





contents

01 Corporate Profile 02 Corporate Information 03 Financial Highlights
04 Management Discussion & Analysis 12 Board of Directors 17 Senior Management & Joint Company Secretaries
18 Group Structure 20 Information for Investors 21 General Information and Financial Information



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.

Sound Global has also diversified into the management of water treatment plants, investing in Build, Operate and Transfer ("BOT") projects and pioneering the Public Private Partnership ("PPP") investment model to diversify its project portfolio. By providing solutions from equipment manufacture to technical advise and support, from project construction to investment and management, the Group is progressing towards its aspiration of becoming a fully integrated services provider.

corporate information

BOARD OF DIRECTORS

Executive Directors

Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive 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))

REGISTERED OFFICE

1 Robinson Road #17-00
AIA Tower
Singapore 048542
Telephone: +65 6535 1944
Facsimile: +65 6535 8577

OFFICES

Our Principal Office and Contact Details
National Environmental Protection Industry Zone
Tongzhou District, Beijing 101102, PRC
Telephone: +8610 6050 4718
Facsimile: +8610 6050 4766

Our Singapore Office and Contact Details

460 Alexandra Road #15-04
PSA Building
Singapore 119963
Telephone: +65 6272 6678
Facsimile: +65 6272 1658

Our Hong Kong Office and Contact Details

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong
Telephone: +852 2980 1888
Facsimile: +852 2545 1628

CORPORATE WEBSITE

<http://www.soundglobal.com.sg>

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
The Hongkong and Shanghai Banking Corporation Limited
The Bank of East Asia, Limited

AUDITORS

Foo Kon Tan LLP
Chartered Accountants of Singapore
47 Hill Street, #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365
Partner-in-charge: Robin Chin Sin Beng
Date of appointment: 27 October 2015

HLB Hodgson Impey Cheng Limited

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

SOLICITORS

Shook Lin & Bok LLP
1 Robinson Road #18-00
AIA Tower
Singapore 048542

Rajah & Tann Singapore LLP

9 Battery Road #25-01
Straits Trading Building
Singapore 049910

Li & Partners
22/F., World-Wide House
Central
Hong Kong

financial highlights

CONSOLIDATED RESULTS

	6 months ended 30 June 2015 RMB'000 (Unaudited)	6 months ended 30 June 2014 RMB'000 (Unaudited) (Restated)
Revenue	1,854,841	1,647,381
Gross profit	576,563	502,740
Profit before income tax	398,691	309,632
Income tax expense	(80,067)	(66,602)
Profit for the period	<u>318,624</u>	<u>243,030</u>
Profit for the period attributable to		
Owners of the company	317,415	242,510
Non-controlling interest	<u>1,209</u>	<u>520</u>
	<u>318,624</u>	<u>243,030</u>
Earnings per Share		
Basic (RMB cents)	<u>21.08</u>	<u>17.50</u>
Diluted (RMB cents)	<u>20.97</u>	<u>17.16</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Current assets	6,104,436	6,985,431
Non-current assets	<u>3,993,347</u>	<u>3,120,686</u>
Total assets	<u>10,097,783</u>	<u>10,106,117</u>
Current liabilities	4,217,576	4,377,886
Non-current liabilities	<u>1,291,499</u>	<u>1,482,248</u>
Total liabilities	<u>5,509,075</u>	<u>5,860,134</u>
Capital and reserves	<u>4,588,708</u>	<u>4,245,983</u>

management *d*iscussion & analysis



SIGNIFICANT TRENDS, CONDITIONS AND EVENTS

2015 and the ensuing years in the “13th Five-Year Plan” will be a critical period in the comprehensive development of the ecology in China. Taking the “Action Plan for Water Pollution Prevention and Control” as a guideline, Public-Private Partnership (“PPP”) as the building model, and the newly revised “Environmental Protection Law” as the most powerful guarantee, a new system based on “focusing on improving environmental quality, implementing strict environmental-protection systems, and establishing a system jointly-governed by the government, enterprises and public” has been normalized. The specific features of the system include “large-scale centralized pollution control, strict law adherence and enforcement, acquisition of environmental services by the government, and diversification of entities involved in environmental investment and financing”.

Under the new system, the development potential of the environmental protection industry has been greatly enhanced, governance has been tightened, the competition has intensified, the rate and scale of mergers and acquisitions among and within enterprises has augmented and innovation has become the key factor of competition.

With the new system came new requirements. The Company, in accordance with our development objectives, will persevere to establish a professional and comprehensive turnkey water treatment company with business segments in municipal water treatment, industrial water treatment,

rural water treatment and the construction of sponge cities (synergic and comprehensive pipe construction, treatment of the river-basin ecology and treatment of contaminated and odorous water). We will also further improve our strategies based on the “internet school of thought and strategies”. Following our strategy of “systemization, segmentation and integration”, the Company will develop the core concepts of “Internet+, ecological chain, financial platforms and comprehensive sales and marketing” into actual operation practices. This will enable the Company to formulate new concepts and enhance efficiency.

Taking the PPP as the dominant model, the Company will expand its municipal and rural water treatment business. The Company will also enhance its coordination in the construction of sponge cities, comprising contaminated and odorous water treatment as well as comprehensive pipe construction and treatment of the river-basin ecology. The Company will pay special attention to the integration of existing water supply and drainage system with new facilities, integration of urban and rural water treatment business, and integration of sponge city construction which include contaminated and odorous water treatment, comprehensive pipe construction and treatment of the river-basin ecology.

To further explore the industrial wastewater treatment market, the Company plans to leverage on our professional strengths based on the strategy of third-party management



and centralized treatment of wastewater in industrial parks, as well as the fundamentals of industrial wastewater recycling.

The Company will make further effort with capital to merge and acquire enterprises with similar businesses, so as to further enjoy the benefits of an expanded ecological chain and economy of scale.

In addition, the Company will further promote the use of technology to conserve energy and reduce consumption so as to enhance our operational efficiency and increase returns from our facilities.

Moreover, the Company will further segment the water industry and apply relevant innovative technologies, especially in sludge treatment, seawater desalination, water supply and drainage, maintenance of pipe network operation, and “Internet+” in the water industry.

Furthermore, the Company will strive to build its capability in international business, explore business opportunities, strengthen its presence in international markets and establish platforms for international business, so as to grow our business during the “13th Five-Year Plan” period.

