combination under common control (Note 1)	-	82,641	-	-	-	-	-	(20,811)	61,830	1,391	63,221
At 1 January 2013 (restated)	833,368	(5,655)	7,994	1,108	31,493	58,026	142,600	1,636,808	2,705,742	11,991	2,717,733
Profit for the year	-	-	-	-	-	-	-	432,566	432,566	2,237	434,803
Other comprehensive income	-	-	-	1,219	-	-	-	-	1,219	-	1,219
Total comprehensive income	-	-	-	1,219	-	-	-	432,566	433,785	2,237	436,022
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
At 31 December 2013 (restated)	833,368	(5,655)	7,138	2,327	34,249	58,026	145,007	2,066,967	3,141,427	5,511	3,146,938
At 1 January 2014 as originally stated	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
Effect of business combination under common control (Note 1)	-	82,641	-	-	-	-	-	(11,592)	71,049	1,598	72,647
At 1 January 2014 (restated)	833,368	(5,655)	7,138	2,327	34,249	58,026	145,007	2,066,967	3,141,427	5,511	3,146,938
Profit for the year	-	-	-	-	-	-	-	502,943	502,943	988	503,931
Other comprehensive expense	-	-	-	(5,279)	-	-	-	-	(5,279)	-	(5,279)
Total comprehensive income	-	-	-	(5,279)	-	-	-	502,943	497,664	988	498,652
Transfer to reserve fund	-	-	-	-	-	-	40,723	(40,723)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	(2,576)	-	-	-	-	-	(2,576)	(1,753)	(4,329)
Acquisition of a subsidiary consideration paid (note i)	-	(192,427)	-	-	-	-	-	-	(192,427)	-	(192,427)
Contributions from non-controlling interest	-	-	-	-	-	-	-	-	-	1,500	1,500
Recognition of equity-settled share-based payments	-	-	-	-	1,225	-	-	-	1,225	-	1,225
Conversion of convertible loan notes	640,325	-	-	-	-	(58,026)	-	-	582,299	-	582,299
Exercise of warrants	196,958	-	-	-	-	-	-	-	196,958	-	196,958
Exercise of share options	19,928	-	-	-	(4,761)	-	-	-	15,167	-	15,167
At 31 December 2014	1,690,579	(198,082)	4,562	(2,952)	30,713	-	185,730	2,529,187	4,239,737	6,246	4,245,983

notes:

(i) The merger reserve arose, (a) pursuant to the reorganisation 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"), which 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; and (b) pursuant to the acquisition of Tongliao Sound Water Co., Ltd. ("Tongliao") in 2014, from the difference between the consideration in relation to the acquisition of 97.8% interest in Tongliao from Sound Group Limited ("Sound Group"), a fellow subsidiary of the Company, of approximately RMB192,427,000 and the issued capital and capital reserve of Tongliao of RMB82,641,000.

(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 the 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 difference between the consideration of RMB9,573,000 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; and (d) the difference between the consideration of approximately RMB4,329,000 in relation to the acquisition of 2.2% interest in Tongliao, a subsidiary, by the Group and the carrying amount on the non-controlling interest approximately RMB1,753,000.

(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.

The accompanying notes form an integral part of these consolidated financial statements.

consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before income tax		651,449	578,693
Adjustments for:			
Depreciation of property, plant and equipment	16	6,719	5,305
Amortisation of land use rights	18	1,158	1,158
Amortisation of intangible assets	17	13,684	10,298
Interest income	7	(132,094)	(96,825)
Finance costs	9	290,977	286,696
Allowance for doubtful debts	24	138	3,498
Allowance for doubtful debts written back	24	(3,003)	-
Impairment losses recognised in respect of intangible assets	17	12,439	-
Gain on bargain purchase of subsidiaries	34	(5,258)	-
Foreign exchange gain		(2,784)	(29,405)
Loss on disposal of property, plant and equipment		44	58
Share-based payment expenses		1,225	2,756
Fair value change of redemption option embedded in senior notes	8	(15,321)	-
Fair value change of warrants	8	46,748	(1,884)
Fair value change of foreign currency forward contracts	8	668	(3,384)
Fair value change of a swap contract		(6,964)	53,978
Operating cash flows before movements in working capital		859,825	810,942
Increase in inventories		(6,723)	(3,592)
Increase in trade and other receivables		(33,763)	(140,287)
Increase in service concession receivables		(376,836)	(307,259)
Increase in amounts due from customers for contract work		(61,006)	(512,132)
Increase in trade and other payables		61,407	370,785
Increase (decrease) in amounts due to customers for contract work		59,698	(21,692)
Cash from operations		502,602	196,765
Income taxes paid		(112,170)	(65,898)
NET CASH FROM OPERATING ACTIVITIES		390,432	130,867
INVESTING ACTIVITIES			
Interest received	7	15,391	11,380
Purchases of property, plant and equipment	16	(9,653)	(6,432)
Proceeds from disposal of property, plant and equipment		1,334	7
Payment of earnest money for the proposed acquisition of subsidiaries	24	(2,000,000)	-
Acquisition of subsidiaries	34	(51,413)	(124,016)
Placement in restricted bank balances		(114,082)	(78,661)
Withdrawal in restricted bank balances		109,967	48,011
NET CASH USED IN INVESTING ACTIVITIES		(2,048,456)	(149,711)

consolidated statement of cash flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000 (Restated)
FINANCING ACTIVITIES			
Interest paid		(269,096)	(256,292)
Payment for acquisition of additional interest in a subsidiary		(4,329)	(9,573)
Payment for acquisition of a subsidiary from a fellow subsidiary		(192,427)	-
Capital contribution from non-controlling interest		1,500	-
Exercise of warrants		148,563	-
Exercise of share options		15,167	-
Repayments of obligation under finance lease		(12,840)	(16,191)
Borrowings raised		1,160,397	1,348,034
Repayments of borrowings		(753,840)	(423,773)
NET CASH FROM FINANCING ACTIVITIES		93,095	642,205
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,564,929)	623,361
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,533,580	2,915,932
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(412)	(5,713)
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY BANK BALANCES AND CASH		1,968,239	3,533,580

The accompanying notes form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company (Singapore Registration Number 200515422C) was a limited liability company incorporated in the Republic of Singapore ("Singapore") on 7 November 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, #15-04 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.

Business combination under common control

In July 2014, the Group completed its acquisition of Tongliao, with 97.8% interest acquired from Sound Group and the remaining 2.2% interest acquired from an independent third party for considerations of approximately RMB192,427,000 and RMB4,329,000 respectively. The Company and Sound Group are ultimately controlled by Mr. Wen Yibo and his spouse, Ms. Zhang Huiming.

The acquisition of Tongliao is regarded as a business combination under common control. The principles of merger accounting have therefore been applied, under which the consolidated financial statements have been prepared as if Tongliao had been a subsidiary of the Company since 5 November 2007, when Sound Group invested in 97.8% interest in Tongliao with a consideration of RMB82,641,000. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended 31 December 2013 and 2014 include the results, changes in equity and cash flows of the companies now comprising the Group, including Tongliao as if it had been a 97.8% interest owned subsidiary of the Company since 1 January 2013. The consolidated statements of financial position of the Group at 31 December 2013 and 1 January 2013 have been prepared to present the assets and liabilities of the companies now comprising the Group including Tongliao, as if it had been a 97.8% interest owned subsidiary of the Company as of those days. The acquisition of the remaining 2.2% interest in Tongliao is accounted for as an acquisition of additional interest in a subsidiary in July 2014.

1. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

The effects of the combination of Tongliao on the result of the Group for the year ended 31 December 2013 are summarised below:

	Originally stated RMB'000	Combination of Tongliao RMB'000	Elimination adjustments RMB'000	Restated RMB'000
Revenue	3,139,500	23,078	-	3,162,578
Cost of sales	(2,181,311)	(13,003)	-	(2,194,314)
Gross profit	958,189	10,075	-	968,264
Other income	95,373	7,028	-	102,401
Other gains and losses	(11,467)	(47)	-	(11,514)
Distribution and selling expenses	(38,420)	-	-	(38,420)
Research and development expenses	(20,309)	-	-	(20,309)
Administrative expenses	(131,974)	(3,059)	-	(135,033)
Finance costs	(285,214)	(1,482)	-	(286,696)
Profit before income tax	566,178	12,515	-	578,693
Income tax expenses	(140,801)	(3,089)	-	(143,890)
Profit for the year	425,377	9,426	-	434,803
Other comprehensive income				
Item that may be subsequently reclassified to profit or loss:				
Exchange difference arising on translation of financial statements of foreign operations	1,219	-	-	1,219
Total comprehensive income for the year (net of tax)	426,596	9,426	-	436,022
Profit for the year attributable to:				
Owners of the Company	423,347	9,219	-	432,566
Non-controlling interests	2,030	207	-	2,237
	425,377	9,426	-	434,803
Total comprehensive income for the year attributable to:				
Owners of the Company	424,566	9,219	-	433,785
Non-controlling interests	2,030	207	-	2,237
	426,596	9,426	-	436,022

1. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

The effects of the combination of Tongliao on the financial position of the Group at 31 December 2013 are summarised below:

	Originally stated RMB'000	Combination of Tongliao RMB'000	Elimination adjustments RMB'000	Restated RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	49,907	346	-	50,253
Intangible assets	77,548	-	-	77,548
Land use rights	41,978	-	-	41,978
Goodwill	41,395	-	-	41,395
Service concession receivables	2,237,138	143,177	-	2,380,315
Deferred tax assets	8,181	-	-	8,181
Derivative financial instruments	3,384	-	-	3,384
	2,459,531	143,523	-	2,603,054
CURRENT ASSETS				
Inventories	27,960	180	-	28,140
Trade and other receivables	1,569,025	23,792	-	1,592,817
Land use rights	1,158	-	-	1,158
Amounts due from customers for contract work	1,096,568	-	-	1,096,568
Restricted bank balances	109,492	-	-	109,492
Bank balances and cash	3,533,547	33	-	3,533,580
	6,337,750	24,005	-	6,361,755
CURRENT LIABILITIES				
Trade and other payables	1,653,991	74,971	-	1,728,962
Warrants	1,647	-	-	1,647
Tax payables	107,968	-	-	107,968
Borrowings	763,624	-	-	763,624
Obligation under finance lease	-	12,840	-	12,840
Amounts due to customers for contract work	41,367	-	-	41,367
	2,568,597	87,811	-	2,656,408
NET CURRENT ASSETS (LIABILITIES)	3,769,153	(63,806)	-	3,705,347

1. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

	Originally stated RMB'000	Combination of Tongliao RMB'000	Elimination adjustments RMB'000	Restated RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	6,228,684	79,717	-	6,308,401
NON-CURRENT LIABILITIES				
Deferred tax liabilities	111,019	7,070	-	118,089
Borrowings	1,517,554	-	-	1,517,554
Convertible loan notes	573,147	-	-	573,147
Derivative financial instruments	53,978	-	-	53,978
Senior notes	898,695	-	-	898,695
	3,154,393	7,070	-	3,161,463
TOTAL ASSETS LESS TOTAL LIABILITIES	3,074,291	72,647	-	3,146,938
CAPITAL AND RESERVES				
Issued capital	833,368	-	-	833,368
Reserves	2,237,010	71,049	-	2,308,059
Equity attributable to owners of the Company	3,070,378	71,049	-	3,141,427
Non-controlling interests	3,913	1,598	-	5,511
	3,074,291	72,647	-	3,146,938

1. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

The effects of the combination of Tongliao on the financial position of the Group at 1 January 2013 are summarised below:

	Originally stated RMB'000	Combination of Tongliao RMB'000	Elimination adjustments RMB'000	Restated RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	47,524	491	-	48,015
Intangible assets	20,000	-	-	20,000
Land use rights	43,136	-	-	43,136
Goodwill	41,395	-	-	41,395
Service concession receivables	1,643,483	143,027	-	1,786,510
Deferred tax assets	7,822	-	-	7,822
Restricted bank balances	27,571	-	-	27,571
	1,830,931	143,518	-	1,974,449
CURRENT ASSETS				
Inventories	24,371	177	-	24,548
Trade and other receivables	1,433,015	16,096	(3,210)	1,445,901
Land use rights	1,158	-	-	1,158
Amounts due from customers for contract work	584,436	-	-	584,436
Restricted bank balances	53,137	-	-	53,137
Bank balances and cash	2,912,077	3,855	-	2,915,932
	5,008,194	20,128	(3,210)	5,025,112
CURRENT LIABILITIES				
Trade and other payables	1,170,609	67,413	(3,210)	1,234,812
Tax payables	64,117	-	-	64,117
Borrowings	465,496	-	-	465,496
Obligation under finance lease	-	16,191	-	16,191
Amounts due to customers for contract work	63,059	-	-	63,059
	1,763,281	83,604	(3,210)	1,843,675
NET CURRENT ASSETS (LIABILITIES)	3,244,913	(63,476)	-	3,181,437

1. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

	Originally stated RMB'000	Combination of Tongliao RMB'000	Elimination adjustments RMB'000	Restated RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES	5,075,844	80,042	-	5,155,886
NON-CURRENT LIABILITIES				
Deferred tax liabilities	48,877	3,981	-	52,858
Borrowings	888,662	-	-	888,662
Obligation under finance lease	-	12,840	-	12,840
Convertible loan notes	557,618	-	-	557,618
Warrants	3,531	-	-	3,531
Senior notes	922,644	-	-	922,644
	2,421,332	16,821	-	2,438,153
TOTAL ASSETS LESS TOTAL LIABILITIES	2,654,512	63,221	-	2,717,733
CAPITAL AND RESERVES				
Issued capital	833,368	-	-	833,368
Reserves	1,810,544	61,830	-	1,872,374
Equity attributable to owners of the Company	2,643,912	61,830	-	2,705,742
Non-controlling interests	10,600	1,391	-	11,991
	2,654,512	63,221	-	2,717,733

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to standards and new interpretation ("new or revised IFRSs") issued by the International Accounting Standards Board.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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)

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.

IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle[2]
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle[3]
IFRS 9	Financial Instruments[5]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exceptions[3]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
IFRS 14	Regulatory Deferral Accounts[4]
IFRS 15	Revenue from Contracts with Customers[5]
IAS 1 (Amendments)	Disclosure Initiative[3]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants[3]
IAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[1]
IAS 27 (Amendments)	Equity Method in Separate Financial Statements[3]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2018

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.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company 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 at 31 December 2014.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRSs in issue but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 realisable 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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 recognised 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 recognised 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.

Merger accounting for business combination involving entities under common control

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Capitalised 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 recognised 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 capitalised 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 recognised 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 recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised 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 recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Construction contracts (continued)

Where contract costs incurred to date plus recognised profits less recognised 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 recognised profits less recognised 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 recognised when services are provided. Revenue from a contract to provide services is recognised 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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Contingent rentals arising under operating leases are recognised 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 recognised 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 derecognised 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 derecognised.

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 recognised 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 recognised 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 capitalisation.

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

Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises 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 recognised 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 recognised 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 recognised 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 recognised 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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 recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised 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 amortised on a straight-line basis over the lease terms. Land use rights which are to be amortised 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 amortisation and any accumulated impairment losses. Amortisation 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 recognised 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 amortisation and any accumulated impairment losses.

Amortisation 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 recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised 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 recognised 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 recognised, 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 amortisation 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 recognised 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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable 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 recognised 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 recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial assets at fair value through profit or loss

Financial assets are classified as FVTPL when the financial assets are either held for trading or it is those designated at FVTPL on initial recognition.

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

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

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 amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised 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.

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 recognised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis other than those financial liabilities classified as FVTPL.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as 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 recognised 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 amortised 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”.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised 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 recognised 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 derecognises 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 recognise the financial asset and also recognises 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible loan notes (continued)

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 recognised in profit or loss upon conversion or expiration of the option.

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.

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 recognised 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 recognised 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 recognised in share options reserve will be transferred to retained earnings.

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 recognised 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 recognised in the consolidated 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.

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 recognises 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 recognised 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)

Accounting for IFRIC 12 Service Concession Arrangements

The Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future 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 recognised in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

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 organised 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 described 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.

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

Segment revenue and results

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
For the year ended 31 December 2014						
Revenue						
External sales	3,209,968	37,053	310,640	3,557,661	-	3,557,661
Inter-segment sales	-	189,156	-	189,156	(189,156)	-
Total revenue	3,209,968	226,209	310,640	3,746,817	(189,156)	3,557,661
Segment results	774,705	(6,342)	157,686	926,049	-	926,049
Unallocated income						360
Unallocated other gains and losses						(57,546)
Unallocated finance costs						(193,046)
Unallocated expenses						(24,368)
Profit before income tax						651,449

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (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
For the year ended 31 December 2013 (restated)						
Revenue						
External sales	2,882,936	63,756	215,886	3,162,578	-	3,162,578
Inter-segment sales	-	137,138	-	137,138	(137,138)	-
Total revenue	2,882,936	200,894	215,886	3,299,716	(137,138)	3,162,578
Segment results	692,833	9,847	130,224	832,904	-	832,904
Unallocated income						263
Unallocated other gains and losses						(15,623)
Unallocated finance costs						(216,755)
Unallocated expenses						(22,096)
Profit before income tax						578,693

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

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)

Segment assets and liabilities

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
At 31 December 2014						
Segment assets	7,516,878	616,144	5,195,997	13,329,019	(4,546,451)	8,782,568
Unallocated corporate assets (note i)						1,323,549
Consolidated assets						10,106,117
Segment liabilities	4,482,043	294,349	2,324,293	7,100,685	(4,546,451)	2,554,234
Deferred tax liabilities						52,625
Unallocated corporate liabilities (note ii)						3,253,275
Consolidated liabilities						5,860,134
At 31 December 2013 (restated)						
Segment assets	5,749,099	559,406	3,423,658	9,732,163	(1,331,214)	8,400,949
Unallocated corporate assets (note i)						563,860
Consolidated assets						8,964,809
Segment liabilities	2,826,746	216,401	1,398,550	4,441,697	(1,331,214)	3,110,483
Deferred tax liabilities						36,375
Unallocated corporate liabilities (note ii)						2,671,013
Consolidated liabilities						5,817,871

notes:

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

ii 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 31 December 2014					
Additions to non-current assets excluding financial instruments and deferred tax assets	5,086	211	4,352	4	9,653
Depreciation and amortisation	1,835	12,807	6,890	29	21,561
Interest income	13,309	315	1,468	299	15,391
Imputed interest income on service concession receivables	-	-	116,703	-	116,703
Impairment losses recognised in respect of intangible assets	-	-	12,439	-	12,439
Loss (gain) on disposal of property, plant and equipment	51	-	(7)	-	44
Finance costs	64,332	4,780	28,819	193,046	290,977
For the year ended 31 December 2013 (restated)					
Additions to non-current assets excluding financial instruments and deferred tax assets	663	248	5,469	52	6,432
Depreciation and amortisation	1,740	11,732	3,267	22	16,761
Interest income	10,445	584	88	263	11,380
Imputed interest income on service concession receivables	-	-	85,445	-	85,445
Loss on disposal of property, plant and equipment	13	45	-	-	58
Finance costs	44,690	2,617	22,634	216,755	286,696

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	
	2014 RMB'000	2013 RMB'000 (Restated)
Revenue from external customers		
The PRC	3,527,582	3,106,793
Saudi Arabia	-	34,362
Bangladesh	30,079	21,423
	3,557,661	3,162,578
Non-current assets		
The PRC	207,586	210,411
Saudi Arabia	295	763
	207,881	211,174

No revenue from a single external customer (2013: Revenue from AnShan Environmental Protection Agency in turnkey projects and services segment contributed 17.39% of the Group's total revenue) amount to 10% or more of the Group's total revenue for the year ended 31 December 2014.

6. REVENUE

	The Group	
	2014 RMB'000	2013 RMB'000 (Restated)
Revenue from construction contracts		
- Turnkey services	2,869,394	2,593,237
- Sales of equipment	267,183	206,755
Revenue from sale of goods	37,053	63,756
Operating and maintenance income	310,640	215,886
Design service	73,391	82,944
	3,557,661	3,162,578

7. OTHER INCOME

	The Group	
	2014	2013
	RMB'000	RMB'000 (Restated)
Imputed interest income on service concession receivables	116,703	85,445
Interest income	15,391	11,380
Government grants	2,482	5,488
Sundry income	107	88
	134,683	102,401

Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. The government grants had no conditions or contingencies attached to them and they were non-recurring in nature.

8. OTHER GAINS AND LOSSES

	The Group	
	2014	2013
	RMB'000	RMB'000 (Restated)
Allowance for doubtful debts	138	3,498
Allowance for doubtful debts written back	(3,003)	-
Change in fair value of redemption option embedded in senior notes	(15,321)	-
Changes in fair value of a swap contract:		
Unrealised (gain) loss arising on change in fair value	(6,964)	53,978
Realised loss (gain) arising on change in fair value	9,905	(8,217)
Net loss arising on change in fair value of a swap contract	2,941	45,761
Change in fair value of foreign currency forward contracts	668	(3,384)
Change in fair value of warrants	46,748	(1,884)
Loss on disposal of property, plant and equipment	44	58
Gain on bargain purchase of subsidiaries	(5,258)	-
Impairment losses recognised in respect of intangible assets	12,439	-
Net foreign exchange losses (gains)	20,290	(32,683)
Others	65	148
	59,751	11,514

9. FINANCE COSTS

	The Group 2014 RMB'000	The Group 2013 RMB'000 (Restated)
Interest expenses on borrowings		
- wholly repayable within five years	103,082	43,785
- not wholly repayable within five years	43,212	50,412
Interest expenses on finance lease	206	1,482
Effective interest expenses on convertible loan notes	11,654	51,529
Effective interest expenses on senior notes	132,823	139,488
	290,977	286,696

10. INCOME TAX EXPENSES

	The Group 2014 RMB'000	The Group 2013 RMB'000 (Restated)
The charge comprises:		
Current tax		
- PRC income tax	114,452	112,407
Over provision in prior years		
- PRC income tax	(10,247)	(2,657)
Deferred tax (Note 21)	43,313	34,140
	147,518	143,890

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 31 December 2013 and 2014, 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:

	2014 %	2013 %
Beijing Sound (note i)	25	15
Beijing Epure International Water Co., Ltd ("Beijing Epure") (note ii)	25	15
Beijing Hi-Standard Water Treatment Equipment Co., Ltd ("Hi-Standard Equipment") (note iii)	25	15
Guangxi Sound Water Co., Ltd ("Guangxi Sound") (note iv)	12.5	12.5
Hainan Sound Water Co., Ltd ("Hainan Sound") (note iv)	12.5	12.5
Taizhou Sound Wastewater Co., Ltd ("Taizhou Sound") (note iv)	12.5	12.5
Xi'an Chang'an Sound Water Co., Ltd ("Xi'an Chang'an Sound") (note iv)	12.5	12.5
Xi'an Hu County Sound Water Co., Ltd ("Xi'an Hu County Sound") (note iv)	12.5	12.5
Shangluo Sound Water Co., Ltd ("Shangluo") (note iv)	12.5	Exempted
Tongliao Sound Water Co., Ltd("Tongliao") (note iv)	12.5	Exempted
Hancheng City Sound Water Co., Ltd ("Hancheng") (note iv)	12.5	Exempted
Yulin City Jingzhou Water Co., Ltd ("Yulin Jingzhou") (note iv)	12.5	Exempted
Anyang Zongcun Sound Water Co., Ltd ("Anyang Zongcun") (note iv)	Exempted	Exempted
Xi'an Trade & Logistics Park Sound Water Co., Ltd ("Xi'an Trade & Logistics Park") (note iv)	Exempted	Exempted
Daye Honglian Water Co. Ltd ("Daye Honglian") (note iv)	Exempted	Exempted
Jiangyan Qinlong Water Co., Ltd ("Jiangyan Qinlong") (note iv)	Exempted	Exempted
Sound Hanzhong Yang County Water Co., Ltd ("Hanzhong Yang County") (note iv)	Exempted	Exempted
Yantai Bihai Water Co., Ltd ("Yantai Bihai") (note iv)	Exempted	Exempted
Anshan Qingchang Water Co., Ltd ("Anshan Qingchang") (note iv)	Exempted	25
Anshan Qinglang Water Co., Ltd ("Anshan Qinglang") (note iv)	Exempted	25
Anshan Tianqing Water Co., Ltd ("Anshan Tianqing") (note iv)	Exempted	25
Anyang Taiyuan Water Co., Ltd ("Anyang Taiyuan") (note iv)	Exempted	25
Changsha Sound Water Co., Ltd ("Changsha Sound") (note iv)	Exempted	25
Fushun Sound Water Co., Ltd ("Fushun Sound") (note iv)	Exempted	25
Hailun Sound Water Co., Ltd ("Hailun Sound") (note iv)	Exempted	25
Hongze Zeqing Water Co., Ltd ("Hongze Zeqing") (note iv)	Exempted	25

