Sound Global

桑德國際
sound global

Stock Code: 00967(SEHK)
Co. Reg. No. 200515422C

contents

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.

chairman's Statement

Dear shareholders,

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

Review

At the end of 2014, the Central Economic Work Conference of the Central Communist Party decided that, in view of the new economic reality, the contradiction between environmental protection and economic development would be resolved by planning based on modern ecological concepts. This would balance modern development and nature preservation; the concept of low-carbon emission coupled with increased recycling would drive the development of the environmental-protection and new energy industries.

In 2015, the 12th Five-Year Plan was completed, and crucial reforms in China deepened comprehensively. With the new economic reality, China also entered a new phase in environmental protection focusing on the enhancement of the environment while implementing the most stringent environmental-protection systems jointly enforced by the government, business and the public.

In April 2015 a new policy, the "Action Plan for Water Pollution Prevention and Control" ("Ten Water Plans"), was introduced to complement the new "Environmental Protection Law," which was the most stringent to date. To ensure the implementation of the Ten Water Plans, the Ministry of Environment Protection launched a series of complementary policies, appraisal systems and implementation details to strengthen the management of pollution of water bodies such as rivers, lakes and the sea, water sources and agricultural land. Stringent controls were implemented in various aspects throughout the water transportation system: from the water source to the taps for water discharge, from sewage to industrial wastewater discharge.

According to the "Report on the State of the Environment in China 2013", surface water in China is slightly polluted. Of the 4,700 underground water monitoring spots in the country, the water quality of about 60% of them had been rated as relatively poor or very poor. Of the 31 large fresh water lakes, 17 had been rated as moderately polluted or slightly polluted. The safety of drinking water for the country's citizens had also been rated as unpromising. According to the "2015-2020 Research Report on the Investment Prospects and Industry Analysis of the Water Pollution Management Industry in China" (2015-2020年中國水污染治理行業分析與投資前景研究調查報告) released by Bosi Data, 250 million of our citizens has been living in residential areas adjacent to major pollutant-discharging industries and traffic trunk routes and 280 million citizens have been consuming unsafe drinking water. Affected by the drop in the quality of water at the water source and obsolete water treatment techniques of water-treatment plants and aging water pipes, there is no guarantee that citizens will be able to enjoy safe drinking water even if water leaving the treatment plants were treated to potable standards.

The dire situation of environmental protection and the introducing of the country's water-treatment policies have brought opportunities to the development of the water-treatment industry: it has been predicted that the investment amount of "Ten Water Plans" will be up to RMB2 trillion. According to analysis by the relevant authorities, these water-treatment policies will mainly focus on pollution management, including areas such as wastewater from industries, of municipals and rural areas. At the same time, the "Ten Water Plans" has also put emphasis on enhancing the control of underground water. Since the prevailing standard of wastewater treatment of underground water has been relatively low in our country, there will be an urgent demand for restructuring in order to uplift the standard of water-treatment plants in the future.

Being the hot spot of growth under the new economic reality, the environmental protection industry has become the focus of investment and as a result, market competition has become very keen. In 2015, despite the challenges, leveraging on its foundation on municipal business and its traditional competitive advantages in the wastewater-treatment business, Sound Global further increased its market share in water supply and investment in pipe network operation. This has enabled the Company to remain as the industry leader in the rural wastewater- treatment sector. By applying its expertise in projects in small towns and villages, Sound Global further expanded the business model to apply to "cities and villages" while making innovation to existing core skills so as to further enhance our competitiveness. Building on the foundation of traditional Engineering, Procurement and Construction ("EPC") business, the Company leveraged on the technical knowledge and expertise in project implementation accumulated over the years as well as its experience in the segment of industrial wastewater treatment. As a result, the Company made significant breakthroughs in the industrial park business sector under the PPP model, which was based mainly on the BOT and Transfer, Operate and Transfer ("TOT") models. The Company has also gradually realized a more-balanced development in terms of regions: while maintaining our position in northwest and northern China, northeast and eastern China, where we have enjoyed an advantageous position traditionally, the Company further reinforced its presence in the major regions while developing rapidly in southwest and southern China. In international business development, the Company has begun to focus its attention on the markets in the major countries under the "one belt one road" concept. Through the establishment of a three-dimensional international business channel comprising Sound Global and its related companies, internet channels and financial institutions, we made concrete progress in achieving the goal of internationalization. As a result, the Company could conclude that Sound Global would be able to withstand market challenges.

Prospects

Looking forward, as growth under the new economic reality slows down, the growth in energy and resources consumption will slow down accordingly and pollutant discharge will plateau. The economy, both in terms of overall volume and structure, will develop in the direction that will be beneficial to environmental protection. As a result, the tertiary industry will become the main driver of economic growth. The country will increase its effort in the elimination of obsolete industry players and implement stringent environmental protection standards to control the development of highly polluting industries and step up the management and control over these industries so as to create a favorable environment for environmental protection. Furthermore, due to the deceleration of investment in traditional areas, many new investment opportunities will emerge, especially in environmental protection. Many areas overlooked by investors in the past, such as infrastructure facilities for rural areas, municipal water supply and drainage, pipe network for rainwater, rehabilitation of soil condition and ecological protection, have now become the hot spots for investment. Because of improving income levels, people's requirement for their living environment has increased. Correspondingly, environmentally-friendly consumer products have become a major trend and the public's willingness to pay for these products has been significantly enhanced. Due to their scarcity, environmentally-friendly products has transformed from worthless to coveted, and from low-priced to high-priced. As a result, the total amount of investment in environmental protection has increased significantly which in turn has encouraged the inflow of social capital. China Merchant Security has expressed views that there would be four major changes during the 13th Five-Year Plan: pressure on economic growth, increase in the level of acceptance of "ecological construction", innovations in models, and changes in the assessment of law enforcement. These four changes would jointly promote the enhancement of environmental protection and the succession of investment positions. As such, environmental protection would become the focus of attention for many companies in a matter of time.

Against the backdrop of the great era for the environmental protection industry, further development of this industry will be reflected in the following aspects: (i) the influx of substantial amount of capital resulting in rapid restructuring of the industry layout and industry chain, and (ii) driven by the market and capital, many technological researches and scientific studies originally conducted by scientific and research institutions will link up directly with the industry for capital, resulting in rapid advancement in technology for environmental protection. Meanwhile, the speed of application of technology will double current rates. It is also expected that there will be rapid development in various aspects of this industry including structure, technology, products, and business and operation-management models. As a result, development of the water-treatment and environmental-protection industries will be unprecedented: turnkey enterprises will continue to expand in scale while competition will escalate; the competitiveness and the survival ability of secondary companies that provide services to the turnkey operators will be enhanced; and a new ecology for the environmental-protection industry, where turnkey enterprises and vertically subdivided companies coexist, will gradually take shape.

The Central Government will adopt the new urbanization plan as the major driver for future economic growth in China. According to the forecast by the Development Research Centre of the State Council, by the year 2020, an investment of about RMB42 trillion will be required for the urbanization plan in China. However, the greatest obstacle to new urbanization is the lack of capital and as a result, the Central Government has launched several policies to resolve the problem. The PPP model has been vigorously promoted and correspondingly, various local governments has launched PPP projects with scale of up to RMB100 billion. As the PPP model for the development of infrastructure for environmental protection in the urban area grows more sophisticated, the PPP model will become one of the mainstream financing channels for urban construction in the future. Since the PPP model is proven to be effective for the healthy development of the environmental protection industry, the government will promote more cooperation between itself and social capital in the future.