The Company will deepen internal reforms and regulatory governance to strengthen our internal control system. The

Company will also continue to make innovation as our top priority, focus on increasing quality and efficiency, persist in giving our best, accelerate the development of new mechanism and model for business and persist with our business strategies. At the same time, the Company will balance the relationship between business development and standardized operation, between development progress and development quality, between heavy assets and light assets, between self-development and cooperation with third parties, between internal control from headquarters and the development of business segments. In addition, the Company will enhance the capability of market exploration, technological support, project construction and operational management in each segment market and apply the relevant policies for standardised management.

As the domestic water industry will change significantly with intense competition, the Company will strive to take advantage of the opportunities during this period of comprehensive ecology construction and the evolution of regulation of the industry, enhance the implementation of innovative strategies in platform construction, and establish new competitive advantages so we can continuously lead the industry and maintain our sound, rapid and sustainable development.

management *d*iscussion & analysis

REVIEW OF GROUP'S FINANCIAL PERFORMANCE:

Revenue

The Group's revenue increased by approximately RMB207.4 million or 12.6% from approximately RMB1,647.4 million for the six months ended 30 June 2014 to approximately RMB1,854.8 million for the six months ended 30 June 2015.

The increase was attributed mainly to: (1) increased contribution from the turnkey Engineering, Procurement and Construction ("EPC") services of approximately RMB140.2 million from approximately RMB1,498.3 million for the six months ended 30 June 2014 to approximately RMB1,638.5 million for the six months ended 30 June 2015 as the Group continues to be awarded and fulfilling its EPC projects in China; and (2) increased contribution from the O&M segment of approximately RMB48.1 million from approximately RMB141.2 million for the six months ended 30 June 2014 to approximately RMB189.3 million for the six months ended 30 June 2015 as certain BOT projects started operations.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB73.9 million or 14.7% from approximately RMB502.7 million for the six months ended 30 June 2014 to approximately RMB576.6 million for the six months ended 30 June 2015. This increase was in line with the higher revenue and the stable gross profit margin.

The gross profit margin increased by approximately 0.6% from approximately 30.5% for the six months ended 30 June 2014 to approximately 31.1% for the six months ended 30 June 2015. 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 quarter to quarter depending on the amount of revenue recognised for the relevant projects during the relevant quarters. On a year-to-year basis, the gross profit margin remained relatively stable at around 30%.



Other Income

Other income increased by approximately RMB23.2 million or 36.3% from approximately RMB64.1 million for the six months ended 30 June 2014 to approximately RMB87.3 million for the six months ended 30 June 2015. This increase was mainly due to the deemed interest income arising from service concession receivables as the Group continues to invest in BOT projects.

Other Gains and Losses, net

The Group recorded a net loss of approximately RMB13.0 million for the six months ended 30 June 2014, and a net gain of approximately RMB2.1 million for the six months ended 30 June 2015. The net gain for the six months ended 30 June 2015 mainly arising from the gain on bargain purchase of a BOT subsidiary, Xingping City Hualu Sound Water Co., Ltd.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB9.2 million or 62.7% from approximately RMB14.8 million for the six months ended 30 June 2014 to approximately RMB24.0 million for the six months ended 30 June 2015, mainly due to the increase in staff costs and tender fees paid to agents.

Research and Development Expenses

Research and development expenses increased by approximately RMB6.2 million or 66.4% from approximately RMB9.3 million for the six months ended 30 June 2014 to approximately RMB15.5 million for the six months ended 30 June 2015. The research and development expenses are depending on the development of its dynamic technological trends of water treatment industry and the Company's needs in market development. There is no clear identifiable trend.



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Administrative Expenses

Administrative expenses increased by approximately RMB11.7 million or 15.7% from approximately RMB74.3 million for the six months ended 30 June 2014 to approximately RMB86.0 million for the six months ended 30 June 2015. This was mainly due to the increase in (1) staff costs of approximately RMB3.7 million as a result of salary increment and increase of Group's headcount; and (2) financial advisory fees of approximately RMB6.8 million paid to third party guarantors for the Group's bank borrowings and bank service charges for certain new borrowings raised during the period.

Finance Costs

Finance costs remained relatively consistent at approximately RMB145.8 million for the six months ended 30 June 2014 and approximately RMB141.8 million for the six months ended 30 June 2015.

Income Tax Expenses

Income tax expenses increased by approximately RMB13.5 million or 20.2% from approximately RMB66.6 million for the six months ended 30 June 2014 to approximately RMB80.1 million for the six months ended 30 June 2015. Income tax expenses increased as a result of an increase in the Group's profit.

Profit Attributable to Owners of the Company

As a result of the above, profit attributable to owners of the Company increased by approximately RMB74.9 million or 30.9% from approximately RMB242.5 million for the six months ended 30 June 2014 to approximately RMB317.4 million for the six months ended 30 June 2015.



REVIEW OF GROUP'S FINANCIAL POSITION:

Current Assets

Current assets decreased by approximately RMB881.0 million or 12.6% from approximately RMB6,985.4 million as at 31 December 2014 to approximately RMB6,104.4 million as at 30 June 2015 mainly due to the decrease in other receivables as Sound Group refunded the Earnest Money. The decrease was partly offset by the increase in trade receivables as business operations increased.

Non-Current Assets

Non-current assets increased by approximately RMB872.6 million or 28.0% from approximately RMB3,120.7 million as at 31 December 2014 to approximately RMB3,993.3 million as at 30 June 2015 mainly arose from increased service concession receivables as investment in BOT projects increased.

Current Liabilities

Current liabilities decreased by approximately RMB160.3 million or 3.7% from approximately RMB4,377.9 million as at 31 December 2014 to approximately RMB4,217.6 million as at 30 June 2015 mainly arose from repayment of bank borrowings, partly offset by an increase in trade and other payables as business operations increased.

Non-Current Liabilities

Non-current liabilities decreased by approximately RMB190.7 million or 12.9% from approximately RMB1,482.2 million as at 31 December 2014 to approximately RMB1,291.5 million as at 30 June 2015 mainly due to repayment of borrowings during the period.



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Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB340.6 million or 8.0% from approximately RMB4,239.7 million as at 31 December 2014 to approximately RMB4,580.3 million as at 30 June 2015 mainly due to the exercise of share options and the retained profits of approximately RMB329.1 million.

The non-controlling interest of approximately RMB8.5 million relates to a 10% minority interest in Anyang Taiyuan Water Co., Ltd. and 50% of Chongqing Yusang Environment Technology Co., Ltd.