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 10 May 1988 and promulgated by the People's Government of Beijing on 20 May 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 31 December 2007, 2008 and 2009, and is subject to income tax at 7.5% for each of the years ended 31 December 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 publicised and implemented after being approved by the State Council. Guangxi Sound, Hainan Sound and Taizhou Sound, Xi'an Chang'an Sound and Xi'an Hu County 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, Tongliao, 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. Anyang Zongcun and Xi'an Trade & Logistics Park 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. Daye Honglian, Jiangyan Qinlong, Hanzhong Yang County and Yantai Bihai have obtained the approval and are entitled to exempt from enterprise income tax in 2013, 2014 and 2015 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Anshan Qingchang, Anshan Qinglang, Anshan Tianqing, Anyang Taiyuan, Changsha Sound, Fushun Sound, Hailun Sound and Hongze Zeqing have obtained the approval and are entitled to exempt from enterprise income tax in 2014, 2015 and 2016 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	
	2014 RMB'000	2013 RMB'000 (Restated)
Profit before income tax	651,449	578,693
Tax at the applicable income tax rate of respective tax jurisdictions	242,264	138,324
Tax effect of expenses not deductible for tax purpose	29,095	40,425
Tax effect of income not taxable for tax purpose	(89,468)	-
Effect of tax exemption	(85,903)	(85,586)
Tax effect of unrecognised deductible temporary differences	796	153
Tax effect of tax losses not recognised	46,783	36,981
Utilisation of tax losses previously not recognised	(2,052)	-
Deferred tax liabilities arising on undistributed profits in the PRC subsidiaries from 1 January 2008 onwards	16,250	16,250
Over provision in prior years	(10,247)	(2,657)
Income tax expense	147,518	143,890

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	The Group	
	2014 RMB'000	2013 RMB'000 (Restated)
Amortisation of intangible assets	13,684	10,298
Amortisation of land use rights	1,158	1,158
Auditors' remuneration	5,170	2,705
Non-audit fees - to auditors of the Company and the Group	45	1,614
Cost of inventories recognised as expenses	217,248	168,319
Depreciation for property, plant and equipment	6,719	5,305
Impairment losses recognised in respect of intangible assets (Note 17)	12,439	-
Staff costs		
Directors' remuneration (Note 12)	2,992	3,189
Other staff costs		
Staff costs excluded retirement benefit costs	132,675	97,102
Contributions to defined contribution plans	17,295	12,439
Share-based payments	930	1,855
Total staff costs	153,892	114,585

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

	The Group 2014 RMB'000	The Group 2013 RMB'000
Directors' fees	610	610
Directors' emoluments:		
- Basic salaries and allowances	1,577	1,372
- Bonus	310	127
- Contributions to defined contribution plans	200	179
- Share-based payments	295	901
	2,382	2,579
Total	2,992	3,189

The Group	Directors' fee RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note)	Contributions to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2014						
Name of director						
WEN Yibo	-	470	-	40	-	510
LUO Liyang	-	254	277	40	124	695
WANG Kai	-	285	-	40	125	450
JIANG Anping	-	254	33	40	46	373
ZHANG Jingzhi	-	314	-	40	-	354
WONG See Meng	300	-	-	-	-	300
FU Tao	60	-	-	-	-	60
SEOW Han Chiang Winston	250	-	-	-	-	250
	610	1,577	310	200	295	2,992

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (CONTINUED)

The Group	Directors' fee RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000 (note)	Contributions to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 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 4 March 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

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

None of the directors of the Company has waived any emoluments during the years ended 31 December 2013 and 2014.

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 (2013: two) directors for the year ended 31 December 2014. The emoluments of the directors are included in the disclosure in Note 12 above. The emoluments of the remaining three (2013: three) highest paid individuals for the year ended 31 December 2014 are as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
Salaries and other benefits	1,532	1,528
Performance related bonus (note)	338	1,206
Contributions to defined contribution plans	121	121
Share-based payments	119	362
	2,110	3,217

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:

	The Group Number of individuals	
	2014	2013
Nil to HK$1,000,000	2	2
HK$1,000,001 to HK$1,500,000	1	-
HK$1,500,001 to HK$2,000,000	-	1

14. DIVIDENDS

No dividend has been proposed by the directors in respect of the year ended 31 December 2014 and 2013.

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	
	2014	2013
	RMB'000	RMB'000 (Restated)
Earnings for the purpose of basic earnings per share	502,943	432,566
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	11,654	51,529
Earnings for the purpose of diluted earnings per share	514,597	484,095

	The Group	
	2014	2013
	'000	'000
Number of ordinary shares for the purpose of basic earnings per share	1,429,349	1,290,000
Effect of dilutive potential ordinary shares from:		
Share options	12,018	-
Convertible loan notes	40,344	177,297
Weighted average number of shares	1,481,711	1,467,297

	RMB cents	RMB cents (Restated)
Earnings per share		
Basic	35.19	33.53
Diluted	34.73	32.99

The computation of diluted earnings per share in year 2013 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 1 January 2013 to 31 December 2013.

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 1 January 2013, as originally stated	44,973	10,972	6,579	7,606	70,130
Effect of business combination under common control	-	-	439	350	789
At 1 January 2013 (restated)	44,973	10,972	7,018	7,956	70,919
Additions	-	1,144	1,850	3,438	6,432
Acquired on acquisitions of subsidiaries (Note 34)	-	-	63	1,157	1,220
Disposal	-	(96)	-	(140)	(236)
Translation difference	-	(38)	(30)	(24)	(92)
At 31 December 2013 (restated)	44,973	11,982	8,901	12,387	78,243
At 31 December 2013, as originally stated	44,973	11,982	8,462	12,029	77,446
Effect of business combination under common control	-	-	439	358	797
At 31 December 2013 (restated)	44,973	11,982	8,901	12,387	78,243
Reclassification	-	97	158	(255)	-
Additions	-	264	6,986	2,403	9,653
Acquired on acquisitions of subsidiaries (Note 34)	-	8	94	153	255
Disposal	-	(3,131)	(1,766)	(505)	(5,402)
Translation difference	-	5	4	8	17
At 31 December 2014	44,973	9,225	14,377	14,191	82,766

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group (continued)

	Buildings RMB'000	Plant and machinery RMB'000	Transportation vehicles RMB'000	Fixtures and equipment RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION					
At 1 January 2013, as originally stated	9,966	4,332	3,909	4,399	22,606
Effect of business combination under common control	-	-	106	192	298
At 1 January 2013 (restated)	9,966	4,332	4,015	4,591	22,904
Charge for the year	1,486	1,514	1,142	1,163	5,305
Disposal	-	(46)	-	(125)	(171)
Translation difference	-	(10)	(16)	(22)	(48)
At 31 December 2013 (restated)	11,452	5,790	5,141	5,607	27,990
At 31 December 2013, as originally stated	11,452	5,790	4,943	5,354	27,539
Effect of business combination under common control	-	-	198	253	451
At 31 December 2013 (restated)	11,452	5,790	5,141	5,607	27,990
Reclassification	-	11	(131)	120	-
Charge for the year	1,487	1,316	1,616	2,300	6,719
Disposal	-	(1,964)	(1,594)	(466)	(4,024)
Translation difference	-	2	3	7	12
At 31 December 2014	12,939	5,155	5,035	7,568	30,697
CARRYING AMOUNT					
At 31 December 2014	32,034	4,070	9,342	6,623	52,069
At 31 December 2013 (restated)	33,521	6,192	3,760	6,780	50,253
At 1 January 2013 (restated)	35,007	6,640	3,003	3,365	48,015

As of 31 December 2014 the Group has pledged buildings with carrying amount of approximately RMB27,321,000 (2013: RMB28,955,000) to secure general banking facilities granted to the Group.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Company

	Fixtures and equipment RMB'000
COST	
At 1 January 2013	752
Additions	53
At 31 December 2013	805
Additions	5
At 31 December 2014	810
ACCUMULATED DEPRECIATION	
At 1 January 2013	737
Charge for the year	22
At 31 December 2013	759
Charge for the year	29
At 31 December 2014	788
CARRYING AMOUNT	
At 31 December 2014	22
At 31 December 2013	46

17. INTANGIBLE ASSETS

The Group

	Patents RMB'000	Operating concessions RMB'000	Total RMB'000
COST			
At 1 January 2013	67,199	-	67,199
Acquired on acquisitions of subsidiaries (Note 34)	-	67,846	67,846
At 31 December 2013	67,199	67,846	135,045
Acquired on acquisitions of subsidiaries (Note 34)	-	9,733	9,733
At 31 December 2014	67,199	77,579	144,778
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2013	47,199	-	47,199
Amortisation for the year	10,000	298	10,298
At 31 December 2013	57,199	298	57,497
Amortisation for the year	10,000	3,684	13,684
Impairment losses recognised for the year	-	12,439	12,439
At 31 December 2014	67,199	16,421	83,620
CARRYING AMOUNTS			
At 31 December 2014	-	61,158	61,158
At 31 December 2013	10,000	67,548	77,548

The patents represent various patents which protect the design and specification in the manufacturing of wastewater treatment equipment. Amortisation 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.

These operating concessions will be tested for impairment annually and whenever there is an indication that it may be impaired.

17. INTANGIBLE ASSETS (CONTINUED)

Despite increase in revenue contribution by these operating concessions for the year ended 31 December 2014, its operating results of Beijing Jingyushi Water Co., Ltd. and Beijing Jingyuyang Water Co., Ltd had not been reached as originally expected, the directors of the Company has revised downward the profit forecast on the operating concessions of Beijing Jingyushi Water Co., Ltd. and Beijing Jingyuyang Water Co., Ltd. Based on the valuation report issued by Peak Vision Appraisals Limited, the Group has recognised an impairment loss of approximately RMB12,439,000. The recoverable amount is based on value-in-use calculation with a discount rate of 7.94% covering the remaining useful life of the intangible asset.

18. LAND USE RIGHTS

The Group

	RMB'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	49,921
ACCUMULATED AMORTISATION	
At 1 January 2013	5,627
Charge for the year	1,158
At 31 December 2013	6,785
Charge for the year	1,158
At 31 December 2014	7,943
CARRYING AMOUNTS	
At 31 December 2014	41,978
At 31 December 2013	43,136

	The Group	
	2014 RMB'000	2013 RMB'000
Analysed for reporting purpose as:		
- Current asset	1,158	1,158
- Non-current asset	40,820	41,978
	41,978	43,136

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.

At 31 December 2014, the Group has pledged land use rights with carrying amount of approximately RMB2,138,000 (2013: RMB2,201,000) to secure general banking facilities granted to the Group.

19. GOODWILL

The Group

	RMB'000
COST	
At 1 January 2013, 31 December 2013 and 31 December 2014	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 9.94% (2013: 8%) as of 31 December 2014. No growth rate is extrapolated beyond the 5-year forecasted period.

During the years ended 31 December 2014 and 2013, based on the business valuation report issued by Peak Vision Appraisals Limited of Hi-Standard Equipment cash-generating unit, its recoverable amount exceeded its carrying amount in which the goodwill was allocated, hence no impairment charge was recognised for the years ended 31 December 2014 and 2013.

20. SERVICE CONCESSION RECEIVABLES

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Service concession receivables	3,112,135	2,513,199	1,865,151
Less: Amounts due within one year shown under current assets (Note 24)	(194,621)	(132,884)	(78,641)
Service concession receivables due after one year	2,917,514	2,380,315	1,786,510

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.

The Group has 53 (2013: 38) BOT projects in progress, among which 26 (2013: 22) BOT projects were in the operation period during the year ended 31 December 2014. 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 31 December 2014, the Group recognised construction revenue of approximately RMB591,959,000 (2013: RMB396,120,000) and construction profit of RMB129,833,000 (2013: RMB111,659,000) in connection with BOT projects under construction period.

At 31 December 2014, certain BOT subsidiaries' charging rights under the service concession contracts of the Group with a then aggregate net carrying amount of RMB1,565,335,000 (2013: RMB1,356,296,000) were pledged to secure certain bank loan granted to the Group (Note 27(i)).

21. DEFERRED TAXATION

The deferred tax assets/liabilities recognised 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 1 January 2013, as originally stated	7,649	(20,125)	(7,787)	(20,965)	173	(41,055)
Effect of business combination under common control	-	-	-	(3,981)	-	(3,981)
At 1 January 2013 (restated)	7,649	(20,125)	(7,787)	(24,946)	173	(45,036)
Credit (charge) to profit or loss	359	(16,250)	1,597	(19,846)	-	(34,140)
Acquisitions of subsidiaries (Note 34)	-	-	(24,539)	(6,193)	-	(30,732)
At 31 December 2013 (restated)	8,008	(36,375)	(30,729)	(50,985)	173	(109,908)
At 31 December 2013, as originally stated	8,008	(36,375)	(30,729)	(43,915)	173	(102,838)
Effect of business combination under common control	-	-	-	(7,070)	-	(7,070)
At 31 December 2013 (restated)	8,008	(36,375)	(30,729)	(50,985)	173	(109,908)
(Charge) credit to profit or loss	(451)	(16,250)	7,341	(33,953)	-	(43,313)
Acquisitions of subsidiaries (Note 34)	-	-	(1,631)	-	-	(1,631)
At 31 December 2014	7,557	(52,625)	(25,019)	(84,938)	173	(154,852)

21. DEFERRED TAXATION (CONTINUED)

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

The Group

	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Deferred tax assets	7,730	8,181	7,822
Deferred tax liabilities	(162,582)	(118,089)	(52,858)
	(154,852)	(109,908)	(45,036)

At 31 December 2014, the Group has unused tax losses of approximately RMB463,406,000 (2013: RMB228,920,000) available for offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams. The tax losses of approximately RMB378,529,000 (2013: RMB190,410,000) at 31 December 2014 has no expiry date and the remainder will be expired as follows:

	The Group	
	2014 RMB'000	2013 RMB'000
2014	-	948
2015	3,780	3,780
2016	11,715	11,715
2017	6,309	6,309
2018	15,758	15,758
2019	47,315	-
	84,877	38,510

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 1 January 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 RMB2,492,952,000 (2013: RMB1,963,764,000) which was earned after 1 January 2008, have not been recognised at 31 December 2014, 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		
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Raw materials	11,690	22,576	16,473
Work in progress	11,340	3,069	3,319
Finished goods	11,842	2,495	4,756
	34,872	28,140	24,548

23. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	The Group	
	2014 RMB'000	2013 RMB'000
Contracts in progress at reporting date:		
Amounts due from customers for contract work	1,157,581	1,096,568
Amounts due to customers for contract work	(101,065)	(41,367)
	1,056,516	1,055,201
Contract costs incurred plus recognised profits less recognised losses	5,502,309	3,787,861
Less: Progress billings	(4,445,793)	(2,732,660)
	1,056,516	1,055,201

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

At 31 December 2014, retentions held by customers for contract works amounted to approximately RMB88,719,000 (2013: RMB45,541,000).