Based on the above-discussed background and development trend of the water-treatment industry, Sound Global will, in the future, pursue a forward-looking business development model. By leveraging on the foundation of existing structure that consists of three key business segments -- municipal, industrial and rural water treatment -- the Company will step up its effort in exploring and will deploy more resources to the development of "sponge cities" and the treatment of contaminated and odorous water; will create new points of growth through the enhancement of existing technology and development of new business technology; and lead the future by further investment in technology. For the Company's international business development, Sound Global will adhere to the national strategy of "Go Global," enhance cooperation relationship with our strategic partners, continue to establish and explore our ability in internationalization, as well as explore international business models that consist of technology and capital export. These strategies will in turn boost the Company's chances of success in international business. The Company will also continue to enhance the construction of a platform with complete ecological chain which consists of technical services, manufacturing and assembling of facilities, engineering construction and investment operation; enhance the synergy effect among various business segments and between the up and down streams of the ecological chain in order to elevate the overall efficiency of the platform; leverage on the information platform of big data application in project operation by basing on the internet+ model of rural water-treatment business; and promote the wide application of the internet+ model in the water-treatment segment innovatively. Meanwhile, Sound Global will, at the macro level, under the PPP model, deepen our understanding and application of equity cooperation and innovation in government-enterprise cooperation so as to construct the platform for regional cooperation and the platform for government-enterprise cooperation.

2015 has been a very challenging year for the capital market. Nevertheless, Sound Global has stood the test and consolidated our position in the water-treatment industry in China. I am confident that Sound Global, like a phoenix rising from the ashes, will deliver outstanding results again.

Wen Yibo

Operations review

Dear shareholders,

We are very thankful for your understanding and solid support for the Company all these years. Not only is 2015 a year during which the economy of the PRC entered into a new era of "new economic reality" but also the year that the "12th Five-Year Plan" came to an end. These developments opened up a new era in which ecological civilization in China will develop comprehensively. During the year, the Internet+ strategy promoted by the PRC government has fully integrated with traditional industries, and "entrepreneurship and innovation" has become the driving force for economic reform. For the environmental-protection industry, with the implementation of the newly revised "Environmental Protection Law", and the promotion of "Action Plan for Water Pollution Prevention and Control (the Ten Water Plans)", the government executed the PPP model with increased effort. A new normal based on "focusing on improving environmental quality, implementing strict environmental-protection systems, and establishing a system jointly-governed by the government, enterprises and public" is formed. The specific features of the new normal 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 economic reality, the development potential of the environmental-protection industry has been greatly enhanced, governance has been further tightened, the competition has become more intensified, the rate and scale of mergers and acquisitions among and within the industry has been augmented and innovation has become the core of competition.

At the new starting point of 2016, let us review the experience for 2015, and set up a new development mindset for the coming year.

Operations Review

Last year, confronted with fierce competition within the industry and the need for internal reform and development within the company, the Company, based on its development target of "insisting on being strategy-oriented and establishing a comprehensive and professional water-treatment platform company" as set out at the beginning of the year, built a development structure and business set up that was integrated based on platform and segments. We gradually realized the advantages in the economies of scale of our municipal business, the benefits of integration of the rural business, and the benefits of the development of the industrial-park business. We also saw a significant synergy effect among and within segments and the enhancement in management efficiency and effectiveness. In particular, we set up an effective internal control mechanism to vigorously control developmental risks . With the concerted efforts of all staff of our Company, we accomplished the target of our annual strategy and laid the foundation for sustainable and rapid future development.

Technological Services

Technological services have always been the core competitive advantage of our Company. Following the development structure of our Company based on business segments, the mode of technological services has been adjusted accordingly. On one hand, business and technology were integrated to enhance the efficiency and effectiveness of our response to the market. On the other hand, technological research and development, project consultation, project design and testing services were also integrated, so as to improve the system and efficiency of our Company's technological services, while establishing an ever-improving and micro-innovation mechanism.

With the continued upgrade in environmental-protection standards, our Company strengthened its research and implementation of innovation in the upgrading and restructuring of our water-treatment facilities and achieved sound results which further enhanced the application possibilities of our technologies. Our Company further improved its research and implementation of expertise in energy conservation throughout its water-treatment operations. Modifications were made to certain projects and such modifications were also applied to other new projects which in turn have enhanced our competitive edge.

Following its successful application, the sludge dehydration technology and facilities developed by our Company were ready for industrial application. The technology won accreditation from professionals and recognition from the industry and it would become the major dehydration technology and equipment in the sludge-treatment market segment.

While the demand for water treatment and the innovation in its relative technologies got more prominent, our Company also expanded our research and development in this segment, including small-scale water-supply and drainage technologies and facilities, technologies for pipe-network facilities and maintenance, and the application of internet+ in the water-treatment industry. We would enjoy a competitive edge in this market segment as a result.

Market Development

For market development, we have mainly focused on three business sectors: municipal, industrial and rural.

In the municipal sector, based on the foundation and advantage we have built in the wastewater treatment segment, we further increased our market share in water supply service and network investment operation. Our main business model was to secure PPP business through investment and merger and acquisition, and we explored extensively into and tried to set up our business in areas such as contaminated and odorous water treatment, comprehensive pipe construction and the construction of sponge cities. The foundation has been laid for further development in sponge cities.

Our rural business continued to lead the industry. We gradually established the development model of "integration of towns and villages, integration of water supply and sewage, integration of technology and business, and leveraging on the internet." Our business structure, based on rural areas and towns, was further applied to "cities and villages". The self-developed SMART* series of technology has become a competitive mainstream technology in the rural market.

Based on the traditional EPC business model, the industrial sector experienced a substantial breakthrough in the park business based on the PPP model, which in turn was based on the BOT and TOT models. Additionally, the integration of technology and business has achieved outstanding results as well.

While achieving balanced development in the other regions, we have maintained our traditional edge in northwest, north, northeast and east China. Moving ahead, we will further strengthen our development for the high-profile regions in south and southwest China where the business has been projected to grow rapidly and where the potential for further development will be enormous.

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

Operations review

Human Resources

The Company holds fast to the strategy of giving priority to developing its human resources as it is our most important resources for sustainable development. Human resources also play a critical role in the development of culture, mindset, plan execution and innovation in the Company. The Company is aware that a leading enterprise needs leading human resources to keep enhancing the Company's creativity, cohesion and productivity as well as raising its capacity in innovation and standard of management so as to ensure that strategic goals can be realized.

The Company has facilitated structural adjustments in human resources to highlight the importance of leadership by top talents. It has also extended its effort in acquiring talents through external recruitment and in optimizing our team of talents through manpower succession. Meanwhile, the Company has also reinforced its internal system of nurturing talents through a program for career progression and its internal competition mechanism through assessment and evaluation. By establishing a team of senior and middle-level staff, the Company has enhanced the working culture of its staff and built up the capability of its staff while optimizing the staff structure. These initiatives have established a strategic manpower system with a focus on "attracting talents by career development, cohering staff by career advancement, nurturing talent by work and evaluating employees by performance".

Development Objectives

2016 is the first year of the "13th Five-Year Plan". In this new environment, the Company will continue to adhere to its innovative strategy to explore new markets, to deepen internal reforms, to govern by regulation and to strengthen our strategy of leadership by talent. The Company has always considered innovative development to be its top priority and enhancement of quality and efficiency to be its core. Additionally the Company has always insisted on the following its standard operating procedures, sped up the formation of new systems, new motivation and new methods that could lead the enterprise, and has been persistent with its strategies. At the same time, the Company will balance the relationship between speed and quality of development, 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 coordinate and promote the capability of market exploration, technological support, project implementation and operational management in each segment market. Moreover, the establishment of a comprehensive platform strategy will significantly improve the quality of corporate governance and make governance structure and institutional processes more mature and standardized. The internet mindset will also be widely applied in future business development.

By leveraging on the internet mindset and internet+ strategy, the Company will further enhance its platform which has been supported by capital, and to construct and optimize an all-embracing water treatment service platform encompassing municipal, industrial and rural water treatment and sponge city business. The Company will also establish a comprehensive ecological chain that will cover technology services, equipment manufacturing and assembling, engineering construction and investment operation. The construction of sponge cities will be synergized by comprehensive pipe construction, treatment of the river-basin ecology and treatment of contaminated and odorous water. Against such a backdrop, the Company will pay more attention to sludge treatment and make further effort in the development and application of small-scale water supply and drainage, the development and application of technology and equipment on pipe network operation maintenance, and energy saving.