FINANCIAL REVIEW

Gearing

	30 June 2015 RMB'000	31 December 2014 RMB'000
Borrowings (current)	935,350	1,448,286
Borrowings (non-current)	1,075,222	1,272,652
Senior notes (current)	902,274	907,073
Total debt	2,912,846	3,628,011
Bank balances and cash	599,349	1,968,239
Equity attributable to owners of the Company	4,580,253	4,239,737
Net cash/debt position	Net debt	Net debt
Total debt to equity ratio	0.64	0.86

board of directors

WEN YIBO

Executive Director and Chairman

Mr. Wen Yibo, aged 50, 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 : 000826), 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 : 000826), 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.

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年第一批中关村科技创新类高端领军人才).

board of directors

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.

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: 002688) (“Jinhe Biotechnology”) and Beijing Hanjian Heshan Pipeline Co., Ltd (Shanghai Stock Code: 603616) (“Hanjian Heshan”). 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: 002287) (“Cheezheng Tibetan Medicine”) from May 2008 to August 2014 and from October 2007 to February 2014 respectively. Shares of Qinghai Huading and Hanjian Heshan are listed on Shanghai Stock Exchange and shares of Cheezheng Tibetan Medicine and Jinhe Biotechnology 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.

board of directors

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.

senior management & joint company secretaries

HE HONGBING

Chief Financial Officer

Mr. He Hongbing, aged 43, joined our Company as Chief Financial Officer on 18 December 2015. He oversees and coordinates the operation of the Group's finance department including all financial, accounting and taxation functions and financing activities of the Group.

He graduated with a bachelor degree in science from Geology Department of Peking University in 1996 and a master degree of Civil and Commercial Law from the Law School of Yantai University in 2003. He is a CFA Charter holder and a member of The Hong Kong Society of Financial Analysts since September 2009. He has held Chinese lawyer qualification since May 1999 and Chinese Certified Public Accountant qualification since March 2003, and has over 12 years working experience in financial management, corporate finance, investor relations and merger and acquisition projects.

From July 1996 to August 2000, Mr. He was the assistant engineer of Technical Centre, Dongfeng Motor Corporation. From February 2003 to January 2004, he served as the financial manager of Shenzhen B&K Electronic Co., Ltd. From February 2004 to July 2007, he was the finance manager, deputy general manager of the Investor Relation Division of China Gas Holdings Limited. From August 2007 to December 2007, he was the investment analyst of Singapore UOB Kay Hian Research Pte Ltd. From January 2008 to June 2008, he served as the deputy general manager of International Business Division of China Gas Holdings Limited. From July 2008 to November 2014, he worked as the senior project manager, assistant president and vice president of Sino Oil and Gas Holdings Limited. From December 2014 to December 2015, he worked as the vice president of Linuo Group Co., Ltd.

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.

group Structure

as at 31 October 2015







information for *S*investors

2015 Interim Results Announcement
23 December 2015

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
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general information
&
financial information

22	General Information
32	Report on Review of Interim Financial Information
34	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
35	Condensed Consolidated Statement of Financial Position
36	Condensed Consolidated Statement of Changes in Equity
38	Condensed Consolidated Statement of Cash Flows
39	Notes to the Condensed Consolidated Financial Statements

general information

DIRECTORS

The Directors of the Company in office during the six months ended 30 June 2015 and up to the date of the 2015 Interim Report are:

Executive Directors

Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer)
Wang Kai (Chief Financial Officer) (Resigned on 18 December 2015)
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)

DIRECTORSHIPS

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 are as follows:

Name of Director	Present Directorships	Past directorships for the past 3 years
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	NIL

Name of Director	Present Directorships	Past directorships for the past 3 years
	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.	
Zhang Jingzhi	Epure International Engineering Pte. Ltd. Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	Beijing Environment Sanitation Investment Co., Ltd
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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and SEHK were as follows:

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

(A) The Company

Name	Number of shares/underlying shares held, capacity and nature of interest				Percentage to the issued share capital of the Company (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
Wen Yibo	15,333,000	-	738,018,944 ^{#1}	753,351,944	50.02
Zhang Jingzhi	7,559,000 ^{#2}	-	-	7,559,000	0.50
Wang Kai	9,024,000 ^{#2}	-	-	9,024,000	0.60
Luo Liyang	8,767,400 ^{#2}	-	-	8,767,400	0.58
Jiang Anping	7,523,000 ^{#2}	-	-	7,523,000	0.50

Notes:

#1 This includes 703,784,000 Shares held by Sound Water (BVI) Limited, 22,729,944 Shares held by Sound (HK) Limited and 11,505,000 Shares held by Green Capital Holdings Limited. Sound Water (BVI) Limited and Sound (HK) Limited are, directly or indirectly, controlled by Mr. Wen. Sound Water (BVI) Limited was owned by Mr. Wen and his wife, Ms. Zhang Huiming as to 90% and 10% respectively. Beijing Sanghua Environmental Technology Development Co., Ltd was 22.15% owned by Mr. Wen and 77.85% owned by his wife, Ms. Zhang Huiming. Beijing Sanghua Environmental Technology Development Co., Ltd was deemed to own 22,729,944 Shares in the Company through its controlled corporation, Sound Group Limited which owned 100% of the Shares in Sound (HK) Limited. Mr. Wen also owned an interest of 4.83% in the Shares of Sound Group Limited. Therefore, Mr. Wen is deemed to be interested in these shares under Part XV of the SFO.

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

#2 Shares held directly and share options granted under the Epure Share Option Scheme and the Sound Global Share Option Scheme adopted by the Company on 15 August 2007 and 30 April 2010 respectively. 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				Percentage to the issued share capital of the Associated Corporation (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
Wen Yibo	9	1	-	10	100

Notes:

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

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the 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.

SHARE OPTION

(A) Sound Global Share Option Scheme (“the Scheme”)

The Scheme is administered by the Remuneration Committee (“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. The remaining life of the Scheme is approximately 4 years.

As at 30 June 2015, the number of shares in respect of which options had been granted under the Scheme was 90,000,000 (2014: nil), representing approximately 6% (2014: 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 2015	Forfeited	Exercised	Outstanding at 30 June 2015
9 December 2014	#4	#5	HKD8.11	90,000,000	368,000	-	89,632,000

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 2015	Forfeited	Exercised	Outstanding at 30 June 2015
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}	368,000	-	62,383,000

#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, 130,000 options were held by Mr. Liu Wei. 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 Interim Report.