24. TRADE AND OTHER RECEIVABLES

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

	The Group		
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Trade receivables	1,232,455	1,302,940	1,255,740
Allowance for doubtful debts	(46,181)	(49,184)	(51,041)
	1,186,274	1,253,756	1,204,699
Bills receivable	18,000	23,328	45,378
Bid and compliance deposits	78,755	70,626	23,642
Advance payments to suppliers and subcontractors	100,915	63,565	60,828
Other receivables (note (i))	2,114,125	48,658	32,713
Service concession receivables (Note 20)	194,621	132,884	78,641
Total	3,692,690	1,592,817	1,445,901

	The Company	
	2014 RMB'000	2013 RMB'000
Trade receivables	5,300	5,451
Dividend receivables from subsidiaries	1,237,750	912,750
Due from a subsidiary	44	40
Other receivables (note (i))	2,002,892	4,460
Total	3,245,986	922,701

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		
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Trade receivables:			
Within 90 days	516,362	414,164	244,478
91 to 180 days	123,821	223,083	347,257
181 days to 1 year	216,556	269,207	341,725
1 to 2 years	275,832	343,710	242,530
2 to 3 years	51,250	3,592	28,709
More than 3 years	2,453	-	-
	1,186,274	1,253,756	1,204,699
Bills receivable:			
Within 180 days	18,000	23,328	45,378

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

	The Company	
	2014	2013
	RMB'000	RMB'000
Trade receivables:		
Within 90 days	-	151
2 to 3 years	5,300	5,300
	5,300	5,451

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 approximately RMB417,056,000 (2013: RMB410,223,000) as of 31 December 2014 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	
	2014	2013
	RMB'000	RMB'000
91 to 180 days	-	21,056
181 days to 1 year	87,521	41,865
1 to 2 years	275,832	343,710
2 to 3 years	51,250	3,592
More than 3 years	2,453	-
	417,056	410,223

	The Company	
	2014	2013
	RMB'000	RMB'000
2 to 3 years	-	5,300
More than 3 years	5,300	-
	5,300	5,300

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in allowance for doubtful debts:

	The Group	
	2014 RMB'000	2013 RMB'000
Balance at beginning of year	49,184	51,041
Charge to profit or loss	138	3,498
Written back to profit or loss	(3,003)	-
Amounts written off as uncollectable	(138)	(5,355)
Balance at end of year	46,181	49,184

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.

At 31 December 2014, trade receivables with carrying amount of approximately RMB110,021,000 (2013: RMB144,408,000) have been pledged as collateral for the short-term borrowings of RMB80,000,000 (2013: RMB80,000,000).

note:

(i) Included in the "trade and other receivables" of the Company and the Group was earnest money amounted to RMB2.0 billion (the "Earnest Money") through Sound Group, paid to two independent third parties incorporated in the PRC, for acquisition of their water treatment business (the "Proposed Acquisition"). The Company entered into a trust agreement dated 26 August 2014 with Sound Group to empower Sound Group acting as its agent in the Proposed Acquisition (the "Trust Agreement"). Details of the Earnest Money, the Proposed Acquisition and the Trust Agreement and the Earnest Money were set out in Note 40(f) and 41(a) to the consolidated financial statements.

(ii) The following were the Group's financial assets at 31 December 2014 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 receivable, it continues to recognise the full carrying amount of the bills receivable and the associated liabilities, being trade payables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

At 31 December 2014	Carrying amount of transferred assets RMB'000	Carrying amount of associated liabilities RMB'000	Net position RMB'000
Bills receivable endorsed to suppliers with full recourse	-	-	-
At 31 December 2013			
Bills receivable endorsed to suppliers with full recourse	20,920	20,920	-

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% (2013: 0.001% to 0.35%) per annum as of 31 December 2014.

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	
	2014 RMB'000	2013 RMB'000
United States Dollar ("US$")	100,901	583,516
Singapore Dollar ("S$")	78,106	2,628
Bangladeshi Taka ("BDT")	14,189	8,065
Hong Kong Dollar ("HKD")	12,313	36
Australian Dollar ("AUD")	1,140	1,223
Japanese Yen ("JPY")	347	1,251

	The Company	
	2014 RMB'000	2013 RMB'000
US$	44,221	61,579
S$	77,998	2,530
HKD	12,007	36
AUD	1,140	1,223

Restricted bank balances of the Group

At 31 December 2014, bank balances of certain subsidiaries of approximately RMB3,160,000 (2013: RMB52,492,000) have been pledged to banks in respect of letters of guarantees issued to certain subsidiaries to secure construction contracts, bank balances of certain subsidiaries of RMB105,394,000 (2013: RMB57,000,000) have been pledged to banks for the issuance of bills payable and bank balances of subsidiary of approximately RMB4,300,000 (2013: Nil) have been pledged to banks in respect of guarantees issued to subsidiary to secure forward contract. The restricted bank balances bear prevailing interest rate is 0.55-1.54% (2013: 0.35%) per annum at 31 December 2014. The restricted bank balances will be released upon the completion of relevant contracts or maturity of related bills payable.

25. BANK BALANCES AND CASH (CONTINUED)

Restricted bank balances of the Group (continued)

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

	The Group	
	2014 RMB'000	2013 RMB'000
US$	10,356	10,303
S$	20,871	21,671

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		
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Trade payables			
Within 90 days	510,716	640,581	334,796
91 days to 180 days	169,662	150,897	162,555
181 days to 1 year	148,758	103,986	100,758
1 to 2 years	202,979	131,749	129,188
2 to 3 years	57,861	85,695	40,904
More than 3 years	66,908	57,911	17,779
	1,156,884	1,170,819	785,980
Bills payable within 180 days	123,550	55,117	35,000
Other payables	162,229	127,144	125,656
Borrowings interest payables	10,605	9,156	3,939
Convertible loan notes interest payables (Note 29)	-	10,500	10,500
Senior notes interest payables (Note 32)	47,470	47,275	43,873
Bid and compliance deposits	27,112	51,379	10,955
Advance from customers	29,890	11,496	24,455
Value added tax payables	71,754	76,064	61,947
Business tax payables	173,966	164,724	128,545
Other tax payables	17,999	5,288	3,962
	1,821,459	1,728,962	1,234,812

26. TRADE AND OTHER PAYABLES (CONTINUED)

	The Company	
	2014	2013
	RMB'000	RMB'000
Trade payables to subsidiaries		
181 days to 1 year	-	1,716
1 to 2 years	1,680	557
2 to 3 years	557	4,220
More than 3 years	4,220	-
	6,457	6,493
Other payables	8,162	5,727
Convertible loan notes interest payables (Note 29)	-	10,500
Senior notes interest payables (Note 32)	47,470	47,275
Due to a subsidiary	2,250,167	48,861
Financial guarantee contract	6,271	7,910
	2,318,527	126,766

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 (2013: 90 days).

27. BORROWINGS

	The Group	
	2014	2013
	RMB'000	RMB'000
Secured bank borrowings (note i)	1,131,000	938,920
Borrowings from International Finance Corporation (note ii)	277,021	328,806
Unsecured bank borrowings (note vi)	1,312,917	1,013,452
	2,720,938	2,281,178
Carrying amount repayable (note iv):		
Within one year	1,190,590	698,404
More than one year but not exceeding two years	401,502	348,091
More than two years but not exceeding five years	923,357	1,016,841
More than five years	205,489	217,842
	2,720,938	2,281,178
Less: Amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause	(65,220)	(65,220)
Amounts due within one year	(1,383,066)	(698,404)
Amounts shown under current liabilities	1,448,286	763,624
Amounts shown under non-current liabilities	1,272,652	1,517,554

27. BORROWINGS (CONTINUED)

	The Company	
	2014	2013
	RMB'000	RMB'000
Borrowings from International Finance Corporation (note ii)	277,021	328,806
Unsecured bank borrowings	30,680	91,616
	307,701	420,422
Carrying amount repayable (note iv):		
Within one year	84,565	144,674
More than one year, but not exceeding two years	54,499	53,638
More than two years but not exceeding five years	153,828	164,709
More than five years	14,809	57,401
	307,701	420,422
Less: Amounts due within one year	(307,701)	(144,674)
Amounts shown under current liabilities	307,701	144,674
Amounts shown under non-current liabilities	-	275,748

The borrowings comprise:

	The Group	
	2014	2013
	RMB'000	RMB'000
Fixed-rate borrowings	70,000	70,000
Variable-rate borrowings (note iii)	2,650,938	2,211,178
	2,720,938	2,281,178

	The Company	
	2014	2013
	RMB'000	RMB'000
Variable-rate borrowings (note iii)	307,701	420,422

27. BORROWINGS (CONTINUED)

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

	The Group	
	2014	2013
Variable-rate borrowings	1.981% ~ 8.160%	1.917% ~ 8.160%
Fixed-rate borrowings	6.000% ~ 6.600%	6.000% ~ 6.600%

	The Company	
	2014	2013
Variable-rate borrowings	1.981% ~ 5.457%	1.917% ~ 5.457%

notes:

(i) At 31 December 2014, bank borrowings of approximately RMB92,000,000 (2013: RMB75,000,000) were mortgaged and secured by certain buildings and land use rights of the Group. Bank borrowings of approximately RMB80,000,000 (2013: RMB80,000,000) were secured by certain trade receivables of the Group. Bank borrowings of approximately RMB909,000,000 (2013: RMB733,920,000) were secured by certain BOT subsidiaries' charging rights under the service concession contracts. Bank borrowing of approximately RMB50,000,000 (2013: RMB50,000,000) was secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

(ii) Borrowings from International Finance Corporation of approximately RMB277,021,000 (2013: RMB328,806,000) denominated in US$ at 31 December 2014 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 3.73% (2013: 4.84% and 5.46%) per annum. The borrowings were later repaid on the 18 November 2015.

(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 approximately RMB1,158,679,000 and RMB1,075,848,000 at 31 December 2014 and 2013 respectively.

(vi) During the current year, the Group has obtained unsecured borrowings denominated in US$. Such US$ borrowings amounted to approximately RMB881,657,000 (2013: RMB747,041,000) at 31 December 2014.

(vii) The above borrowings will be repayable from April 2015 to October 2025.

28. ISSUED CAPITAL

	The Group and the Company	
	Number of shares	RMB'000
Issued and paid up		
At 1 January 2013 and 31 December 2013	1,290,000,000	833,368
Conversion of convertible loan notes	177,296,876	640,325
Exercise of warrants	28,154,545	196,958
Exercise of share options	4,317,000	19,928
At 31 December 2014	1,499,768,421	1,690,579

The Company has one class of ordinary shares with no par value and carries 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 15 September 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 25 October 2010 up to the close of business on 8 September 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 15 September 2015. Interest of 6% per annum will be paid semi-annually with the first interest payment date falling on 15 March 2011.

On or at any time after 15 September 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 10 September 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. At 31 December 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 15 September 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 recognised as redemption loss of RMB117,000 which was charged to profit or loss.

29. CONVERTIBLE LOAN NOTES (CONTINUED)

On 20 November 2012 and 20 December 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 recognised as redemption loss of RMB2,000 which was charged to profit or loss.

During the year ended 31 December 2014, the entire convertible loan notes were converted into ordinary shares of the Company.

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

	The Group and the Company	
	2014	2013
	RMB'000	RMB'000
Carrying amount at 1 January	583,647	568,118
Interest charge (Note 9)	11,654	51,529
Interest paid	(13,002)	(36,000)
Conversion of convertible loan notes	(582,299)	-
Carrying amount at 31 December	-	583,647
Less: Amounts shown under current liabilities (Note 26)	-	(10,500)
	-	573,147

30. WARRANTS

On 5 December 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 4 December 2014.