In terms of mode of development, the Company will develop the application of Internet+ in water treatment as well as to build comprehensive macro and micro marketing platforms. On the macro perspective, the Company will fully study and make use of the latest business developments in equity cooperation and government-enterprsie cooperation under the PPP model for setting up platforms for regional cooperation, government-enterprise and inter-enterprise cooperation. The Company will also strengthen its capability in integrating resources in the internet era and establish the development mode of ecological chair as well as competitiveness through equity and strategic cooperation in terms of mergers and acquisitions and joint venture cooperation. On the micro-perspective, the Company will study and make use of new media in brand promotion and allocate marketing functions to various branches.

The Company will also further strengthen its internal control management and will place strong emphasis on target achievement, risk control and efficiency enhancement in order to minimize risk in the process of rapid expansion of business. Last but not least, the Company will fulfill management requirements to provide continuous drive and protection to the Company, thereby further promoting the momentum for business development.

Appreciation

We would like to express our gratitude to all shareholders for their guidance, support and assistance to the Company in the past year; to other industry players and business partners for their cooperation and support for the Company; and to all staff for their dedication to achieve development for the Company.

We sincerely wish all shareholders, staff and their families success, health and happiness in 2016.

five years financial summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)		
Revenue	4,085,758	3,674,364	3,248,023	2,693,324	2,308,947
Gross profit	1,317,669	1,202,996	1,053,709	841,455	743,424
Profit before income tax	639,934	651,449	578,693	503,411	481,208
Income tax expenses	(180,640)	(147,518)	(143,890)	(75,902)	(67,383)
Profit for the year	459,294	503,931	434,803	427,509	413,825
Profit for the year attributable to					
Owners of the company	455,425	502,943	432,566	427,509	413,825
Non-controlling interests	3,869	988	2,237	-	-
	459,294	503,931	434,803	427,509	413,825
Earnings per share (in RMB cents)					
Basic	30.24	35.19	33.53	33.14	32.08
Diluted	30.24	34.73	32.99	32.35	31.32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Restated)	(Restated)	
Current assets	6,509,934	6,985,431	6,361,755	5,025,112	3,701,937
Non-current assets	5,551,143	3,120,686	2,603,054	1,974,449	1,254,247
Total assets	12,061,077	10,106,117	8,964,809	6,999,561	4,956,184
Current liabilities	5,770,603	4,377,886	2,656,408	1,843,675	2,064,145
Non-current liabilities	1,530,094	1,482,248	3,161,463	2,438,153	587,370
Total liabilities	7,300,697	5,860,134	5,817,871	4,281,828	2,651,515
Capital and reserves	4,760,380	4,245,983	3,146,938	2,717,733	2,304,669

corporate information

BOARD OF DIRECTORS

Executive Directors

Wen Yibo (Chairman)
Zhou Hao
Liu Xiqiang
Luo Liyang
Li Feng

Independent Non-Executive Directors

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

COMMITTEES

Audit Committee

Ma Yuanju (Chairman)
Luo Jianhua
Zhang Shuting

Remuneration Committee

Luo Jianhua (Chairman)
Ma Yuanju
Zhang Shuting

Nomination Committee

Ma Yuanju (Chairman)
Wen Yibo
Luo Jianhua

AUTHORISED REPRESENTATIVES (SEHK)

Wen Yibo
Wong Tak Yee

JOINT COMPANY SECRETARIES

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

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management discussion & 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 to merge and acquire enterprises with similar businesses, so as to further enjoy the benefits of an expanded ecological chain and economies 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.

In 2016 and beyond, the Company will build on its foundation in "Electro-osmosis dehydration facilities," the treatment of contaminated and black odour water, the construction of comprehensive piping system, and the construction of sea-level cities to spearhead its development.

In 2015, the Company's proprietary research on "Electro-osmosis dehydration facilities" was appraised by the Faculty of Environmental Studies in Qinghua University and the Centre for Scientific Development in the Housing and Rural Development Authority. In both instances, the technology was verified to be equivalent to international standards. The above-mentioned technology makes use of advanced osmosis techniques to dehydrate mud containing 80-95% water content to 60-40% water content. The appraisal by the two authorities further verified the advantages of the technology: ease of use, small investment quantum, low consumption of energy, low utilization of space, high level of safety and therefore high potential for mass production.

In October 2015, through the publication "Guide to the Development of Sponge Cities" (National Congress Publication No. (2015)75), National Congress highlighted the effects of sponge cities, which will recycle 70% of rainwater, will have on the environment. The Guide also set milestones for completion of sponge cities: at least 20% completion by 2020 and at least 80% completion by 2030. Based on these projections and the construction progress in 2014, total investment will be between RMB1.2 trillion to RMB1.8 trillion. The corresponding investment during the "13th Five-Year Period" will be RMB400 billion.

The Company, as an integrated waste-water treatment platform, will assemble additional teams, both locally and internationally, to focus on the business of sponge cities. These teams will focus on developing blueprints for the financing, design, construction, assessment and additional value-enhancement of sponge cities. These blueprints will enable the Company to become the new standard in the construction of modern cities in China.

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 discussion & analysis

REVIEW OF GROUP'S FINANCIAL PERFORMANCE

Revenue

The Group's revenue increased by approximately RMB411.4 million or 11.2% from approximately RMB3,674.4 million in 2014 to approximately RMB4,085.8 million in 2015.

Turnkey revenue increased by approximately RMB302.4 million or 9.4% from approximately RMB3,210.0 million in 2014 to RMB3,512.4 million in 2015 as the Group expands its operations. Profit contribution from turnkey projects and services decreased by approximately RMB43.6 million or 5.6% from approximately RMB774.7 million in 2014 to approximately RMB731.1 million in 2015. The Group continues to be awarded and is fulfilling its Engineering, Procurement and Construction ("EPC") projects in PRC.

External revenue from equipment fabrication segment increased by approximately RMB4.1 million or 11.1% from approximately RMB37.1 million in 2014 to RMB41.2 million in 2015 as it further fulfils inter-segment sales. Profit contribution from equipment fabrication segment increased by approximately RMB20.8 million or 330.2% from net loss of approximately RMB6.3 million in 2014 to profit at approximately RMB14.5 million in 2015. The profit was mainly due to the higher profit margin.

Revenue from O&M segment increased by approximately RMB104.9 million or 24.5% from approximately RMB427.3 million in 2014 to approximately RMB532.2 million in 2015. Profit contribution from O&M segment increased by approximately RMB98.6 million or 62.5% from approximately RMB157.7 million in 2014 to approximately RMB256.3 million in 2015. Revenue and profit increased as additional eight BOT and eight O&M projects started operation in 2015.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB114.7 million or 9.5% from approximately RMB1,203.0 million in 2014 to approximately RMB1,317.7 million in 2015. The increase in 2015 was due to the higher revenue and the stable gross profit margin throughout the financial year.