As at 30 June 2015, the number of shares in respect of which options had been granted under the Epure Scheme was 64,500,000 (2014: 64,500,000), representing 5% (2014: 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 2015	Exercised	Outstanding at 30 June 2015
23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S\$0.745	27,845,400	6,437,000	21,408,400

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.

general information

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 2015	Exercised	Outstanding at 30 June 2015
Director							
Wang Kai	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S\$0.745	2,435,000	960,000	1,475,000
Luo Liyang	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S\$0.745	2,497,400	840,000	1,657,400
Jiang Anping	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S\$0.745	1,003,000	205,000	798,000
Other employees	23 July 2010	23 July 2010 to 22 July 2014	23 July 2011 to 22 July 2015	S\$0.745	21,910,000	4,432,000	17,478,000

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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of company (%)
Zhang Huiming	753,351,944 (L) ^{#7}	50.02 (L)
Sound Water (BVI) Limited	703,784,000 (L)	46.73 (L)
Central Huijin Investment Ltd	165,389,473 (L)	10.98 (L)
China Construction Bank Corporation	165,389,473 (L)	10.98 (L)
International Finance Corporation	104,622,795 (L)	6.95 (L)
Schroders Plc	78,484,000 (L)	5.21 (L)

(L) — Long position

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 and 11,505,000 Shares held by Green Capital Holdings Limited.

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

Save as disclosed above, as at 30 June 2015, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The unaudited interim results for the six months ended 30 June 2015 have been reviewed by the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company devotes to the best practice on corporate governance, and has complied with the Code Provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2015 except for the deviation from Code Provision A.4.1 of the CG Code which 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 appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be then eligible for re-election at the meeting.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors. The Board confirms that, having made specific enquiries with all directors of the Company, during the six months ended 30 June 2015, all directors of the Company have complied with the required standards of the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

For the six months ended 30 June 2015, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2015, there were 2,495 (2014: 1,846) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except as disclosed in the condensed consolidated financial statements of the Group for the six months ended 30 June 2015, there were no significant investments held as at 30 June 2015, nor other material acquisitions and disposals of subsidiaries during the period.

EVENT AFTER THE REPORTING PERIOD

Please refer to Note 24 of the notes to the condensed consolidated financial statements for the six months ended 30 June 2015 for the information.

report on *Review* of interim financial information



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

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

TO THE BOARD OF DIRECTORS OF
SOUND GLOBAL LTD.

(incorporated in the Republic of Singapore with limited liability)

We have reviewed the interim financial information set out on pages 34 to 62, which comprise the condensed consolidated statement of financial position of Sound Global Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.



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

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

Emphasis of matter

We draw attention to Note 24(a) in the condensed 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 conclusion is not qualified in respect of this matter.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 23 December 2015

condensed consolidated Statement of profit or loss and other comprehensive income

for the six months ended 30 June 2015

	Notes	Six months ended	
		30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Revenue	5	1,854,841	1,647,381
Cost of sales		(1,278,278)	(1,144,641)
Gross profit		576,563	502,740
Other income	6	87,342	64,096
Other gains and losses, net	7	2,070	(12,992)
Distribution and selling expenses		(24,005)	(14,753)
Research and development expenses		(15,471)	(9,298)
Administrative expenses		(86,014)	(74,327)
Finance costs	8	(141,794)	(145,834)
Profit before income tax		398,691	309,632
Income tax expenses	9	(80,067)	(66,602)
Profit for the period	10	318,624	243,030
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations		476	(396)
Total comprehensive income for the period (net of tax)		319,100	242,634
Profit for the period attributable to:			
Owners of the Company		317,415	242,510
Non-controlling interests		1,209	520
		318,624	243,030
Total comprehensive income for the period attributable to:			
Owners of the Company		317,891	242,114
Non-controlling interests		1,209	520
		319,100	242,634
Earnings per share (in RMB cents)			
Basic	12	21.08	17.50
Diluted	12	20.97	17.16

condensed consolidated Statement of financial position

at 30 June 2015

	Notes	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	56,292	52,069
Intangible assets	14	59,178	61,158
Land use rights		40,242	40,820
Goodwill		41,395	41,395
Service concession receivables	15	3,788,510	2,917,514
Deferred tax assets		7,730	7,730
		3,993,347	3,120,686
CURRENT ASSETS			
Inventories		81,083	34,872
Trade and other receivables	17	2,671,829	3,692,690
Land use rights		1,158	1,158
Amounts due from customers for contract work		1,061,814	1,157,581
Derivative financial instruments	16	-	18,037
Restricted bank balances		1,689,203	112,854
Bank balances and cash		599,349	1,968,239
		6,104,436	6,985,431
CURRENT LIABILITIES			
Trade and other payables	18	2,306,963	1,821,459
Tax payables		72,844	100,003
Borrowings	19	935,350	1,448,286
Senior notes		902,274	907,073
Amounts due to customers for contract work		145	101,065
		4,217,576	4,377,886
NET CURRENT ASSETS			
		1,886,860	2,607,545
TOTAL ASSETS LESS CURRENT LIABILITIES			
		5,880,207	5,728,231
NON-CURRENT LIABILITIES			
Deferred tax liabilities		175,347	162,582
Borrowings	19	1,075,222	1,272,652
Derivative financial instruments	16	40,930	47,014
		1,291,499	1,482,248
TOTAL ASSETS LESS TOTAL LIABILITIES			
		4,588,708	4,245,983
CAPITAL AND RESERVES			
Issued capital		1,720,304	1,690,579
Reserves		2,859,949	2,549,158
Equity attributable to owners of the Company		4,580,253	4,239,737
Non-controlling interests		8,455	6,246
		4,588,708	4,245,983

condensed consolidated Statement of changes in equity

for the six months ended 30 June 2015

	Issued capital	Merger reserve	Capital reserve	Translation reserve	Share options reserve	Convertible loan notes reserve	Statutory surplus reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance 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
Balance 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 period	-	-	-	-	-	-	-	242,510	242,510	520	243,030
Other comprehensive expense for the period	-	-	-	(396)	-	-	-	-	(396)	-	(396)
Total comprehensive income for the period	-	-	-	(396)	-	-	-	242,510	242,114	520	242,634
Conversion of convertible bonds	640,325	-	-	-	-	(58,026)	-	-	582,299	-	582,299
Recognition of equity-settled share-based payments	-	-	-	-	1,132	-	-	-	1,132	-	1,132
Balance at 30 June 2014 (unaudited) (restated)	1,473,693	(5,655)	7,138	1,931	35,381	-	145,007	2,309,477	3,966,972	6,031	3,973,003
Balance at 1 January 2015	1,690,579	(198,082)	4,562	(2,952)	30,713	-	185,730	2,529,187	4,239,737	6,246	4,245,983
Profit for the period	-	-	-	-	-	-	-	317,415	317,415	1,209	318,624
Other comprehensive income for the period	-	-	-	476	-	-	-	-	476	-	476
Total comprehensive income for the period	-	-	-	476	-	-	-	317,415	317,891	1,209	319,100
Exercise of share options	29,725	-	-	-	(7,100)	-	-	-	22,625	-	22,625
Contributions from non-controlling interest	-	-	-	-	-	-	-	-	-	1,000	1,000
Balance at 30 June 2015 (unaudited)	1,720,304	(198,082)	4,562	(2,476)	23,613	-	185,730	2,846,602	4,580,253	8,455	4,588,708