During the year ended 31 December 2014, the entire warrants were exercised at $1.10 per share and 28,154,545 shares of the Company were allotted and issued representing approximately 1.88% of the issued capital of the Company at 31 December 2014.

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 at 31 December 2013 is approximately RMB1,647,000.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2014	2013
	RMB'000	RMB'000
Financial assets		
Fair value of foreign currency forward contracts	2,716	3,384
Fair value of redemption option embedded in senior notes	15,321	-
	18,037	3,384
Less: Amounts classified as current assets	(18,037)	-
Amounts classified as non-current assets	-	3,384
Financial liability		
Fair value of a swap contract classified as non-current liability (note)	47,014	53,978

	The Company	
	2014	2013
	RMB'000	RMB'000
Financial asset		
Fair value of redemption option embedded in senior notes classified as current assets	15,321	-
Financial liability		
Fair value of a swap contract classified as non-current liability (note)	47,014	53,978

note:

During the year ended 31 December 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. At 31 December 2014, the Group did not have significant deposits placed with HSBC (2013: Nil).

32. SENIOR NOTES

On 6 August 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 "Senior Notes") which carried at fixed interest rate of 11.875% per annum (interest payable semi-annually in arrears) and will be fully repayable by 10 August 2017.

The Senior 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 organised 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 10 August 2015, the Company may on any one or more occasions redeem all or any part of the Senior 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%

At any time prior to 10 August 2015, the Company may at its option redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Senior 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 10 August 2015, plus all required remaining scheduled interest payments due on such Note through 10 August 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 6 August 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 10 August 2015, the Company may, subject to certain conditions, at its option redeem up to 35% of the aggregate principal amount of the Senior Notes at a redemption price of 111.875% of the principal amount of the Senior 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 Senior Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date.

32. SENIOR NOTES (CONTINUED)

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

The movements of the Senior Notes for the year ended 31 December 2014 are set out below:

	The Group and the Company	
	2014 RMB'000	2013 RMB'000
Carrying amount at the beginning of the year	945,970	966,517
Interest charge (Note 9)	132,823	139,488
Interest paid	(120,098)	(132,048)
Exchange gain	(4,152)	(27,987)
Carrying amount at the end of the year	954,543	945,970
Less: Interest payables within one year included in payables shown under current liabilities (Note 26)	(47,470)	(47,275)
	907,073	898,695

	2014 RMB'000	2013 RMB'000
Non current portion	-	898,695
Current portion	907,073	-
	907,073	898,695

As disclosed in the Company's announcement dated 17 November 2015, the Senior Notes of the Company was redeemed in full on 13 November 2015 and there were no outstanding Senior Notes in issue. The Company has applied to the SEHK for the withdrawal of the listing of the Senior Notes. Such withdrawal of listing is expected to become effective upon the close of business on 23 November 2015. Details of the redemption of Senior Notes are disclosed in the announcement of the Company dated 15 September 2015 and 17 November 2015 and Note 41(b) to the consolidated financial statements.

33. OBLIGATION UNDER FINANCE LEASE

The Group leased certain of its service concession arrangement's plant and machinery under finance lease. The lease term is 5 years (2013: 5 years). Interest rates underlying all obligations under finance are fixed at 5.91% (2013: 5.91%) per annum. The Group has options to purchase the plant and machinery for a nominal amount at the end of the lease term.

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000 (Restated)
Amounts payable under finance lease:						
Within one year	-	13,330	17,673	-	12,840	16,191
In more than one year and not more than five years	-	-	13,330	-	-	12,840
	-	13,330	31,003	-	12,840	29,031
Less: Future finance charges	-	(490)	(1,972)	N/A	N/A	N/A
Present value of lease obligations	-	12,840	29,031	-	12,840	29,031
Less: Amount due for settlement within one year (shown under current liabilities)				-	(12,840)	(16,191)
Amount due for settlement after one year				-	-	12,840

The Group's obligations under finance lease are secured by the lessors' title to the leased assets.

34. ACQUISITION OF SUBSIDIARIES

Acquisition of subsidiaries in for the year ended 31 December 2014

On 30 September and 31 October 2014, the Group acquired 100% shares of two BOT companies, Shandong Chengwu Yingyuan Industrial Co., Ltd., and Luoyuan Beimei (Phase II) Water Co., Ltd., and one BT company, Luoyuan Beimei Water Co., Ltd., from independent third parties, and for an aggregate consideration of approximately RMB59,521,000. The acquisitions have been accounted for using the acquisition method. There was gain on bargain purchase arising from these acquisitions. These companies are mainly engaged in management and operation of the municipal wastewater projects located in Shandong and Fujian under two service concession arrangements with remaining service concession periods of 26 to 32 years.

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

	Fair value RMB'000
Bank balances and cash	1,077
Trade and other receivables	1,347
Property, plant and equipment	255
Intangible assets	9,733
Service concession receivables	105,397
Trade and other payables	(32,916)
Deferred tax liabilities	(1,631)
Borrowings	(18,483)
	64,779
Gain on bargain purchase	(5,258)
Total consideration	59,521
Satisfied by:	
Cash	52,490
Deferred payable	7,031
	59,521
Net cash outflow arising on this acquisition:	
Consideration paid in cash	52,490
Bank balances and cash acquired	(1,077)
Total	51,413

Included in the profit for the year of the Group in 2014, which is gain of approximately RMB1,562,000 and revenue of approximately RMB4,128,000 attributable to the three acquired BOT companies.

Had the acquisition taken place at the beginning of the year, the turnover and net profit of the Group for the year would have been approximately RMB3,570,561,000 and RMB503,902,000 respectively.

34. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition of subsidiaries in for the year ended 31 December 2014 (continued)

Acquisition-related costs amounting to approximately RMB142,000 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss.

The fair value of trade and other receivables at the date of acquisition is approximately RMB1,347,000. The gross contractual amount due for trade and other receivables is approximately RMB1,347,000, of which the best estimate at the date of acquisition of the contractual cash flows are expected to be fully collectable.

Acquisition of subsidiaries for the year ended 31 December 2013

On 30 November 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
Bank balances and cash acquired	(13,880)
	124,016

Included in the profit for the year of Group in 2013, is loss of approximately RMB1,378,000 and revenue of approximately RMB1,823,000 attributable to the three acquired BOT companies.

35. 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 maximising the return to stakeholders through the optimisation 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.

36. FINANCIAL INSTRUMENTS

36a. Categories of financial instruments

	The Group	
	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables		
Service concession receivables	3,112,135	2,513,199
Trade receivables	1,186,274	1,253,756
Bills receivable	18,000	23,328
Bid and compliance deposits	78,755	70,626
Other receivables	2,114,125	48,658
Restricted bank balances	112,854	109,492
Bank balances and cash	1,968,239	3,533,580
	8,590,382	7,552,639
Fair value through profit or loss		
Foreign currency forward contracts	2,716	3,384
Redemption option embedded in senior notes	15,321	-
	18,037	3,384
Total	8,608,419	7,556,023

36. FINANCIAL INSTRUMENTS (CONTINUED)

36a. Categories of financial instruments (continued)

	The Group	
	2014 RMB'000	2013 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	1,156,884	1,170,819
Bills payable	123,550	55,117
Other payables	162,229	127,144
Borrowings interest payables	10,605	9,156
Convertible loan notes interest payables	-	10,500
Senior notes interest payables	47,470	47,275
Bid and compliance deposits	27,112	51,379
Borrowings	2,720,938	2,281,178
Convertible loan notes	-	573,147
Senior notes	907,073	898,695
	5,155,861	5,224,410
Fair value through profit or loss		
Warrants	-	1,647
Swap contract	47,014	53,978
	47,014	55,625
Total	5,202,875	5,280,035

	The Company	
	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables		
Trade receivables	5,300	5,451
Dividend receivables from subsidiaries	1,237,750	912,750
Due from a subsidiary	44	40
Other receivables	2,002,892	4,460
Bank balances and cash	135,366	65,368
	3,381,352	988,069
Fair value through profit or loss		
Redemption option embedded in senior notes	15,321	-
Total	3,396,673	988,069

36. FINANCIAL INSTRUMENTS (CONTINUED)

36a. Categories of financial instruments (continued)

	The Company	
	2014	2013
	RMB'000	RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	6,457	6,493
Due to subsidiaries	2,250,167	48,861
Other payables	8,162	5,727
Convertible loan notes interest payables	-	10,500
Senior notes interest payables	47,470	47,275
Borrowings	307,701	420,422
Senior notes	907,073	898,695
Convertible loan notes	-	573,147
	3,527,030	2,011,120
Financial guarantee contract	6,271	7,910
Fair value through profit or loss		
Warrants	-	1,647
Swap contract	47,014	53,978
	47,014	55,625
Total	3,580,315	2,074,655

36b. Financial risk management objectives and policies

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.

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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (continued)

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 recognised 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 40(d).

In order to minimise the credit risk, the management of the Group and the 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 the Company's management based on prior experience and the current economic environment. The Group and the Company review 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 the 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 25% (2013: 21%) of the carrying amounts of trade receivables as of 31 December 2014. 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 33% (2013: 31%) of the carrying amounts of service concession receivables as of 31 December 2014 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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. 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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
US$	2,066,108	1,976,800	122,012	597,407
S$	835	2,407	88,807	24,925
BDT	-	-	14,784	8,065
HKD	-	-	12,485	36
AUD	-	-	1,140	1,259
JPY	-	-	407	1,251

	The Company			
	Liabilities		Assets	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
S$	361	2,407	246,945	3,156
US$	1,467,213	1,370,235	972,606	65,168
HKD	-	-	12,383	36
AUD	-	2,274	1,140	1,259

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. 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 Profit for the year	
	2014 RMB'000	2013 RMB'000
S$	(8,797)	(2,252)
US$	194,410	137,939
BDT	(1,478)	(807)
HKD	(1,248)	(4)
AUD	(114)	(126)
JPY	(41)	(125)

	The Company Profit for the year	
	2014 RMB'000	2013 RMB'000
S$	(24,658)	(75)
US$	49,461	130,507
HKD	(1,238)	(4)
AUD	(114)	(101)

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. 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 RMB10,398,000 (2013: RMB8,556,000) for the year ended 31 December 2014.

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 RMB1,277,000 (2013: RMB1,745,000) for the year ended 31 December 2014.

(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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. 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 utilisation 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	Within one year	1 – 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014							
Trade payables	-	-	1,156,884	-	-	1,156,884	1,156,884
Other payables	-	-	162,229	-	-	162,229	162,229
Bid and compliance deposits	-	-	27,112	-	-	27,112	27,112
Bills payable	-	-	123,550	-	-	123,550	123,550
Senior notes	11.875	-	112,579	1,285,766	-	1,398,345	954,543
Borrowings							
Fixed-rate	6.26	-	71,729	-	-	71,729	70,000
Variable-rate	5.22	65,220	1,159,680	1,395,225	234,357	2,854,482	2,661,543
Total		65,220	2,813,763	2,680,991	234,357	5,794,331	5,155,861
As of 31 December 2013							
Trade payables	-	-	1,170,819	-	-	1,170,819	1,170,819
Other payables	-	-	127,144	-	-	127,144	127,144
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	2,334,888	3,381,142	236,798	6,043,118	5,224,410

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

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.

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 2014	7.41	34,708	41,950	-	76,658	65,220
31 December 2013	7.35	30,775	72,464	-	103,239	90,290

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 from 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
At 31 December 2014							
Trade payables	-	-	6,457	-	-	6,457	6,457
Other payables	-	-	8,162	-	-	8,162	8,162
Due to a subsidiary	-	-	2,250,167	-	-	2,250,167	2,250,167
Senior notes	11.875	-	112,579	1,285,766	-	1,398,345	954,543
Borrowings							
Variable-rate	3.56	-	87,281	212,720	14,809	314,810	307,701
Financial guarantee contract	-	677,963	-	-	-	677,963	6,271
Total		677,963	2,464,646	1,498,486	14,809	4,655,904	3,533,301
At 31 December 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

36. FINANCIAL INSTRUMENTS (CONTINUED)

36b. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

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 from 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.

36c. 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 categorised (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
	2014	2013				
1) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	Assets 18,037	Assets 3,384	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

36. FINANCIAL INSTRUMENTS (CONTINUED)

36c. Fair value measurements of financial instruments (continued)

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

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
	2014	2013				
2) Swap contract classified as derivative financial instruments in the consolidated statement of financial position	Liabilities 47,014	Liabilities 53,978	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	N/A	Liabilities 1,647	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.
4) Senior notes redemption option classified as derivative financial instruments in the consolidated statement of financial position	Assets 15,321	N/A	Level 2	The Hull-White Trinomial Tree Model in software called FINCAD was used. The key inputs are Mean-Reversion Rate, Short-Rate Volatility Option Adjusted Spread and market yield curve	N/A	N/A

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

36. FINANCIAL INSTRUMENTS (CONTINUED)

36c. 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 amortised cost in the consolidated financial statements approximate their fair values:

The Group and the Company

	2014		2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Convertible loan notes				
(Liability component) (note a)	-	-	583,647	601,332
Senior notes	954,543	1,001,348	945,970	995,549

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. A realised loss of approximately RMB46,748,000 (2013: unrealised gain of RMB1,884,000) arising on change in fair value of the warrants were recognised during the year.