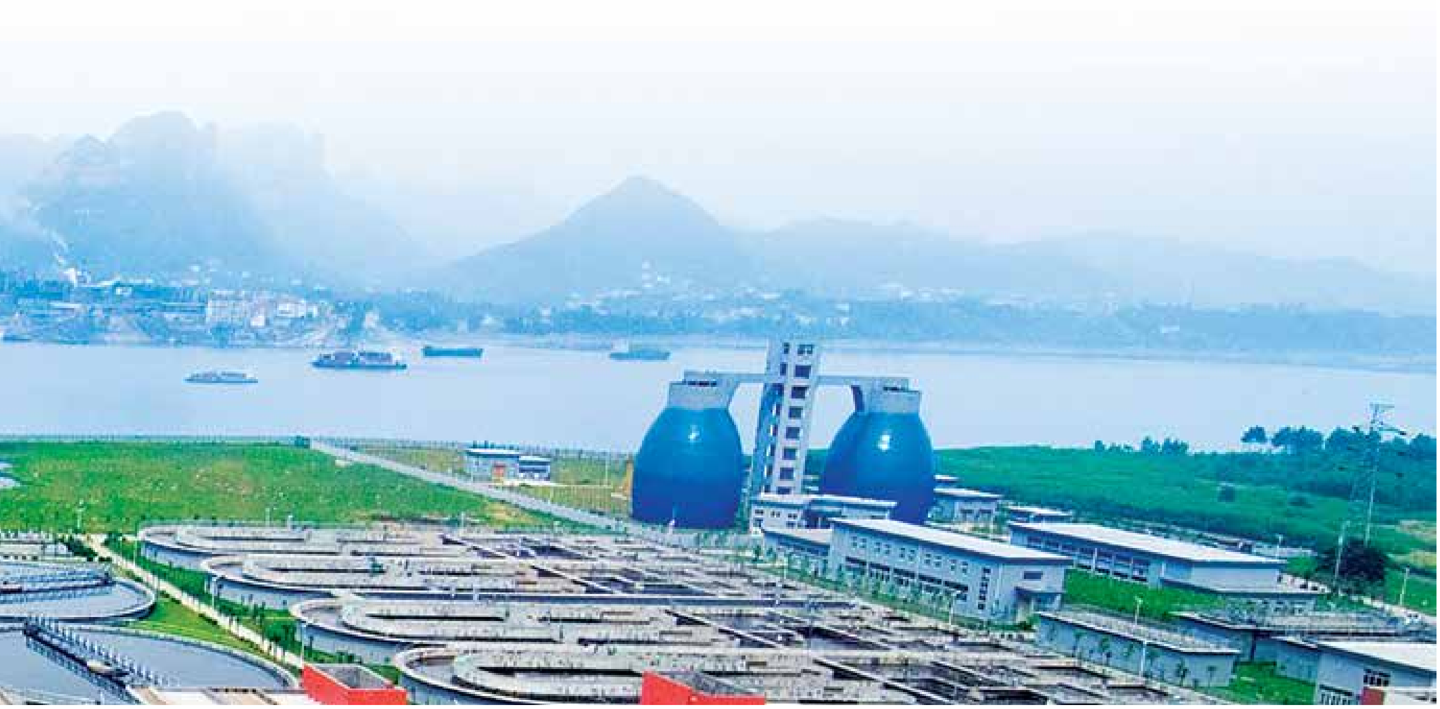
The gross profit margin remained relatively consistent at approximately 32.7% in 2014 and approximately 32.3% in 2015. Turnkey projects and services segment remained the main contributor to the Group's revenue. The gross profit margin of turnkey projects and services is approximately 28.6% due to part of revenue coming from high margin pipeline construction business and design services. Given the nature of the turnkey projects, where revenue is recognised based on the percentage of completion, the gross profit margin for engineering works would fluctuate from one period to the next depending on the amount of revenue recognised for the relevant projects during the period in review. Nevertheless, on a year-to-year basis, the gross profit margin remained relatively stable at around 28%. The gross profit margin of O&M is approximately 57.8%.

Other Income

Other income increased by approximately RMB30.2 million or 167.7% from approximately RMB18.0 million in 2014 to approximately RMB48.2 million in 2015. The increase in 2015 was mainly due to the increase in:

1) interest income by approximately RMB17.3 million as more placement of fixed deposits during the year; and

2) government grants by approximately RMB12.6 million mainly to support the O&M segment as



the government announced that value added tax is payable on such O&M revenue with effect from 1 July 2015.

Other Gains and Losses

Other losses increased by approximately RMB96.2 million or 160.9% from approximately RMB59.8 million in 2014 to approximately RMB156.0 million in 2015. The losses in 2015 mainly arose from the loss on early redemption of senior notes of approximately RMB56.5 million and foreign exchange loss of approximately RMB78.1 million resulted from the US Dollar denominated borrowings as US Dollar strengthen against Renminbi. These losses were partly offset by the gain on the bargain purchase of those BOT subsidiaries of approximately RMB23.2 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB19.4 million or 48.3% from approximately RMB40.2 million in 2014 to approximately RMB59.6 million in 2015. The increase mainly arose from fees paid to local agents for assisting the Group in its tender process at various locations. Fees vary depending on project size and negotiation, there is no clear identifiable trend.

Research and Development Expenses

Research and development expenses increased by approximately RMB22.8 million or 109.6% from approximately RMB20.8 million in 2014 to approximately RMB43.6 million in 2015. The research and development expenses depend 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.

Administrative Expenses

Administrative expenses increased by approximately RMB33.0 million or 20.9% from approximately RMB157.8 million in 2014 to approximately RMB190.8 million in 2015 mainly due to the increase in:

1) staff costs by approximately RMB18.2 million as Group's headcount increased; and

2) legal and consultancy fees by approximately RMB6.8 million due to the engagement of professional firms to assist the Company to lift its trading suspension of shares on SEHK.

Finance Costs

Finance costs decreased by approximately RMB15.0 million or 5.2% from approximately RMB291.0 million in 2014 to approximately RMB276.0 million in 2015. The decrease was mainly attributed by the savings in interest expenses as the Group repaid the senior notes bearing interest rate of 11.875% and borrowed at lower interest rates.

Income Tax Expenses

Income tax expenses increased by approximately RMB33.1 million or 22.4% from approximately RMB147.5 million in 2014 to approximately RMB180.6 million in 2015 as business operations increased. Higher income tax expenses for the relatively consistent pre-tax profits in 2014 and 2015 are resulted from the higher loss recorded at the company level. The Company being an investment holding company, do not have any taxable income to utilise such losses. The higher loss related to the loss on early redemption of senior notes and higher foreign exchange loss discussed in "Other Gains and Losses".

management discussion & analysis

REVIEW OF GROUP'S FINANCIAL POSITION:

Current Assets

Current assets decreased by approximately RMB475.5 million or 6.8% from approximately RMB6,985.4 million as at 31 December 2014 to approximately RMB6,509.9 million as at 31 December 2015 mainly due to the refund of the Earnest Money from Sound Group. This decrease was partly offset by the increase in amount due from customers for contract works, trade and certain other receivables as business operations increased.

Non-Current Assets

Non-current assets increased by approximately RMB2,430.4 million or 77.9% from approximately RMB3,120.7 million as at 31 December 2014 to approximately RMB5,551.1 million as at 31 December 2015. The increase mainly arose from increase in service concession receivables as investment in BOT projects increased.

Current Liabilities

Current liabilities increased by approximately RMB1,392.7 million or 31.8% from approximately RMB4,377.9 million as at 31 December 2014 to approximately RMB5,770.6 million as at 31 December 2015. The increase mainly arose from the increase in trade and other payables as business operations increased.

Non-Current Liabilities

Non-current liabilities remained relatively consistent at approximately RMB1,482.2 million as at 31 December 2014 and approximately RMB1,530.1 million as at 31 December 2015.

Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB473.9 million or 11.2% from approximately RMB4,239.7 million as at 31 December 2014 to approximately RMB4,713.6 million as at 31 December 2015. The increase was mainly due to the increase in share capital by RMB29.7 million and the profit for the year attributable to owners of the Company of approximately RMB455.4 million.