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 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.

condensed consolidated Statement of cash flows

for the six months ended 30 June 2015

	Six months ended	
	30 June 2015	30 June 2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
		(Restated)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	1,050,351	(63,549)
NET CASH (USED IN) FROM INVESTING ACTIVITIES		
Interest received	7,065	12,792
Purchases of property, plant and equipment	(8,890)	(8,243)
Proceeds from disposal of property, plant and equipment	426	157
Acquisition of a subsidiary	(5,313)	-
Placement in restricted bank balances	(1,872,237)	(37,399)
Withdrawal in restricted bank balances	294,873	70,078
	(1,584,076)	37,385
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
Interest paid	(132,603)	(145,247)
Exercise of share options	22,625	-
Capital contribution from non-controlling interest	1,000	-
Borrowings raised	760,350	682,048
Repayment of borrowings	(1,483,222)	(292,853)
	(831,850)	243,948
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,365,575)	217,784
CASH AND CASH EQUIVALENTS AT 1 JANUARY	1,968,239	3,533,580
Effect of foreign exchange rate changes	(3,315)	3,116
CASH AND CASH EQUIVALENTS AT 30 JUNE		
REPRESENTED BY BANK BALANCES AND CASH	599,349	3,754,480

notes to the condensed Consolidated financial statements

for the six months ended 30 June 2015

i. 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.

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 (“Mr. Wen”) 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 condensed consolidated statements of profit or loss and other comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows for the six months ended 30 June 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 2014. 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.

notes to the condensed Consolidated financial statements

for the six months ended 30 June 2015

I. GENERAL INFORMATION (CONTINUED)

Business combination under common control (continued)

The effects of the combination of Tongliao on the result of the Group for the six months ended 30 June 2014 are summarised below:

	Originally stated RMB'000 (unaudited)	Combination of Tongliao RMB'000 (unaudited)	Restated RMB'000 (unaudited)
Revenue	1,634,740	12,641	1,647,381
Cost of sales	(1,134,270)	(10,371)	(1,144,641)
Gross profit	500,470	2,270	502,740
Other income	59,335	4,761	64,096
Other gains and losses, net	(12,992)	-	(12,992)
Distribution and selling expenses	(14,753)	-	(14,753)
Research and development expenses	(9,298)	-	(9,298)
Administrative expenses	(72,701)	(1,626)	(74,327)
Finance costs	(145,628)	(206)	(145,834)
Profit before income tax	304,433	5,199	309,632
Income tax expenses	(64,368)	(2,234)	(66,602)
Profit for the period	240,065	2,965	243,030
Other comprehensive expense			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations	(396)	-	(396)
Total comprehensive income for the period (net of tax)	239,669	2,965	242,634
Profit for the period attributable to:			
Owners of the Company	239,610	2,900	242,510
Non-controlling interests	455	65	520
	240,065	2,965	243,030
Total comprehensive income attributable to:			
Owners of the Company	239,214	2,900	242,114
Non-controlling interests	455	65	520
	239,669	2,965	242,634

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”) and with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual audited consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards and interpretations (“new or revised IFRSs”) issued by International Accounting Standards Board that are mandatorily effective for the current interim period.

The application of the new or revised IFRSs in the current interim period has had no material impact on the Group’s financial performance and positions and/or on the disclosures set out in these condensed consolidated financial statements.

4. 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”).

notes to the condensed *Consolidated* financial statements

for the six months ended 30 June 2015

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Group's annual consolidated financial statements for the year ended 31 December 2014. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, other income and finance costs at corporate level.

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

	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 six months ended 30 June 2015 (unaudited)						
Revenue						
External sales	1,638,520	27,037	189,284	1,854,841	-	1,854,841
Inter-segment sales	-	128,457	-	128,457	(128,457)	-
Total revenue	1,638,520	155,494	189,284	1,983,298	(128,457)	1,854,841
Segment results	353,941	17,070	142,880	513,891	-	513,891
Unallocated income						122
Unallocated other gains and losses						(9,207)
Unallocated finance costs						(94,053)
Unallocated expenses						(12,062)
Profit before income tax						398,691
For the six months ended 30 June 2014 (unaudited) (Restated)						
Revenue						
External sales	1,498,296	7,887	141,198	1,647,381	-	1,647,381
Inter-segment sales	-	85,520	-	85,520	(85,520)	-
Total revenue	1,498,296	93,407	141,198	1,732,901	(85,520)	1,647,381
Segment results	354,187	2,935	74,863	431,985	-	431,985
Unallocated income						352
Unallocated other gains and losses						(11,586)
Unallocated finance costs						(102,204)
Unallocated expenses						(8,915)
Profit before income tax						309,632

5. REVENUE

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Revenue from construction contracts		
- Turnkey services	1,413,398	1,359,342
- Sales of equipments	198,823	103,926
Revenue from sale of goods	27,037	7,887
Operating and maintenance income	189,284	141,198
Design service	26,299	35,028
	1,854,841	1,647,381

6. OTHER INCOME

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Interest income	7,065	8,216
Imputed interest income on service concession receivables	78,262	55,642
Government grant	1,870	-
Sundry income	145	238
	87,342	64,096

notes to the condensed Consolidated financial statements

for the six months ended 30 June 2015

7. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Allowance for doubtful debts written back	-	2,883
Change in fair value of redemption option embedded in senior notes	(15,321)	22,484
Change in fair value of warrants	-	(20,434)
Changes in fair value of a swap contract	(3,337)	(2,240)
Changes in fair value of foreign currency forward contracts	(2,716)	(2,732)
Gain on bargain purchase of a subsidiary (Note 20)	23,108	-
Loss on disposal of property, plant and equipment	(944)	(51)
Net foreign exchange gains (losses)	1,319	(12,776)
Others	(39)	(126)
	2,070	(12,992)

8. FINANCE COSTS

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Interest expenses on borrowings		
- wholly repayable within five years	59,478	40,237
- not wholly repayable within five years	16,847	27,483
Interest expenses on finance lease	-	206
Effective interest expenses on convertible loan notes	-	11,654
Effective interest expenses on senior notes	65,469	66,254
	141,794	145,834

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
The charge comprises:		
Current tax		
PRC income tax	61,462	59,305
Over provision in prior year		
PRC income tax	-	(8,793)
Deferred tax	18,605	16,090
	80,067	66,602

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 current interim period, the tax rate was 17% (2014: 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%. For the six months ended 30 June 2015, certain PRC subsidiaries enjoy preferential income tax rates at 12.5% or tax exempted (2014: 12.5%, 15% or tax exempted).