37. OPERATING LEASES COMMITMENTS

The Group as lessee

Lease payment recognised as an expense:

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating lease recognised as an expense in the year	4,089	2,616

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

	The Group	
	2014 RMB'000	2013 RMB'000
Within one year	1,633	1,916
In the second to fifth years inclusive	961	1,575
	2,594	3,491

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.

38. 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 31 December 2014, 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	
	2014 RMB'000	2013 RMB'000
Contributions to defined contribution plans	17,495	12,618

At 31 December 2014, the contributions due in respect of the year that had not been paid to the schemes are approximately RMB311,000 (2013: RMB3,000).

39. SHARE-BASED PAYMENT TRANSACTIONS

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

The Scheme was adopted pursuant to a resolution passed on 30 April 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. 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 immediately following its completion of the SEHK Listing, 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 number of issued shares of the Company) 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.

As at 31 December 2014, the number of shares in respect of which options had been granted under the Scheme was 90,000,000 (2013: nil), representing 6% (2013: nil) of the shares of the Company in issue at that date.

Details of the options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
9 December 2014	#1	#2	HK$8.11

#1 Vesting period is from 9 December 2014 to the 7th day after the Company announced its annual results for the financial year ending 31 December 2016.

#2 Exercisable period is from the 8th day after the Company announced its annual results for each of the financial years ended/ending 31 December 2014, 2015 and 2016 to 30 September 2017.

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 Scheme is also subject to the following conditions:

(a) The Options will be exercisable in three tranches over three financial years in total of not more than, 40%, 70% and 100%, upon fulfilling the condition (as denoted in item 2 below), and

(b) The growth rate for net profit, based on net profit for the financial year ended 31 December 2013, must be at least 35%, 85% and 150% for the financial years ending 31 December 2014, 2015 and 2016 respectively, excluding all exceptional items in the profit and loss statement. If the growth rate for net profit cannot be achieved in a particular financial year, the exercisable Options allocated for that financial year shall be lapsed automatically.

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Movements in the share options in the year ended 31 December 2014 are as follow:

Date of grant	Outstanding at 1 January 2014	Granted during 2014	Forfeited during 2014	Exercised during 2014	Outstanding at 31 December 2014
9 December 2014	-	90,000,000	-	-	90,000,000
Exercisable at the end of the year					-
Weighted average exercise price	N/A	HK$8.11	N/A	N/A	HK$8.11

The Group has not recognised any expense for the year ended 31 December 2014 in relation to the Scheme granted by the Company.

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

The Group adopted the Epure Scheme on 15 August 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 31 December 2014.

As at 31 December 2014, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2013: 64,500,000), representing 5% (2013: 5%) of the shares of the Company in issue at that date.

Details of the options are as follows:

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

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:

(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 31 December 2010, 2011, 2012 and 2013 must be at least 15%, 15%, 10% and 10% respectively, excluding all exceptional items; and

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

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Movements in the share options in the year ended 31 December 2014 are as follow:

Date of grant	Outstanding at 1 January 2014	Granted during 2014	Forfeited during 2014	Exercised during 2014	Outstanding at 31 December 2014
23 July 2010	32,504,400	-	(342,000)	(4,317,000)	27,845,400
Exercisable at the end of the year					27,845,400
Weighted average exercise price	S$0.745	N/A	S$0.745	S$0.745	S$0.745

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

Date of grant	Outstanding at 1 January 2013	Granted during 2013	Forfeited during 2013	Exercised during 2013	Outstanding at 31 December 2013
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	N/A	S$0.745

The Group recognised the total expense of RMB1,225,000 for the year ended 31 December 2014 (2013: RMB2,756,000) in relation to the Epure Scheme 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.

40. (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	
	2014 RMB'000	2013 RMB'000
Trade receivables		
Subsidiary:		
Xi'an Chang'an Sound	5,300	5,300
Due from a subsidiary		
Subsidiary:		
Sound Global (Hong Kong) Limited	8,193	40
Other receivables		
Company under common control of Mr. Wen Yibo:		
Sound Group (Note 40(f))	2,000,000	-
Trade payables		
Subsidiaries:		
Beijing Sound	400	400
Beijing Epure	3,820	3,820
Hi-Standard Equipment	2,273	2,273
	6,493	6,493
Dividend receivables		
Subsidiaries:		
Beijing Sound	294,750	294,750
Beijing Epure	943,000	618,000
	1,237,750	912,750
Due to a subsidiary		
Subsidiary:		
Sound Global (Hong Kong) Limited	250,167	48,861

40. (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	
	2014	2013
	RMB'000	RMB'000
Revenue from construction contracts		
Companies under common control of Mr. Wen Yibo:		
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")*	3,596	553
Anda Anhua Environmental Co., Ltd. ("Anda Anhua")*	-	44
Beijing Xiaojiahe Wastewater Treatment Co., Ltd. ("Beijing Xiaojiahe")*	67,960	-
Baotou Lucheng Water Co., Ltd. ("Baotou Lucheng")*	82,870	-
Ezhou Sound Eqing ("Ezhou Eqing")*	755	-
Jiangsu Sound Shuyuan Water Co., Ltd. ("Jiangsu Shuyuan")*	6,243	-
	161,424	27,452

40. (B) RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group 2014 RMB'000	The Group 2013 RMB'000
Revenue from sales of goods		
Companies under common control of Mr. Wen Yibo:		
Baotou Lucheng*	49,573	-
Laohekou Qingyuan*	-	8,416
Ezhou Qinghe*	-	3,247
Mingguang Kangqing*	-	2,051
Sound Group*	5,884	1,176
Beijing Xiaojiahe*	1,453	-
	56,910	14,890
Revenue from design service		
Companies under common control of Mr. Wen Yibo:		
Beijing Xiaojiahe*	-	9,387
Laohekou Qingyuan*	-	1,145
Linqu Yiqing Environment Energy Co., Ltd.*	-	613
Mingguang Kangqing*	-	660
Anda Anhua*	-	660
Ezhou Qinghe*	-	356
Baotou Lucheng*	13,747	-
Ezhou Eqing*	236	-
	13,983	12,821
Equipment procurement		
Companies under common control of Mr. Wen Yibo:		
Hubei Hejia Environment Equipment Co., Ltd. ("Hubei Hejia")*	824	-
Purchase of transportation vehicles		
Companies under common control of Mr. Wen Yibo:		
Hubei Hejia*	202	-

* The above related party transactions are entered into with Mr. Wen Yibo, a connected person of the Company in accordance with Rule 14A.07 of the Listing Rule.

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

40. (B) RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables		
Companies under common control of Mr. Wen Yibo:		
Beijing Xiaojiahe	1,700	9,950
Laohekou Qingyuan	1,957	5,893
Jiayu Jiaqing Water Co., Ltd.	1,369	2,399
Beijing Guozhong Biology Technology	816	2,220
Anda Anhua	-	376
Yichang Sanxia Water Co., Ltd.	-	59
Ezhou Qinghe	-	35
Ezhou Eqing	754	-
Sound Group	351	-
Jiangsu Shuyuan	4,682	-
	11,629	20,932
Amounts due from customers for contract work		
Companies under common control of Mr. Wen Yibo:		
Laohekou Qingyuan	-	1,466
Ezhou Qinghe	-	752
Baotou Lucheng	19,961	-
Ezhou Eqing	251	-
Jiangsu Shuyuan	1,561	-
	21,773	2,218
Other receivables		
Directors:		
Wang Kai	201	-
Jiang Anping	31	-
	232	-

The maximum balance outstanding for amounts due from Wang Kai and Jiang Anping, during the year was approximately RMB255,000 and RMB100,000 (2013: RMB85,000 and nil) respectively.

40. (B) RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Other payables		
Director		
Luo Liyang	10	28

The maximum balance outstanding for amounts due to Luo Liyang, a director during the year was approximately RMB115,000 (2013: RMB72,000).

(c) Compensation of key management personnel

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Wages and salaries	2,187	2,447
Performance related incentive payments	310	127
Contributions to defined contribution plans	200	179
Share-based payments	295	901
	2,992	3,654

(d) Guarantees

At the end of the reporting period, the borrowings amounting to approximately RMB854,920,000 (2013: RMB599,240,000) of the Group was guaranteed by Sound Group. The above borrowings include the bank borrowing of approximately RMB50,000,000 (2013: 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 approximately RMB663,604,000 (2013: RMB655,426,000) 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.

40. (B) RELATED PARTY TRANSACTIONS (CONTINUED)

(e) 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.

(f) As set out in Note 24 to the consolidated financial statements, the Company entered into the Trust Agreement with Sound Group to empower Sound Group acting as its agent in the Proposed Acquisition. Details of the Proposed Transactions in relation to the Trust Agreement were set out in 41 (a) to the consolidated financial statements.

As disclosed in Note 41 (a) the consolidated financial statements, the Group entered into a supplemental agreement to the Trust Agreement dated 20 March 2015 (the "Supplementary Trust Agreement", pursuant to which Sound Group agreed to transfer RMB 2.0 billion, being the refund of the Earnest Money, back to the Company's bank account within one month from the date of the signing of the Supplementary Trust Agreement and pay interests to the Company at 0.35% annually which is the interest rate of current deposit of the People's Bank of China. As a result of the Supplemental Trust Agreement, Sound Group transferred approximately RMB2.8 million as interest to the Company.

As Sound Group is a connected party to the Company under the definition of the Rules Governing the Listing of the Securities on the Mainboard of the SEHK (the "Listing Rules"), the directors of the Company has reviewed that Trust Agreement and the Supplementary Trust Agreement and considered that Sound Group is merely in essence and in substance acting as an agent for the Proposed Acquisition and therefore were not "standalone" or "separate" transactions subject to the requirements of relevant Listing Rules. However, there may be uncertainty relating to the outcome of the discretion of the SEHK as to whether the Proposed Acquisition, the Trust Agreement and the Supplemental Trust Agreement would fall into the disclosure requirements of the Listing Rules. On the other hand, the directors of the Company considered the effect of this potential non-compliance was adequately reflected in the consolidated financial statements.

(g) Equity transfer of Tongliao

As set out in the Note 1 to the consolidated financial statement, Beijing Sound entered into an agreement (the "Equity Transfer Agreement") with Sound Group whereby Beijing Sound agreed to purchase and Sound Group agreed to sell its 97.8% of the equity interest in Tongliao at a consideration of approximately RMB192,427,000 on 30 May 2014. At the time of the agreement, Sound Group is held by Beijing Sanghua Environmental Technology Development Co., Ltd ("Beijing Sanghua") (70%), Mr. Wen Yibo (29%) and an independent third party (1%), Beijing Sanghua is in turn held by Mr. Wen Yibo (22.2%) and Ms. Zhang Huiming (77.8%), and therefore Sound Group is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction under the Equity Transfer Agreement was completed in July 2014.

41. EVENTS AFTER THE REPORTING PERIOD

(a) The 16 March 2015 announcement

On 16 March 2015, the Company announced that as the Company requires more time to prepare the required information to the predecessor auditors of the Company (the "Predecessor Auditors") and the Predecessor Auditors were not able to complete the audit of the consolidated financial statements of the Group for the year ended 31 December 2014 (the "2014 Annual Results") by 31 March 2015. As such, there would be a delay in the release of the 2014 Annual Results. The Board also expected that the Company might not be able to dispatch the annual report for the year ended 31 December 2014 (the "2014 Annual Report") by 30 April 2015. At the request of the Company, trading in the Company's shares (stock code: 00967) and debt securities (stock code: 04561) have been suspended from trading on the SEHK with effect from 16 March 2015, pending the release of the 2014 Annual Results.

The 31 March 2015 announcement

On 31 March 2015, the Company further announced that during the course of the audit of the 2014 Annual Results conducted by the Predecessor Auditors, potential issues in relation to the financial position of the Company (the "Potential Audit Issues") were identified by the Predecessor Auditors. As a result of the Potential Audit Issues, the audit work by the Predecessor Auditors will be continued when the Potential Audit Issues are resolved and thus, there will be a delay in the publication of the 2014 Annual Results.

In order to deal with the Potential Audit Issues, it has been resolved by the Board to set up an independent review committee (the "IRC") on 31 March 2015 comprising the independent non-executive Directors to look into the Potential Audit Issues and, if necessary, to carry out, among others, an independent review on the Potential Audit Issues with the assistance of independent professional advisers. It was confirmed by the Board that they would co-operate and support the works to be carried out by the IRC to the fullest extent. Depending on the progress of the review of the Potential Audit Issues, the Board would consider engaging independent forensic accountants to conduct an investigation.