The non-controlling interest of approximately RMB46.8 million as at 31 December 2015 related to the followings:

Name of subsidiaries	Minority interest shareholdings
Anyang Taiyuan Water Co., Ltd	10%
Chongqing Yusang Environment Technology Co., Ltd.	50%
Tongling Sound Water Co., Ltd	20%
Tongzi Sound Water Co., Ltd	44%
Fuqing Sound Water Co., Ltd	49%
Bazhong Sound Mingjiang Co., Ltd	36%
Linfen Yiande Water Co., Ltd	20%
Fengdu County Sound Water Co., Ltd	10%
Zhaoyuan City Sound Water Co., Ltd	20%
Zhejiang Sound Zhenqing Water Co., Ltd	30%

FINANCIAL REVIEW

Gearing

	2015 RMB'000	2014 RMB'000
Borrowings (current)	2,704,907	1,448,286
Borrowings (non-current)	1,248,743	1,272,652
Obligation under finance lease (current)	3,914	-
Obligation under finance lease (non-current)	36,124	-
Senior notes (current)	-	907,073
Total debts	3,993,688	3,628,011
Bank balances and cash	769,719	1,968,239
Equity attributable to owners of the Company	4,713,576	4,239,737
Net debt	Net debt	Net debt
Total debt to equity ratio	0.85	0.86

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, there were 2,700 (2014: 2,201) employees in the Group. Staff remuneration packages are determined taking into consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

continuing Connected transactions

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

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

New Framework Agreement

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

For the year ended 31 December 2015, the contract amounts of the new contracts entered into under the New Framework Agreement was RMB7.9 million.

(B) Confirmation from Independent Non-Executive Directors

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

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

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

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

board of directors

WEN YIBO
Executive Director and Chairman

Mr. Wen Yibo, aged 52, 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 January 2017, he completed his PhD studies in engineering with 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, currently the Honorary President of the Association. Mr. Wen was also honoured the "Top 10 Person in Zhongguancun" in 2013.

Mr. Wen is currently a director of Tus-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.

board of directors

ZHOU HAO
Executive Director

Mr. Zhou Hao, aged 47, is an Executive Director and was appointed to the Board on 12 August 2016. He is currently the vice president of the Company.

Mr. Zhou obtained a bachelor degree of water treatment and drainage from the environmental engineering department of Xi'an Metallurgy and Architecture College (currently known as Xi'an University of Architecture and Technology) in 1993.

From September 1993 to February 1998, Mr. Zhou worked as an assistant supervisor of the design office of the mechanical power department of Ningxia Hengli Steel Group. From March 1998 to February 2011, he joined Sound Group Limited, successively appointed as commander of the headquarter construction department, assistant supervisor of production office, deputy head of control office, general manager of engineering department and general manager of operation management department cum assistant to general manager. From March 2011 to February 2014, he was the operating director of Beijing Lucency Enviro-Tech Co. Ltd. Mr. Zhou joined Sound Global in February 2014. He is currently the vice president of the Company.

LIU XIQIANG
Executive Director

Mr. Liu Xiqiang, aged 38, is an Executive Director and was appointed to the Board on 12 August 2016. Mr. Liu graduated from China University of Mining and Technology in 2002 with a bachelor degree in environmental science and East China Jiaotong University in 2005 with a master degree in economics. He is currently the vice president of the Company.

From February 2006 to January 2008, Mr. Liu was involved in the strategic investment management with Guangdong Midea Group. From January 2008 to August 2009, he was involved in the investment management with Beijing DaDi YuanTong Group. Since November 2010, Mr. Liu joined Sound Global and successively appointed as supervisor of international investment department, deputy general manager of rural village and township division, general manager of investment department and currently vice president of the Company.

LUO LIYANG
Executive Director

Mr. Luo Liyang, aged 44, is an Executive Director and was appointed to our Board on 2 February 2011. Mr. Luo currently acts as executive vice president 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.

LI FENG

Executive Director

Mr. Li Feng, aged 34, is appointed to the Board of Directors on 26 July 2017 as Executive Director. He is currently the Group's Singapore office representative.

Mr. Li graduated with a bachelor degree in environmental engineering from Harbin Institute of Technology, People's Republic of China, in July 2007. Mr. Li was awarded Korean ET Scholarship in August 2007, he graduated with a master's degree in environmental engineering from Kyungpook National University, Republic of Korea, in August 2009.

From August 2009 to August 2010, Mr. Li worked as a project engineer with Beijing Architectural & Engineering Design Co., Ltd. on oversea projects. He joined the Company in February 2011. From February 2011 to August 2011, he worked as a project engineer on the Group's Saudi Arabia project. Since August 2011, he has been stationed at the Singapore office, mainly responsible for oversea projects and the Group's business development in South East Asia and South Asia.

Leveraging on his professional background and his distinctive view and rigorous approach in oversea markets, Mr. Li is able to provide solutions to the needs of heterogeneous clients and he plays a vital role in the Group's oversea markets expansion.

MA YUANJU

Lead Independent Non-Executive Director

Mr. Ma Yuanju, aged 60, 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 has been an independent director of Jinhe Biotechnology Co., Ltd. (Shenzhen Stock Code: 002688) ("Jinhe Biotechnology") since April 2014. He was an independent director of Qinghai Huading Industrial Co., Ltd. (Shanghai Stock Code: 600243) ("Qinghai Huading"), Tibet Cheezheng Tibetan Medicine Co., Ltd. (Shenzhen Stock Code: 002287) ("Cheezheng Tibetan Medicine") and Beijing Hanjian Heshan Pipeline Co., Ltd (Shanghai Stock Code: 603616) ("Hanjian Heshan") from May 2008 to August 2014, from October 2007 to February 2014 and from October 2010 to October 2016 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 62, 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 Environmental Science and Engineering of Tianjin University.

LUO JIANHUA
Independent Non-Executive Director

Mr. Luo Jianhua, aged 53, 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. In 2008, he was appointed the Secretary General of China Environment Service Industry Association, currently the Vice President cum Chief Policy Expert of the Association.

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 44, 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 the 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 40, 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 60, 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 December 2015

桑德國際 sound global

- 100% Sound International Investment Holdings Limited (BVI)
- 100% Sound Global (Hong Kong) Limited (Hong Kong)
- 100% Beijing Epure International Water Co., Ltd (China)
- 75% Beijing Sound Environmental Engineering Co., Ltd (China) (25% held by Beijing Epure International Water Co., Ltd (China))
- 20% Beijing Epure Environmental Engineering Co., Ltd (China) (80% held by Beijing Sound Environmental Engineering Co., Ltd (China))

Northwest China

- Sound Hanzhong Yang County Water Co., Ltd — 100%
- Xi'an Trade & Logistics Park Sound Water Co., Ltd — 100%
- Ankang Wuli Sound Water Co., Ltd — 100%
- Xi'an Changqing Sound Water Co., Ltd — 100%
- Xingping City Hualu Water Co., Ltd — 100%
- Xianyang Xingping Sound Water Co., Ltd — 100%
- Xunyang Sound Water Co., Ltd — 100%
- Hancheng City Sound Water Co., Ltd — 100%
- Shangluo Sound Water Co., Ltd — 100%
- Yulin City Jingzhou Water Co., Ltd — 100%
- Tacheng City Sound Water Co., Ltd — 20% / 80%
- Urumqi Sound Water Co., Ltd — 10% / 90%
- Xi'an Chang'an Sound Water Co., Ltd. — 18% / 82%
- Xi'an Hu County Sound Water Co., Ltd. — 18% / 82%
- Ankang Sound Water Co., Ltd — 25% / 75%
- Yining City Huize Water Co., Ltd — 25% / 75%
- Yulin Sound Water Co., Ltd — 25% / 75%