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. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Amortisation of intangible assets	1,980	6,796
Amortisation of land use rights	578	578
Depreciation for property, plant and equipment	3,509	3,360

notes to the condensed *Consolidated* financial statements

for the six months ended 30 June 2015

ii. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no interim dividend will be proposed in respect of the six months ended 30 June 2015 (2014: nil).

12. 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:

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited) (Restated)
Earnings for the purpose of basic earnings per share	317,415	242,510
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	-	11,654
Earnings for the purpose of diluted earnings per share	<u>317,415</u>	<u>254,164</u>
	'000 (unaudited)	'000 (unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,505,790	1,385,939
Effect of dilutive potential ordinary shares from:		
Share options	8,076	11,717
Warrants	-	1,867
Convertible loan notes	-	81,358
Weighted average number of shares	<u>1,513,866</u>	<u>1,480,881</u>
	RMB cents (unaudited)	RMB cents (unaudited) (Restated)
Earnings per share		
Basic	<u>21.08</u>	17.50
Diluted	<u>20.97</u>	17.16

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The additions during the six months ended 30 June 2015 was approximately RMB8,890,000 (2014:RMB 8,243,000).

As at 30 June 2015, certain buildings with an aggregate carrying amount of approximately RMB11,942,000 (2014: RMB27,321,000) were pledged to secure general banking facilities granted to the Group.

14. INTANGIBLE ASSETS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Patents	-	-
Operating concessions	59,178	61,158
	<u>59,178</u>	<u>61,158</u>

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 15.

15. SERVICE CONCESSION RECEIVABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Service concession receivables	4,015,235	3,112,135
Less: Amounts due within one year shown in trade and other receivables	(226,725)	(194,621)
	<u>3,788,510</u>	<u>2,917,514</u>

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. 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. Consideration to be received from the grantor for a service concession arrangement is accounted for as an intangible asset (operating concession) or financial asset (service concession receivables) or a combination of both, as appropriate. The intangible asset component is detailed in Note 14, and the financial asset component is as above.

notes to the condensed Consolidated financial statements

for the six months ended 30 June 2015

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Financial assets (current)		
Fair value of foreign currency forward contracts	-	2,716
Fair value of redemption option embedded in senior notes	-	15,321
	-	18,037
Financial liabilities (non-current)		
Fair value of a swap contract	40,930	47,014

17. TRADE AND OTHER RECEIVABLES

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.

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.

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables:		
Within 90 days	255,757	516,362
91 to 180 days	205,613	123,821
181 days to 1 year	669,995	216,556
1 to 2 years	629,763	275,832
2 to 3 years	37,096	51,250
More than 3 years	14,687	2,453
	1,812,911	1,186,274
Bills receivables:		
Within 180 days	2,485	18,000

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

As set out in the Company's announcements dated 16 March 2015, 31 March 2015 and 29 April 2015, the release of the annual results for the year ended 31 December 2014 was delayed. It was further announced that the predecessor auditors of the Company (the "Predecessor Auditors") identified the potential issues in relation to the financial position of the Company which refer to the shortfall of or about approximately RMB2.0 billion between the Company's cash balances at bank and that on the Company's books as at 31 December 2014 (the "Cash Discrepancy"). 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 (the "Trading Suspension"). Details of the development of the Trading Suspension were set out in note 24(a) to these condensed consolidated financial statements.

In order to deal with the Cash Discrepancy, it has been resolved by the board of directors of the Company (the "Board") to set up an independent review committee (the "IRC") on 31 March 2015 and on 23 June 2015, the Company announced that the IRC has engaged, PKF Accountants & Business Advisors ("PKF") to conduct a review on the Cash Discrepancy. The report prepared by PKF (the "Review Report") reveals that the Cash Discrepancy was a result of the earnest money amounted to RMB2.0 billion (the "Earnest Money") through Sound Group, paid to two independent third parties incorporated in the PRC (the "Sellers"), for acquisition of their water treatment business (the "Proposed Acquisition") and in this connection, 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").

It is further set out in the Review Report that, it was agreed that the Earnest Money should be financed through Sound Group's own internal funds. Accordingly, the Group further 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 RMB2.0 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 Supplementary Trust Agreement, Sound Group transferred approximately RMB2.8 million as interest to the Company during the six months ended 30 June 2015.

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

18. 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.

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables:		
Within 90 days	661,655	510,716
91 to 180 days	214,229	169,662
181 days to 1 year	300,542	148,758
1 to 2 years	180,920	202,979
2 to 3 years	128,685	57,861
More than 3 years	67,667	66,908
	1,553,698	1,156,884
Bills payables:		
Within 180 days	109,644	123,550

19. BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to approximately RMB760,350,000 (2014: RMB682,048,000) and repaid bank borrowings of approximately RMB1,483,222,000 (2014: RMB292,853,000).

20. ACQUISITION OF A SUBSIDIARY

Acquisition of a subsidiary for the six months ended 30 June 2015

On 31 January 2015, the Group acquired 100% shares of a BOT company, Xingping City Hualu Water Co., Ltd (“Xingping City Hualu”) from an independent third party, and for a consideration of approximately RMB97,624,000. The acquisition has been accounted for using the acquisition method. There was gain on bargain purchase arising from this acquisition. Xingping City Hualu mainly engaged in management and operation of the municipal wastewater project located in Shanxi, the PRC under service concession arrangement with remaining service concession period of 17 years.

20. ACQUISITION OF A SUBSIDIARY (CONTINUED)

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

	Fair value RMB'000
Bank balances and cash	631
Trade and other receivables	15,266
Property, plant and equipment	214
Deferred tax assets	5,840
Service concession receivables	105,706
Trade and other payables	(98,605)
	<u>29,052</u>
Sale loan	91,680
Gain on bargain purchase	(23,108)
Total consideration	<u>97,624</u>
Satisfied by:	
Cash	5,944
Assignment of sale loan	91,680
	<u>97,624</u>
Net cash outflow arising on this acquisition:	
Consideration paid in cash	5,944
Bank balances and cash acquired	(631)
Total	<u>5,313</u>

Included in the profit for the period of the Group for the six months ended 30 June 2015, which is gain of approximately RMB1,997,000 and revenue of approximately RMB6,140,000 attributable to Xingping City Hualu.