The 29 April 2015 announcement

On 29 April 2015, the Company announced that the Predecessor Auditors identified the Potential Audit Issues, which refer to the shortfall of or about RMB2.0 billion between the Company's cash balances at bank and that on the Company's books as at 31 December 2014, and has reported the Potential Audit Issues to the Ministry of Finance in Singapore pursuant to Section 207(9A) of the Singapore Companies Act, Chapter 50.

To ascertain the facts and the nature of the Potential Audit Issues, the IRC would engage an independent professional firm with competent experience and expertise in corporate investigations for the review of the Potential Audit Issues (the "Review").

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) The 29 April 2015 announcement (continued)

Upon receipt of the draft report, the IRC would consider and review the findings identified in the draft report. It was expected that the final report would be available in late May 2015, subject to the complexity of the matters identified in the draft report and the time required by the IRC to consider the draft report. Assuming the audit work would be resumed upon issuance of the final report and the aforesaid announcement in late May 2015, it was expected that the 2014 Annual Results would be published in late June 2015.

Should the report reveal deficiencies or weakness in the internal control and financial reporting systems of the Group, the Board would appoint an independent internal control expert to look into the matters so that appropriate remedial measures could be discussed, formulated and implemented without delay.

The 23 June 2015 announcement

On 23 June 2015, the Company announced that the IRC has engaged, PKF Accountants & Business Advisors to conduct the Review (the "Reviewer"). The report prepared by the Reviewer (the "Review Report") reveals that the shortfall of approximately RMB2.0 billion between the Company's cash balances at bank and those as shown in the Group's accounts as at 31 December 2014 (the "Cash Discrepancy") was a result of the Earnest Money paid by the Company for the Proposed Acquisition.

As set out in the Review Report, although the negotiations for the Proposed Acquisition were extended beyond 2014, the responsible finance personnel did not make timely appropriate accounting treatments and did not reflect the payment of the Earnest Money in the relevant bank reconciliation statement, which eventually resulted in the Cash Discrepancy of RMB2.0 billion between the financial statements and official bank records of the Company as identified by the Predecessor Auditors. Subsequent to the Cash Discrepancy being identified by the Predecessor Auditors, late management journals in relation to the Earnest Money were recorded in the financial statements of the Company to rectify the Cash Discrepancy.

In addition, as set out in the Review Report, in August 2014 the Company commenced the Proposed Acquisition at a preliminary total purchase price of RMB4.1 billion. As the two independent third parties incorporated in the PRC (the "Sellers") required to keep confidential of the Proposed Acquisition toward external third parties and as agreed between the Sellers, the Company and Sound Group, Sound Group was appointed as the Company's agent to deal with the Proposed Acquisition on its behalf.

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) The 23 June 2015 announcement (continued)

In an attempt to mitigate the pricing pressure and obtain the exclusive negotiation opportunity for the Proposed Acquisition, the Company paid to the Sellers through Sound Group as its agent the Earnest Money, which is approximately 49% of the estimated contract price. As confirmed by the Board, the payment of earnest money is not uncommon in the water treatment industry and its amount normally ranges from 50% to 60% of the estimated contract price of an acquisition. The Earnest Money, which bore interest at the then prevailing central bank deposit interest rate, was expected to be refunded by the Sellers when the Proposed Acquisition was concluded.

It is further set out in the Review Report that in April 2015, it was agreed that the Earnest Money should be financed through Sound Group's own internal funds. Accordingly, an amount of RMB2.0 billion (which is equivalent to the Earnest Money) has been repaid to the Company, together with accrued interest of RMB2.8 million.

Details of the Review Report were set out in the Company's announcement dated 23 June 2015.

In order to protect the interests of the Company and its shareholders, the Board has proactively adopted corresponding measures and the IRC would engage additional suitable experts to address the Potential Audit Issues and look into the internal control policies of the Company relevant to the Potential Audit Issues such that appropriate remedial and preventive measures could be formulated and implemented without delay.

The 9 July 2015 announcement

On 9 July 2015, the Company announced that it received a letter dated 6 July 2015 from the SEHK, in which the following conditions were given in respect of the resumption of trading in the Company's shares and debt securities on the SEHK:

(i) engage an independent forensic specialist acceptable to the SEHK to conduct forensic investigations on the Cash Discrepancy;

(ii) demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules;

(iii) publish all outstanding financial results required by the Listing Rules and address any audit qualifications; and

(iv) inform the market of all material information.

The Company must also comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption.

The SEHK may modify the above conditions and/or impose further conditions if the situation changes.

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) The 31 July 2015 announcement

The Company announced on 31 July 2015 that the IRC was in the process of identifying an independent forensic specialist with finance and accounting expertise to conduct forensic investigation on the Cash Discrepancy.

The 31 August 2015 announcement

On 31 August 2015, the Company announced that, as disclosed in the Company's announcement dated 9 July 2015, in order to resume trading in the Company's shares and debt securities on the SEHK, the Company has been required, amongst others, to engage an independent forensic specialist acceptable to the SEHK to conduct forensic investigations on the Cash Discrepancy and to demonstrate that the Company has put in place adequate financial reporting procedures and internal control systems to meet its obligations under the Listing Rules. In this connection, the Company has formally engaged RSM Nelson Wheeler Corporate Advisory Limited (now known as RSM Corporate Advisory (Hong Kong) Limited) ("RSM") as its independent forensic specialist to conduct the forensic investigations on the Cash Discrepancy; and PKF Accountants & Business Advisers ("PKF") as its internal control consultant to review and advise on the Company's financial reporting procedures and internal control systems.

As of the date of the authorisation to the issue of the consolidated financial statements, RSM has completed its forensic investigations and issued its report on 20 November 2015.

The trading in the Company's shares and debt securities have been suspended from trading by the SEHK since 16 March 2014. On the other hand, it is uncertain in respect of the discretion of SEHK as to whether there may be potential non-compliance of the Listing Rules in respect of the Proposed Acquisition, the Trust Agreement and the Supplemental Trust Agreement which may result in possible sanctions for breach of the Listing Rules including relevant provisions of the Listing Rules and relevant sections of the Securities and Futures Ordinance (Cap. 571). The Board has been taking active steps to satisfy the resumption conditions but the resumption of the trading of shares of the Company are subjected to the satisfaction of the requirements laid down by SEHK and its discretion. These conditions, along with the matters abovementioned describes the uncertainty relating to the future outcome of the resumption of trading of the Company's shares which might have a significant effect on the consolidated financial statements of the Group.

41. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) The Company has exercised the option to redeem the entire outstanding amount of the Senior Notes (the "Redemption") on 13 November 2015 (the "Redemption Date") at a redemption price of 105.9375% of the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interests from 10 August 2015 to (but excluding) the Redemption Date (in an amount equal to US$30.68 per US$1,000 aggregate principal amount of the Senior Notes).

On 17 November 2015, the Company made an announcement that the Senior Notes of the Company has been redeemed in full on 13 November 2015 and there are no outstanding Senior Notes in issue. The Company has applied to the SEHK for the withdrawal of the listing of the Senior Notes. Such withdrawal of listing is expected to become effective upon the close of business on 23 November 2015. Details of the redemption of Senior Notes are disclosed in the announcement of the Company dated 15 September 2015 and 17 November 2015 and note 32 to the financial statements.

42. INVESTMENT IN SUBSIDIARIES

	The Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	686,295	667,034
Deemed investment*	1,290,981	1,357,353
Total	1,977,276	2,024,387

* This represents the deemed investment arising from amounts 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.

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 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	The BVI	US$1	100	-	100	-	Investment holding
Sound International Engineering Ltd.	The BVI	US$1	100	-	100	-	Investment holding
Epure International Engineering Pte. Ltd.	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 西安戶縣桑德水務有限公司	The PRC	RMB24,000,000	-	100	-	100	Management and operation of the municipal wastewater projects, and sales of treated water
Xi'an Chang'an Sound 西安長安桑德水務有限公司	The PRC	RMB51,000,000	-	100	-	100	Management and operation of the municipal wastewater projects

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 Indirect %	Principal activities
Guangxi Sound 廣西桑德水務有限公司	The PRC	US$5,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Hangcheng 韓城市桑德水務有限公司	The PRC	RMB14,200,000	-	100	-	100	Management and operation of the municipal wastewater projects
Shangluo 商洛桑德水務有限公司	The PRC	RMB13,800,000	-	100	-	100	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	Management and operation of the municipal wastewater projects
Taizhou Sound 泰州桑德水務有限公司 (note ii)	The PRC	RMB145,800,000	-	76.8 (note i)	-	76.8	Management and operation of the municipal wastewater projects
Fushun Sound 撫順桑德水務有限公司	The PRC	US$13,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Hainan Sound 海南桑德水務有限公司	The PRC	RMB5,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Anyang Zongcun 安陽宗村桑德水務有限公司	The PRC	RMB45,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Yantai Bihai 煙台碧海水務有限公司	The PRC	RMB38,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Daye Honglian 大冶鴻漣水務有限公司	The PRC	RMB18,000,000	-	100	-	100	Management and operation of the municipal wastewater projects

42. 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 31 December 2014		Equity interest attributable to the Company as at 31 December 2013		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Changsha Sound 長沙桑德水務有限公司	The PRC	RMB43,524,000	-	100	-	100	Management and operation of the municipal wastewater projects
Hongze Zeqing 洪澤澤清水務有限公司	The PRC	US$12,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Xi'an Trade & Logistics Park 西安港務區桑德水務有限公司	The PRC	US$3,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Hanzhong Yang County 桑德漢中洋縣水務有限公司	The PRC	US$7,280,000	-	100	-	100	Management and operation of the municipal wastewater projects
Anyang Taiyuan 安陽泰元水務有限公司	The PRC	RMB30,000,000	-	90	-	90	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	Management and operation of the municipal wastewater projects
Anshan Tianqing 鞍山天清水務有限公司	The PRC	RMB30,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Anshan Qinglang 鞍山清朗水務有限公司	The PRC	RMB102,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Anshan Qingchang 鞍山清暢水務有限公司	The PRC	RMB92,350,000	-	100	-	100	Management and operation of the municipal wastewater projects
Jiangyan Qinlong 姜堰市溱瀧水務有限公司	The PRC	RMB43,000,000	-	100	-	100	Management and operation of the municipal wastewater projects

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 Indirect %	Principal activities
Sound Siyang Water Co., Ltd 桑德泗陽水務有限公司	The PRC	USD$18,300,000	-	100	-	100	Management and operation of the municipal wastewater projects
Quanzhou Sound Water Co., Ltd 泉州桑德水務有限公司	The PRC	RMB30,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Sound Global (Hong Kong) Limited	Hong Kong	USD$3,150,000	100	-	100	-	Investment holding
Hailun Sound 海倫桑德水務有限公司	The PRC	RMB9,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Liangping Sound Water Co., Ltd 梁平桑德水務有限公司	The PRC	RMB12,400,000	-	100	-	100	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	The PRC	RMB38,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Fuqing Sound Water Co., Ltd 福清桑德水務有限公司 ("Fuqing Sound") (note iv)	The PRC	RMB14,420,000	-	100	-	100	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	The PRC	RMB23,750,000	-	100	-	100	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	The PRC	RMB36,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Siyang Yangqing Water Co., Ltd 泗陽洋清水務有限公司 ("Siyang Yangqing") (note v)	The PRC	RMB23,270,000	-	100	-	100	Management and operation of the municipal wastewater projects

42. 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 31 December 2014		31 December 2013		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Xintai Biqing Water Co., Ltd 新泰碧清水務有限公司	The PRC	USD2,680,000	-	100	-	100	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	The PRC	USD7,200,000	-	100	-	100	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") (note vi)	The PRC	RMB2,010,000	-	100	-	100	Management and operation of the municipal wastewater projects
Jingyushi 北京京禹石水務有限公司	The PRC	RMB25,060,000	-	100	-	100	Management and operation of the municipal wastewater projects
Jingyuyang 北京京禹陽水務有限公司	The PRC	RMB34,580,000	-	100	-	100	Management and operation of the municipal wastewater projects
Jingyushun 北京京禹順環保有限公司	The PRC	RMB32,000,000	-	100	-	100	Management and operation of the municipal wastewater projects
Xinghua Huqing Sound Water Co., Ltd 興化湖清水務有限公司 ("Xinghua Huqing") (notes vii & xxix)	The PRC	RMB53,312,500	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Changbaishan Reservation Sound Water Co., Ltd 長白山保護開發區桑德水務有限公司 ("Changbaishan Sound") (notes viii & xxix)	The PRC	RMB3,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 Indirect %	Principal activities
Baoding Sound Water Treatment Co., Ltd 保定桑德水處理有限公司 ("Baoding Sound")(notes ix & xxix)	The PRC	RMB1,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Yining Huize Water Co., Ltd 伊寧惠澤水務有限公司 ("Yining Huize") (notes x & xxix)	The PRC	RMB27,912,500	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Urumqi Sound Water Co., Ltd 烏魯木齊桑德水務有限公司 (note xxix)	The PRC	RMB40,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Fuyang Sound Water Co., Ltd 阜陽桑德水務有限公司 (note xxix)	The PRC	USD13,080,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Sanming Sound Water Co., Ltd 三明桑德水務有限公司 (note xxix)	The PRC	RMB3,100,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Xishui County Qianqing Water Co., Ltd 習水縣黔清水務有限公司 ("Xishui Qianqing") (notes xi & xxix)	The PRC	RMB3,600,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Siyang Siqing Water Co., Ltd 泗陽泗清水務有限公司 (note xxix)	The PRC	RMB2,400,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Xunyang Sound Water Co., Ltd 旬陽桑德水務有限公司 (note xxix)	The PRC	RMB3,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects

42. 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 31 December 2014		31 December 2013		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Xintai Sound Water Co., Ltd 新泰桑德水務有限公司 (note xxix)	The PRC	RMB17,750,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Jilin Sound Water Co., Ltd 吉林桑德水務有限公司 (note xxix)	The PRC	RMB3,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Beijing Epure Environment Engineering Co., Ltd. 北京伊普環境工程有限公司 (Beijing Epure Environment") (notes xii & xxix)	The PRC	RMB3,010,650	20	80	N/A	N/A	Management and operation of the municipal wastewater projects
Tongliao 通遼市桑德水務有限公司 (notes xxx & xxxii)	The PRC	RMB53,500,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Shandong Chengwu Yingyuan Co., Ltd 山東成武盈源實業有限公司 (note xxx)	The PRC	RMB36,880,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Fuqing Qingxi Water Co., Ltd 福清清溪水務有限公司 ("Fuqing Qingxi") (notes xiii & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Tacheng Sound 塔城市桑德水務有限公司 (notes xiv & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Xishui County Qianyuan Water Co., Ltd 習水縣黔源水務有限公司 ("Xishui Qianyuan") (notes xv & xxix)	The PRC	USD3,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 Indirect %	Principal activities
Huangping Sound Water Co., Ltd 黄平縣桑德水務有限公司 ("Huangping Sound") (notes xvi & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Dazhou Sound Water Co., Ltd 達州桑德水務有限公司 ("Dazhou Sound") (notes xvii & xxix)	The PRC	RMB300,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Linfen Yi'ande Water Co., Ltd 臨汾益安德水務有限公司 ("Linfen Yi'ande") (notes xviii & xxix)	The PRC	RMB0	-	80	N/A	N/A	Management and operation of the municipal wastewater projects
Xiangxiang Sound Water Co., Ltd 湘鄉桑德水務有限公司 ("Xiangxiang Sound") (notes xix & xxix)	The PRC	RMB1,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Huangping Qianjing Water Co., Ltd 黄平縣黔京水務有限公司 ("Huangping Qianjing") (notes xx & xxix)	The PRC	RMB8,783,560	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Leiyang Sound Water Co., Ltd 耒陽桑德水務有限公司 ("Leiyang Sound") (notes xxi & xxix)	The PRC	RMB18,750,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Yulin Sound Water Co., Ltd 榆林桑德水務有限公司 ("Yulin Sound") (notes xxii & xxix)	The PRC	USD$1,465,476	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Ankang Sound Water Co., Ltd 安康桑德水務有限公司 ("Ankang Sound") (notes xxiii & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects

42. 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 31 December 2014 Direct %	31 December 2014 Indirect %	31 December 2013 Direct %	31 December 2013 Indirect %	Principal activities
Luoyuan Beimei 羅源北美水務有限公司 (note xxx)	The PRC	RMB5,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Luoyuan Beimei (Phase II) 羅源北美二期水務有限公司 (note xxx)	The PRC	RMB10,000,000	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Huoqiu Sound Water Co., Ltd 霍邱桑德水務有限公司 ("Huoqiu Sound") (notes xxiv & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Taihe Sound Water Treatment Co., Ltd 太和桑德淨水有限公司 ("Taihe Sound") (note xxv & xxix)	The PRC	USD0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Changbaishan Protection and Development Zone Sound Water Supply Co., Ltd 長白山保護開發區桑德自來水有限公司 ("Changbaishan Water Supply") (notes xxvi & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Tongling Sound Water Co., Ltd 銅陵桑德水務有限公司 ("Tongling Sound") (note xxvii & xxix)	The PRC	RMB0	-	80	N/A	N/A	Management and operation of the municipal wastewater projects
Xingren Sound Water Co., Ltd 興仁桑德水務有限公司 ("Xingren Sound") (note xxviii & xxix)	The PRC	RMB0	-	100	N/A	N/A	Management and operation of the municipal wastewater projects
Chongqing Yusang Environment Technology Co., Ltd 重慶渝桑環保科技有限公司 (note xxix)	The PRC	RMB3,000,000	-	50	N/A	N/A	Management and operation of the municipal wastewater projects

42. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. In the opinion of the directors, there is no subsidiary that has non-controlling interest individually that are material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

Significant restrictions

Cash and short-term deposits of RMB held in the PRC are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the PRC, other than through normal dividends.

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) The registered capital of Taizhou Sound is RMB145,800,000, of which RMB112,012,200 has been paid as at 31 December 2014.

(iii) The registered capital of Hunan Epure is RMB30,000,000, of which RMB6,000,000 has been paid as at 31 December 2014.

(iv) The registered capital of Fuqing Sound is RMB72,100,000, of which RMB14,420,000 has been paid as at 31 December 2014.

(v) The registered capital of Siyang Yangqing is RMB52,000,000, of which RMB23,270,000 has been paid as at 31 December 2014.

(vi) The registered capital of Fuqing Rongqing is RMB10,040,000, of which RMB2,010,000 has been paid as at 31 December 2014.

(vii) The registered capital of Xinghua Huqing is RMB112,260,000, of which RMB53,312,500 has been paid as at 31 December 2014.

(viii) The registered capital of Changbaishan Sound is RMB15,000,000, of which RMB3,000,000 has been paid as at 31 December 2014.

(ix) The registered capital of Baoding Sound is RMB20,800,000, of which RMB1,000,000 has been paid as at 31 December 2014.

(x) The registered capital of Yining Huize is RMB77,000,000, of which RMB27,912,500 has been paid as at 31 December 2014.

(xi) The registered capital of Xishui Qianqing is RMB18,000,000, of which RMB3,600,000 has been paid as at 31 December 2014.

42. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Notes: (continued)

(xii) The registered capital of Beijing Epure Environment is RMB20,000,000, of which RMB3,010,650 has been paid as at 31 December 2014.

(xiii) The registered capital of Fuqing Qingxi is RMB1,700,000, and nil has been paid as at 31 December 2014.

(xiv) The registered capital of Tacheng Sound is RMB20,000,000, and nil has been paid as at 31 December 2014.

(xv) The registered capital of Xishui Qianyuan is USD12,000,000, of which USD3,000,000 has been paid as at 31 December 2014.

(xvi) The registered capital of Huangping Sound is RMB6,250,000 , and nil has been paid as at 31 December 2014.

(xvii) The registered capital of Dazhou Sound is RMB10,000,000, of which RMB300,000 has been paid as at 31 December 2014.

(xviii) The registered capital of Linfen Yi'ande is RMB2,000,000, and nil has been paid as at 31 December 2014.

(xix) The registered capital of Xiangxiang Sound is RMB8,640,000, of which RMB1,000,000 has been paid as at 31 December 2014.

(xx) The registered capital of Huangping Qianjing is RMB17,500,000, of which RMB8,783,560 has been paid as at 31 December 2014.

(xxi) The registered capital of Leiyang Sound is RMB75,000,000, of which RMB18,750,000 has been paid as at 31 December 2014.

(xxii) The registered capital of Yulin Sound is USD4,050,000, of which USD1,465,476 has been paid as at 31 December 2014.

(xxiii) The registered capital of Ankang Sound is RMB25,240,000, and nil has been paid as at 31 December 2014.

(xxiv) The registered capital of Huoqiu Sound is RMB13,000,000, and nil has been paid as at 31 December 2014.

(xxv) The registered capital of Taihe Sound is USD6,000,000, and nil has been paid as at 31 December 2014.

(xxvi) The registered capital of Changbaishan Water Supply is RMB13,500,000, and nil has been paid as at 31 December 2014.

(xxvii) The registered capital of Tongling Sound is RMB30,000,000, and nil has been paid as at 31 December 2014.

42. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Notes: (continued)

(xxviii) The registered capital of Xingren Sound is RMB38,000,000, and nil has been paid as at 31 December 2014.

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

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

(xxxi) 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%.

(xxxii) The acquisition of Tongliao is regarded as a business combination under common control. In July 2014, the Group completed its acquisition of Tongliao with 97.8% interest acquired from Sound Group.

43. NON-CASH TRANSACTIONS

In addition to non-cash transactions disclosed in note 34, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

In the current year, the Group acquire Shandong Chengwu Yingyuan Industrial Co., Ltd., Luoyuan Beimei Water Co., Ltd. and Luoyuan Beimei (Phase II) Water Co., Ltd., sales proceeds of RMB2,390,000 and RMB4,641,000 respectively had not been paid in cash at the end of the reporting period.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 November 2015.

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 Tuesday, 12 January 2016 at 10:00 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 2014 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. Liu Wei as an Executive Director (Article 88) **(Ordinary Resolution 2)**
   Mr. Ma Yuanju as an Independent Non-Executive Director (Article 88) **(Ordinary Resolution 3)**
   Mr. Zhang Shuting as an Independent Non-Executive Director (Article 88) **(Ordinary Resolution 4)**
   Mr. Luo Jianhua as an Independent Non-Executive Director (Article 88) **(Ordinary Resolution 5)**
   Mr. Wen Yibo as an Executive Director (Article 89) **(Ordinary Resolution 6)**
   Mr. Jiang Anping as an Executive Director (Article 89) **(Ordinary Resolution 7)**
   See Explanatory Note (i)

3. To approve the payment of Directors' fees of S$122,000/– for the year ended 31 December 2014 (2013: S$122,000/–). **(Ordinary Resolution 8)**

4. To authorise the board of Directors (the "Board") to fix the Directors' remuneration. **(Ordinary Resolution 9)**

5. To re-appoint HLB Hodgson Impey Cheng Limited, Hong Kong and Foo Kon Tan LLP, Singapore as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 10)**

6. 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:

7. Authority to allot and issue ordinary shares in the capital of the Company ("Shares") — Adoption of 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% 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 11)**

8. 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% of the shares of the Company in issue as at the date of the passing of this Resolution."

See Explanatory Note (iii) **(Ordinary Resolution 12)**

9. Adoption of 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% 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% 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 13)**

By Order of the Board
SOUND GLOBAL LTD.
Tan Wei Shyan
Company Secretary

Singapore, 9 December 2015

Explanatory Notes:

(i) With reference to item 2 above:

(a) Mr. Ma Yuanju will upon re-election as an Independent Non-Executive Director 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. Zhang Shuting will upon re-election as an Independent Non-Executice Director of the Company, remain as a member of the Audit Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 3.13 of the Listing Rules.

(c) Mr. Luo Jianhua will upon re-election as an Independent Non-Executice Director of the Company, remain as chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. He will be considered independent for the purposes of Rule 3.13 of the Listing Rules.

(ii) The Ordinary Resolution 11 proposed in item 7 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% of the total number of issued Shares (excluding treasury shares) in the capital of the Company.

(iii) The Ordinary Resolution 12 proposed in item 8 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 13 proposed in item 9 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 12 January 2016 (Tuesday), the register of members of the Company will be closed from 8 January 2016 (Friday) to 12 January 2016 (Tuesday), 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 7 January 2016 (Thursday).

As at the date of this Notice, the Executive Directors are Wen Yibo, Zhang Jingzhi, Wang Kai, Luo Liyang, Jiang Anping and Liu Wei; and the Independent Non-executive Directors are Ma Yuanju, Luo Jianhua and Zhang Shuting.

corporate information

BOARD OF DIRECTORS
Executive Directors
Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai (Chief Financial Officer)
Luo Liyang
Jiang Anping
Liu Wei

Independent Non-Executive Directors
Ma Yuanju (Lead Independent Non-Executive Director)
Luo Jianhua
Zhang Shuting

COMMITTEES
Audit Committee
Ma Yuanju (Chairman)
Luo Jianhua
Zhang Shuting

Remuneration Committee
Luo Jianhua (Chairman)
Ma Yuanju
Zhang Shuting

Nomination Committee
Ma Yuanju (Chairman)
Wen Yibo
Luo Jianhua

AUTHORISED REPRESENTATIVES (SEHK)
Wen Yibo
Wong Tak Yee

JOINT COMPANY SECRETARIES
Tan Wei Shyan (LLB)
Wong Tak Yee (FCIS, FCS (PE))

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Partner-in-charge: Robin Chin Sin Beng
Date of appointment: 27 October 2015

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Sound Global Ltd. Annual Report 2014

桑德國際
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