East China

- Hongze Zeqing Water Co., Ltd — 100%
- Sound Siyang Water Co., Ltd — 100%
- Yantai Bihai Water Co., Ltd — 20% / 80%
- Anhui Sound Water Co., Ltd — 100%
- Fu'an Sound Water Co., Ltd — 100%
- Fuqing Qingxi Water Co., Ltd — 100%
- Hongze Sound Water Co., Ltd — 100%
- Huoqiu Sound Water Co., Ltd — 100%
- Jinjiang Sound Water Co., Ltd — 100%
- Lanxi Sound Water Co., Ltd — 100%
- Luoyuan Beimei Water Co., Ltd — 100%
- Luoyuan Beimei (Phase II) Water Co., Ltd — Luoyuan Beimei Water Co., Ltd 10% / 90%
- Taizhou Sound Water Co., Ltd — 23.17% / 76.83%
- Quanzhou Sound Water Co., Ltd — 100%
- Quanzhou Sound Water Investment Co., Ltd — 100%
- Sanming Sound Water Co., Ltd — 100%
- Shandong Chengwu Yingyuan Industrial Co., Ltd — 100%
- Shanxian Sound Xinnong Water Co., Ltd — 100%
- Siyang Siqing Water Co., Ltd — 100%
- Sound Wellmind Jiangsu Water Co., Ltd — 100%
- Xintai Sound Water Co., Ltd — 100%
- Tongling Sound Water Co., Ltd — 20% / 80%
- Fuqing Sound Water Co., Ltd — 49% / 51%
- Fuqing Sound Rongqing Water Co., Ltd — 10% / 90%
- Jiangyan Qinlong Water Co., Ltd — 20% / 80%
- Xinghua City Sound Water Co., Ltd — 10% / 90%
- Siyang Yangqing Water Co., Ltd — 35% / 65%
- Xintai Sound Zhengyuan Water Co., Ltd — 25% / 75%
- Xintai Biqing Water Co., Ltd — 25% / 75%
- Xinghua Huqing Water Co., Ltd — 38.2% / 61.8%
- Fuyang Sound Water Co., Ltd — 25% / 75%
- Taihe Sound Water Treatment Co., Ltd — 25% / 75%
- Wuyi Sound Water Co., Ltd — 100%
- Zhaoyuan Sound Water Co., Ltd — 20% / 80%
- Zhejiang Sound Zhenqing Water Co., Ltd — 30% / Sound Wellmind Jiangsu Water Co., Ltd 70%

South China

- Fogang Sound Water Co., Ltd — 100%
- Fusui Sound Water Co., Ltd — 100%
- Hainan Sound Water Co., Ltd — 100%
- Huazhou Sound Water Co., Ltd — 100%
- Huazhou City Tongqing Sound Water Co., Ltd — 100%
- Huizhou Sound Water Co., Ltd — 100%
- Yangchun City Sound Water Co., Ltd — 100%
- Guangxi Sound Water Co., Ltd — 100%


100%
Sound International Engineering Ltd (BVI)
100%
Epure International Engineering Pte. Ltd. (Singapore)
100%
Advanced Resources Holdings Pte. Ltd. (Singapore)
100%
Advanced Water Engineering Pte. Ltd. (Singapore)
Southwest China
100% Bazhong Sound Environment Investment Co., Ltd
Bazhong Sound Environment Investment Co., Ltd 75% Bazhong Sound Water Co., Ltd 25%
Bazhong Sound Environment Investment Co., Ltd 64% Bazhong Sound Mingjiang Water Co., Ltd 36%
100% Bazhong Sound Sewage Treatment Co., Ltd
100% Dazhou Sound Water Co., Ltd
100% Dazhu Sound Water Co., Ltd
100% Huangping County Sound Water Co., Ltd
100% Liangping Sound Water Co., Ltd
100% Shuicheng Sound Water Co., Ltd
100% Xishui County Qianqing Water Co., Ltd
100% Xishui Sound Water Co., Ltd
10% 90% Fengdu County Sound Water Co., Ltd
44.44% 55.56% Tongzi Sound Water Co., Ltd
50% 50% Chongqing Yusang Environment Technology Co., Ltd
25% 75% Huangping County Qianjing Water Co., Ltd
25% 75% Tongjiang Sound Water Co., Ltd
25% 75% Xingren County Sound Water Co., Ltd
25% 75% Xishui County Qianyuan Water Co., Ltd
25% 75% Tongzi Sound Panlong Water Co., Ltd
100% Advanced Water (Pengxi) Co., Ltd
100% Advanced Water Reclamation (Chengdu) Co., Ltd
100% Advanced Water Technologies (Chengdu) Co., Ltd
North China
100% Beijing Hi-Standard Water Treatment Equipment Co., Ltd
100% Beijing Jingyushi Water Co., Ltd
100% Beijing Jingyushun Environment Co., Ltd
100% Beijing Jingyuyang Water Co., Ltd
100% Jingxian Sound Water Treatment Co., Ltd
100% Tongliao Sound Water Co., Ltd
25% 75% Gucheng Sound Water Co., Ltd
10% 90% Baoding Sound Water Treatment Co., Ltd
20% 80% Linfen Yi'ande Water Co., Ltd
100% Beijing Epure Sound Environmental Engineering Technology Co., Ltd
Northeast China
100% Fushun Sound Water Co., Ltd
25% 75% Anshan Qinglang Water Co., Ltd
25% 75% Anshan Qingchang Water Co., Ltd
100% Hailun Sound Water Co., Ltd
100% Helong Sound Water Co., Ltd
100% Jilin Sound Water Co., Ltd
100% Tai'an Sound Water Co., Ltd
100% Zhaodong Sound Water Co., Ltd
20% 80% Anshan Tianqing Water Co., Ltd
10% 90% Changbaishan Protection and Development Zone Sound Water Co., Ltd
10% 90% Changbaishan Protection and Development Zone Sound Water Supply Co., Ltd
Central China
100% Xiangxiang Sound Water Co., Ltd
100% Xinshao Sound Water Co., Ltd
18.2% 81.8% Leiyang Sound Water Co., Ltd
10% 90% Anyang Taiyuan Water Co., Ltd
20% 80% Changsha Sound Water Co., Ltd.
20% 80% Hunan Epure Environmental Engineering Co., Ltd.
100% Anyang Zongcun Sound Water Co., Ltd
100% Daye Honglian Water Co., Ltd
Saudi Arabia
Epure International Engineering Pte. Ltd. (Saudi Arabia Branch)

corporate governance report, financial statements and other information

corporate governance report

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

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

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

BOARD MATTERS

1.1 Role of Board of Directors

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

1.2 The Board of Directors

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

Wen Yibo	52	7 November 2005	12 January 2016	Executive Director and Chairman	Executive Director and Chairman
Zhou Hao	47	12 August 2016	NA	Executive Director	Vice President
Liu Xiqiang	38	12 August 2016	NA	Executive Director	Vice President
Luo Liyang	44	2 February 2011	22 May 2014	Executive Director	Executive Vice President
Li Feng	34	26 July 2017	NA	Executive Director	Singapore Office Representative
Ma Yuanju	60	20 April 2015	12 January 2016	Independent Non-Executive Director	Professor of Capital University of Economics and Business

Name of Director	Age	Date of first appointment	Date of last re-election	Position	Current occupation
Zhang Shuting	62	9 July 2015	12 January 2016	Independent Non-Executive Director	Professor of Tianjin University
Luo Jianhua	53	31 July 2015	12 January 2016	Independent Non-Executive Director	Secretary General of China Environment Service Industry Association

Changes in directors of the Company since 31 December 2015 and up to the date of this report are as follows:-

As at 31 December 2015, the Board comprised 8 Directors: 1 executive Director and Chairman, 4 executive Directors and 3 independent non-executive Directors.

On 12 August 2016, Mr. Jiang Anping has resigned as an executive Director of the Company and Mr Zhang Jingzhi has resigned as an executive Director and Chief Executive Officer ("CEO") of the Company.

On 12 August 2016, Mr. Zhou Hao and Mr. Liu Xiqiang have been appointed as executive Directors of the Company.

On 26 July 2017, Mr. Liu Wei has resigned as an executive Director of the Company.

On 26 July 2017, Mr. Li Feng has been appointed as executive Director of the Company.

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

During the year ended 31 December 2015, except as disclosed below, the Board at all times met with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one third of the Board under Rule 3.10 and Rule 3.10A of the Listing Rules and complied with the requirement that at least one such independent non-executive Director should possess the appropriate professional qualifications of accounting or related financial management expertise under Rule 3.10 of the Listing Rules. The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent. There is no relationship among members of the Board.