Had the acquisition taken place at the beginning of the period, the turnover and net profit of the Group for the period would have been approximately RMB1,854,841,000 and RMB317,491,000 respectively.

Acquisition-related costs amounting to approximately RMB50,000 have been excluded from the consideration transferred and have been recognised as an expense in the condensed consolidated statement of profit or loss.

The fair value of trade and other receivables at the date of acquisition is approximately RMB15,266,000. The gross contractual amount due for trade and other receivables is approximately RMB15,266,000, of which the best estimate at the date of acquisition of the contractual cash flows are expected to be fully collectable.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/ Financial liabilities	Fair value at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2015 (unaudited)	31 December 2014 (audited)				
1) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets -	Assets 2,716	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Swap contract classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities 40,930	Liabilities 47,014	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

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ Financial liabilities	Fair value at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2015 (unaudited)	31 December 2014 (audited)				
3) Senior notes redemption option classified as derivative financial instruments in the condensed consolidated statement of financial position	Assets -	Assets 15,321	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

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 condensed consolidated financial statements approximate their fair values:

	30 June 2015		31 December 2014	
	Carrying amount RMB'000 (unaudited)	Fair value RMB'000 (unaudited)	Carrying amount RMB'000 (audited)	Fair value RMB'000 (audited)
Financial liabilities				
Senior notes	948,455	836,477	955,535	1,029,605

22. CAPITAL COMMITMENT

The Group had the following capital commitment at the end of the reporting period:

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Contracted but not provided for	12,500	-

23. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited)
Revenue from construction contracts		
<i>Companies under common control of Mr. Wen:</i>		
Baotou Lucheng Water Co., Ltd. ("Baotou Lucheng")	-	101,536
Beijing Xiaojiahe Wastewater Treatment Co., Ltd. ("Beijing Xiaojiahe")	102,148	48,373
Huzhou Sound Water Co., Ltd.	226	-
Jiangsu Sound Shuyuan Water Co., Ltd. ("Jiangsu Sound Shuyuan")	17,582	-
Ezhou Sound Eqing ("Ezhou Eqing")	1,450	-
	121,406	149,909
Revenue from design service		
<i>Companies under common control of Mr. Wen:</i>		
Beijing Xiaojiahe	2,830	-
Huzhou Sound Water Co., Ltd.	283	-
Jiangsu Sound Shuyuan	1,197	-
Baotou Lucheng	-	9,047
	4,310	9,047

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

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	As at	
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables		
<i>Companies under common control of Mr. Wen:</i>		
Baotou Lucheng	-	-
Beijing Xiaojahe	1,700	1,700
Laohekou Qingyuan Water Co., Ltd.	1,957	1,957
Jiayu Jiaqing Water Co., Ltd.	1,369	1,369
Beijing Guozhang Biology Technology Co., Ltd.	-	816
Ezhou Eqing	-	754
Sound Group	351	351
Jiangsu Sound Shuyuan	-	4,682
	5,377	11,629
Amounts due from customers for contract work		
<i>Companies under common control of Mr. Wen:</i>		
Ezhou Eqing	-	251
Jiangsu Sound Shuyuan	6,284	1,561
Beijing Xiaojahe	67,186	-
Baotou Lucheng	19,961	19,961
	93,431	21,773
Amounts due to customers for contract work		
<i>Companies under common control of Mr. Wen:</i>		
Ezhou Eqing	145	-
	145	-

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	As at	
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Other receivables		
<i>Companies under common control of Mr. Wen:</i>		
Sound Group	54,000	-
<i>Directors:</i>		
Wang Kai	126	201
Luo Liyang	27	-
Jiang Anping	50	31
	54,203	232

The maximum balance outstanding for amounts due from Wang Kai, Luo Liyang and Jiang Anping during the six months ended 30 June 2015 were approximately RMB201,000, RMB27,000 and RMB50,000 (2014:RMB255,000, RMBnil and RMB100,000) respectively.

	As at	
	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables		
<i>Companies under common control of Mr. Wen:</i>		
Hubei Hejia Environment Equipment Co., Ltd	772	-
Other payables		
<i>Director:</i>		
Luo Liyang	-	10

The maximum balance outstanding for amount due to Luo Liyang during the six months ended 30 June 2015 was approximately RMB10,000 (2014:RMB10,000).

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Compensation of key management personnel

The emoluments of key management during the period including the directors and chief executive were as follows:

	Six months ended	
	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited)
Wages and salaries	1,062	1,091
Performance related incentive payments	-	33
Contributions to defined contribution plan	104	94
Share-based payments	-	253
	1,166	1,471

(d) Guarantees

As at 30 June 2015, the borrowings amounting to approximately RMB1,121,815,000 (31 December 2014: RMB854,920,000) of the Group was guaranteed by Sound Group. This included a bank borrowing of approximately RMB50,000,000 (2014: RMB50,000,000) secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

As at 30 June 2015, bank borrowings amounting to RMBNil (31 December 2014: approximately RMB663,604,000) of Sound Global (Hong Kong) Limited was jointly guaranteed by the Company and its wholly owned subsidiaries namely Sound International Engineering Ltd, Sound International Investment Holdings Limited and Epure International Engineering Pte. Ltd.

(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 Beijing Sound for its investments in environmental protection and its subsidiary, by Beijing Sound Water Technology Co., Ltd. for the processing of purified drinking water at nil consideration before March 2006.

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

23. RELATED PARTY TRANSACTIONS (CONTINUED)

- (f) As set out in Note 17 to the condensed consolidated financial statements, the Company entered into the Trust Agreement and the Supplementary Trust Agreement with Sound Group.

As Sound Group is a connected party to the Company under the definition of 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 the 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 Supplementary 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 of the Listing Rule was adequately reflected in the condensed consolidated financial statements.

24. EVENTS AFTER THE REPORTING PERIOD

- (a) Development of the Trading Suspension

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.

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.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) Development of the Trading Suspension (continued)

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 as its internal control consultant to review and advise on the Company's financial reporting procedures and internal control systems.

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 Supplementary 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 the 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 condensed consolidated financial statements of the Group.

The Company has announced the audited consolidated results of the Group for the year ended 31 December 2014 on 24 November 2015.

On 30 November 2015, the Company announced that RSM has completed its forensic investigations on the Cash Discrepancy and has issued an Independent Forensic Accountants' Report dated 20 November 2015 (the "Independent Forensic Accountants' Report"). On 26 November 2015, the Company submitted the Independent Forensic Accountants' Report to the SEHK.