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

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

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

As a result of the resignation of Mr. Fu Tao on 6 July 2015, the number of independent non-executive Directors and members of the audit committee of the Company had fallen below the minimum number as required under Rules 3.10(1) and 3.21 of the Listing Rules.

The number of independent non-executive Directors also did not represent at least one-third of the Board as required under Rule 3.10A of the Listing Rules.

The Company has appointed Mr. Zhang Shuting as an independent non-executive Director and member of the audit committee of the Company to fill the casual vacancy with effect from 9 July 2015 and has since then re-complied with the aforesaid requirements of the Listing Rules.

1.3 Board Processes

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

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. The Company's Constitution allows a Board meeting to be conducted by way of teleconference or video conference. Advice and guidance are also given through the use of teleconferencing, emails and faxes as and when required. Board approval for less critical matters may be obtained via written resolutions by circulation. The Board meets at least quarterly and whenever warranted by circumstances. The number of Board and Board Committee meetings held for the financial year ended 31 December 2015 and the attendance of each Director at the Board and Board Committee meetings where relevant and general meeting(s) is as follows:

Number of meetings held	10	3	0	0	1
Wen Yibo	4 4*	1*^	NA	NA	0
Zhang Jingzhi (resigned on 12 August 2016)	6 4*	2^	NA	NA	1
Wang Kai (resigned on 18 December 2015)	4 5*	1^	NA	NA	1

	Board	Audit Committee	Nomination Committee	Remuneration Committee	General meeting
Luo Liyang	4 6*	2^	NA	NA	0
Jiang Anping (resigned on 12 August 2016)	4 6*	2^	NA	NA	0
Wong See Meng (resigned on 26 March 2015)	3	1	NA	NA	0
Fu Tao (resigned on 6 July 2015)	2 3*	1*	NA	NA	0
Seow Han Chiang Winston (resigned on 31 July 2015)	3 3*	1*	NA	NA	0
Liu Wei (appointed on 30 July 2015) (resigned on 26 July 2017)	2	2^	NA	NA	0
Ma Yuanju (appointed on 20 April 2015)	4	2	NA	NA	1
Zhang Shuting (appointed on 9 July 2015)	2 1*	2	NA	NA	0
Luo Jianhua (appointed on 31 July 2015)	1 1*	1 1*	NA	NA	0

^: by invitation
*: via conference call

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

1.4 Training and Continuous Professional Development Program

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

During the year ended 31 December 2015, all Directors have received regular updates on the changes to and developments in the relevant laws and regulations applicable to the Directors. Mr. Liu Wei, Mr. Ma Yuanju, Mr. Zhang Shuting, Mr. Luo Jianhua, Mr. Zhou Hao, Mr. Liu Xiqiang and Mr. Li Feng have also upon their appointment as Directors of the Company received orientation, training and regular updates.

1.5 Independent Non-Executive Directors

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

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

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

	AC	RC	NC
Wen Yibo	NA	NA	Member
Ma Yuanju (appointed on 20 April 2015)	Chairman	Member	Chairman
Zhang Shuting (appointed on 9 July 2015)	Member	Member	NA
Luo Jianhua (appointed on 31 July 2015)	Member	Chairman	Member
Wong See Meng (resigned on 26 March 2015)	Chairman	Member	Chairman
Fu Tao (resigned on 6 July 2015)	Member	Member	NA
Seow Han Chiang Winston (resigned on 31 July 2015)	Member	Chairman	Member

1.6 Matters Requiring Board's Approval

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

The Board is also responsible for the following corporate matters:

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

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

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company. All the Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expenses of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover in respect of legal action against its Directors and Officers.

1.7 Chairman and CEO

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

As at the publication date of this report, Mr. Wen is the Chairman of the Group. Since Mr. Zhang has resigned as an executive Director and CEO of the Company effective from 12 August 2016, following Mr. Zhang's resignation, the roles and responsibilities of CEO are performed by the executive Directors.

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

1.8 Access to Information

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

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

2. Board Committees

2.1 Nomination Committee

The NC was formed in October 2006.

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

Ma Yuanju (Chairman and independent non-executive Director)
Wen Yibo (Executive Director and Chairman of the Board)
Luo Jianhua (Independent non-executive Director)

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

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

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

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

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

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

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

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

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

The following depicts the present and past directorships of our Directors (as at the date of this Report) in other listed companies, group and related companies and major appointments in other companies.

Name of Director	Present Directorships	Past directorships for the past 3 year
Wen Yibo	Beijing Sound Environmental Engineering Co., Ltd Beijing Lümeng Investment Co., Ltd Beijing Sanghua Environmental Technology Development Co., Ltd Beijing Xiaojiahe Wastewater Treatment Co., Ltd Sound Group Limited Tus-Sound Environmental Resources Co., Ltd Green Capital Holdings Limited Sound Water (BVI) Limited Beijing Sound Water Co., Ltd Beijing Epure International Water Co., Ltd Beijing Epure Sound Environmental Engineering Technology Co., Ltd Sound International Investment Holdings Limited Sound International Engineering Ltd Sound Global (Hong Kong) Limited Sound (HK) Limited Sound Environment (Hong Kong) Limited Beijing Sound Environmental Technology Development Co., Ltd Hunan Sound Venous Industry Development Co., Ltd Epure International Engineering Pte. Ltd. Beijing Jingyushun Environment 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.	桑頓新能源科技有限公司 Beijing Jingyushi Water Co., Ltd

	林芝桑德水務有限公司 西藏桑德水務有限公司 西藏桑德環境工程有限公司 西藏桑德環境發展有限公司 西藏桑德投資控股有限公司 天津桑德融資租賃有限公司 西藏桑德想象科技有限公司 桑德(西藏)新能源汽車有限公司 天津桑德環境科技有限公司 桑德生態科技有限公司 桑德金控控股有限公司	
Zhou Hao	Epure International Engineering Pte. Ltd. Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	NIL
Luo Liyang	NIL	NIL
Liu Xiqiang	青島桑德海綿城市建設工程有限公司	NIL
Li Feng	NIL	NIL
Ma Yuanju	Jinhe Biotechnology Co., Ltd.	Beijing Hanjian Heshan Pipeline Co., Ltd
Zhang Shuting	NIL	NIL
Luo Jianhua	KEDA Clean Energy Co., Ltd	NIL

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

Code Provision A.4.1 of the HK CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election. Although the independent non-executive Directors are not appointed for a specific term, all Directors shall submit themselves for re-election at least once every three years pursuant to the Company's Constitution. Under the Company's Constitution, any new Director so appointed by the Board shall hold office only until the next following Annual General Meeting ("AGM") of the Company and shall be then eligible for re-election at the meeting. Mr. Zhou Hao, Mr. Liu Xiqiang, Mr. Li Feng, Mr. Wen Yibo and Mr. Luo Liyang will retire at the forthcoming AGM. The NC recommended that they be nominated for re-appointment at the forthcoming AGM.

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

2.2 Remuneration Committee

The RC was formed in October 2006.

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

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

Luo Jianhua (Chairman and independent non-executive Director)
Ma Yuanju (Independent non-executive Director)
Zhang Shuting (Independent non-executive Director)

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

Remuneration Matters

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

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

Remuneration of Directors and Senior Management

The remuneration of the members of the Directors and senior management by band for the year ended 31 December 2015 is set out below:

Remuneration bands (HK$)	Number of persons
Nil to $1,000,000	12

Further particulars regarding Directors'remuneration and the five highest paid employees are set out in Notes 13 and 14 to the consolidated financial statements, respectively.

2.3 Audit Committee

The AC was formed in October 2006.