The Company further announced that PKF has completed its reviewing of the Company's financial reporting procedures and internal control systems. PKF is in the process of finalising its review report (the "Internal Control Report"). The management of the Company has been discussing with PKF about the latter's findings and proposed remedial measures on financial reporting procedures and internal control systems. The management of the Company is also considering the implementation of the proposed remedial measures, where appropriate.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) Development of Trading Suspension (continued)

On 18 December 2015, the Company announced the summary of the key findings of RSM in the forensic accounting review on the Cash Discrepancy. Below is a summary of the key findings of RSM in the forensic accounting review.

The Predecessor Auditors identified a shortfall of RMB2.0 billion between the Group's cash balance at bank and that on the book as at 31 December 2014 i.e. the Cash Discrepancy, during the course of their audit of the Company's consolidated financial statement for the year ended 31 December 2014. After the discovery of the Cash Discrepancy, the IRC was formed consisting of the independent non-executive directors (INEDs) of the Company and subsequently, PKF was appointed to conduct a special investigation on the Cash Discrepancy.

PKF's findings were consistent with the Company's explanation that the Cash Discrepancy was due to the Earnest Money paid by the Company through its agent, Sound Group, for the Proposed Acquisitions. The payments of the Earnest Money were omitted in the Company's accounting records.

RSM's independent forensic accounting review was largely divided into, *inter alia*, the following areas: (1) to find out the cause(s) of the Cash Discrepancy (whether the cause(s) matched with PKF findings); (2) to review the existence of the Proposed Acquisitions and whether the Proposed Acquisitions were the cause of the Cash Discrepancy; (3) to review the subsequent fund flow of the Earnest Money refunded by Sound Group to the Company on 13 April 2015; and (4) to assess whether the Cash Discrepancy was related to fraud.

During the forensic accounting review, RSM conducted, *inter alia*: (1) confirmation procedures with the banks of Beijing Sound, Beijing Epure International Water Co., Ltd. ("Beijing Epure") and Sound Group; (2) confirmation procedures with the Sellers in the Proposed Acquisitions; (3) interviews with various relevant individuals; and (4) computer forensic review of the computers which were used by the relevant employees of the Company.

RSM confirmed that on 4 November 2014, Beijing Sound paid earnest money to one of the Sellers via Sound Group for a proposed acquisition and on 24 November 2014, Beijing Sound and Beijing Epure paid earnest money to the another Sellers via Sound Group for another proposed acquisition, totaling RMB2.0 billion.

RSM found that none of the above payments had been recorded in the accounting records of Beijing Sound, Beijing Epure and/or the Group until 3 April 2015, i.e. approximately a month after the Cash Discrepancy was discovered by the Predecessor Auditors. These transactions, omitted in the Group's accounting records at the relevant time, caused the discrepancy of RMB2.0 billion between the Group's cash balance at bank and that on the books as at 31 December 2014. The correction entries were made on 3 April 2015.

Due to the confidentiality of the Proposed Acquisitions as requested by the Sellers and to avoid intense competition, the Group engaged Sound Group as its agent in the Proposed Acquisitions. Under such an agency arrangement, Sound Group entered into agreements with the Sellers. The Group would make payments of the Earnest Money to Sound Group and Sound Group would then make the payments to the Sellers on the Group's behalf.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(a) Development of Trading Suspension (continued)

At the relevant time, the Chief Financial Officer (“CFO”) (also an executive director) of the Company, Mr. Wang Kai (“Mr. Wang”) decided not to record the accounting entries for the time being since he intended to wait and see if the Proposed Acquisitions could be completed by the end of the year 2014, and if so, the Earnest Money would be fully returned to the Group. However, due to his oversight and/or heavy workload, he had forgotten to follow up with the progress of the Proposed Acquisitions and to post the relevant entries before the Predecessor Auditors’ performance of their audit field work in early 2015.

RSM reviewed the relevant documents of the Proposed Acquisitions, conducted site visits at the selected water treatment facilities of the Sellers and interviews with the Sellers and conducted forensic computer reviews. All these serve as contemporaneous evidence in support the existence of the Proposed Acquisitions at the relevant time.

Upon the discovery of the Cash Discrepancy, Sound Group voluntarily refunded RMB2.0 billion plus interest to the Company on 13 April 2015. RSM reviewed the cash flow of the refund of RMB 2.0 billion and how the refund had been utilised (e.g. repayment of bank loan, payment of bid deposits or investment funds for various projects, etc.), and found no obvious irregularities.

RSM’s review is consistent with PKF’s findings, and is also consistent with the Company’s explanation that the Cash Discrepancy was due to the omission of recording the payments of the Earnest Money in the sum of RMB2.0 billion to the Sellers in the Company’s books.

RSM is unable to verify the explanation given by the CFO of the Company, Mr. Wang, as to whether, at or around the times of the transactions, he genuinely planned to make the entries by the year end of 2014 or before the commencement of the audit and/or his omission of booking the entries was indeed due to oversight. RSM however have not found any evidence which indicated that such error or omission was related to fraud. In addition, other than the Finance Department of the Company, no other department and/or management of the Company was involved in/had knowledge about the omissions in recording the transactions prior to Predecessor Auditors’ discovery of the Cash Discrepancy.

With regard to the potential internal control weaknesses revealed by the incident of the Cash Discrepancy, as also reflected in the forensic accounting review conducted by RSM, the Company has, *inter alia*, taken the following remedial measures to enhance its internal control:

- (i) For each single payment exceeding the limit of RMB30 million or for each single transaction exceeding the limit of RMB100 million (the payment of which may be made by instalments), the chairman of the Audit Committee would be required to counter-sign as an additional signatory on behalf of the independent non-executive directors of the Company; and
- (ii) Before submitting requests to the chairman of the Audit Committee for counter-signing, the management of the Company is required to provide the chairman of the Audit Committee with the relevant supporting documents and information for his perusal and verification.

24. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(b) New and acquisition of projects and redemption

Subsequent to the end of the reporting period, the Group has obtained a number of new contracts for the sewage/water treatment BOT and turnkey projects and entered into agreements for acquisitions of water supply/sewage treatment plants of which details were set out in the Company's announcements dated 6 August 2015, 9 October 2015 and 10 December 2015.

The Company has exercised the option to redeem the entire outstanding amount of guaranteed senior fixed date notes at par with aggregated nominal value of US\$150,000,000 (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 and such withdrawal of listing has become effective upon the close of business on 23 November 2015.

Details of the redemption of Senior Notes are disclosed in the announcements of the Company dated 15 September 2015 and 17 November 2015.