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

Ma Yuanju (Chairman and independent non-executive Director)
Luo Jianhua (Independent non-executive Director)
Zhang Shuting (Independent non-executive Director)

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

The functions of the AC are as follows:

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

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

c. review internal control and risk management systems and procedures, including review of the internal auditor's internal audit plan and internal audit findings and ensure that the internal audit function is adequately resourced;;

d. to review the adequacy of the internal financial controls, operational and compliance controls and risk management policies and systems;

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

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

g. review Continuing Connected Transactions.

The AC has full access to and co-operation of the management and external auditors, Deloitte Touche Tohmatsu, Hong Kong (resigned with effect from 17 July 2015), Deloitte & Touche LLP, Singapore (resigned with effect from 10 September 2015), (collectively known as "DT"), and HLB Hodgson Impey Cheng Limited ("HLB") (appointed with effect from 21 July 2015) and Foo Kon Tan LLP, Singapore ("FKT") (appointed with effect from 27 October 2015). To facilitate discussions, the AC can invite any Director and key executive of the Group to attend its meetings.

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

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

Auditors' Remuneration

The AC has reviewed the independence of HLB and FKT including the volume of non-audit services supplied by HLB and FKT and is satisfied of the position of HLB and FKT as independent external auditors. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of external auditors. For the year under review, the Group has paid/will pay approximately RMB4,186,000 to HLB and FKT for its audit services and has paid/will pay RMB1,800,000 to HLB for interim review services and approximately RMB61,000 to FKT for tax consultancy services. The nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The Group has paid/will pay approximately RMB388,000 to DT for its non-audit services for the year. The Board has accepted the AC's recommendation to nominate HLB and FKT for re-appointment as external auditors at the forthcoming AGM of the Company.

The Company and all of its significant subsidiaries are audited or reviewed by HLB and FKT, which are member firms of HLB International, for consolidation purposes.

Internal Audit and Internal Controls

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

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

From 2007 to 2014, the Company had outsourced the functions of the internal audit to Baker Tilly Consultancy (S) Pte Ltd. The internal audit is conducted yearly and meets the standards set by recognised professional bodies. The objective of the internal audit is to determine whether the Group's risk management and control procedures, as designed by the Company, were adequate and functioning properly. The AC will review and approve the internal audit plans together with the internal auditors. Any material non-compliance for improvements are reported to the AC and the Board. During the year ended 31 December 2015, the Company has engaged PKF Accountants & Business Advisers as its internal control consultant to review and advise on the Company's financial reporting procedures and internal control systems and put in place adequate procedures. In the opinion of the Board, with the concurrence of the AC, the internal controls, addressing financial, operational and compliance risks, are adequate.

Corporate Governance Functions

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

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

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

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015. The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the financial position of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

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

The AGM is the principal forum for dialogue with shareholders. At each AGM, there is an open question and answer session where shareholders may raise questions or share their views on the proposed resolutions and the Company's business and affairs with the Board. Resolutions requiring shareholders' approval are tabled separately for adoption at the AGM. The Chairman of the Board and the Chairpersons of the AC, RC and NC (or a member or duly appointed delegate of each Committee) and external auditors will normally be present at the AGM to answer any questions relating to the work of these Committees. The external auditors are also present at the AGM to assist the Directors in answering questions from shareholders.

The Chairman did not attend the AGM held on 12 January 2016 due to his other pre-assigned work commitment which deviates from Code Provision E.1.2 of the HK CG Code. He will use his best endeavours to attend all future Shareholders' meetings of the Company.

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

During the year under review, the Company has not made any change to its Constitution.

Dealings in Securities

The Company has adopted a code of conduct rules regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. In addition, specific enquiry has been made to all Directors in relation to whether the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding Directors' securities transactions. The Company was not aware of any information that reasonably suggested that the Directors had not complied with the requirements as stipulated in the Model Code during the year ended 31 December 2015.

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

Risk Management

The Group is subject to business and operational risks, which include, amongst other things, competition from other water and wastewater treatment companies, increases in operating costs, changes in government regulations, adverse local and international economic and market conditions. Details of financial risk are discussed in Note 40b of the financial statements. The Group also reviews significant control policies and procedures and highlights significant matters to the Board when necessary.

Material Contracts

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

Company Secretaries

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

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

Communication with Shareholders

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

Shareholders' Rights

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

Procedures to Convene an Extraordinary General Meeting On Requisition by Shareholders

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

Procedures to Put Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

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

Contact Details

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

Singapore:

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

Hong Kong:

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
	(For the attention of Joint Company Secretary)
Fax:	(852) 2545 1628
Email:	IR@soundglobal.cn

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

Shareholders may call the Company at (852) 2980 1888 for any assistance.

report of the directors

The Directors present their report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2015. These financial statements are prepared in accordance with International Financial Reporting Standards.

1. PRINCIPAL ACTIVITIES STAY BUSINESS REVIEW

The Group is principally engaged in turnkey water and wastewater treatment. The activities of its principal subsidiaries are set out in Note 47 to the financial statements.

A review of the Group's business and performance during the year and future development of the business are provided in the Chairman's Statement on pages 2 to 3, Operations Review on pages 4 to 7, and Management Discussion and Analysis on pages 10 to 15.

The principal risks and uncertainties that the Group is subject are business and operational risks and financial risks. Business and operational risks include, amongst other things, competition from other water and wastewater treatment companies, increases in operating costs, changes in government regulations, adverse local and international economic and market conditions. Details of financial risks are discussed in Note 40b to the financial statements.

Details of event after the reporting period is set out in Note 46 to the financial statements.

2. RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the financial position of the Group at that date are set out in the financial statements on pages 62 to 187 of this annual report.

The Directors do not propose any final dividend in respect of the year ended 31 December 2015.

3. RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity to the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

5. ISSUED CAPITAL

Movements in issued capital of the Group during the year are set out in Note 36 to the financial statements.

6. SENIOR NOTES

Details of the senior notes of the Group during the year are set out in Note 33 to the financial statements.

7. PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2015.

8. MAJOR SUPPLIERS AND CUSTOMERS

The purchase from the largest supplier of the Group for 2015 was approximately RMB201.6 million, which accounted for 9.1% of the total purchase of the Group for the year and the total purchase from the five largest suppliers was approximately RMB801.3 million, which accounted for 36.0% of the total purchases of the Group for the year. None of the Directors and their close associates, or, so far as the Directors were aware, shareholders who owned more than 5% of the number of issued shares of the Company had any interest in any of the five largest suppliers of the Group.

The sales to the largest customer of the Group for 2015 was approximately RMB169.7 million, which accounted for 4.8% of the total sales of the Group for the year and the total sales from the five largest customers was approximately RMB603.2 million, which accounted for 17.0% of the total sales of the Group for the year. None of the Directors and their close associates, or, so far as the Directors were aware, shareholders who owned more than 5% of the number of issued shares of the Company had any interest in any of the five largest customers of the Group.

9. DIRECTORS

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

Executive Directors
Wen Yibo (Chairman)
Zhang Jingzhi (Chief Executive Officer) (Resigned on 12 August 2016)
Wang Kai (Chief Financial Officer) (Resigned on 18 December 2015)
Luo Liyang
Jiang Anping (Resigned on 12 August 2016)
Liu Wei (Appointed on 30 July 2015 and resigned on 26 July 2017)
Zhou Hao (Appointed on 12 August 2016)
Liu Xiqiang (Appointed on 12 August 2016)
Li Feng (Appointed on 26 July 2017)

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

In accordance with Article 88 of the Articles of Association comprising part of the the Constitution of the Company, Mr. Zhou Hao, Mr. Liu Xiqiang, Mr. Li Feng being newly appointed in 2016 and 2017, shall be subject to re-election by the Shareholders at the forthcoming AGM. Also, Mr. Wen Yibo and Mr. Luo Liyang shall retire from the office of Director at the forthcoming AGM in accordance with Article 89 of the Articles of Association comprising part of the the Constitution of the Company.

All the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

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

10. DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited ("HKEx") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and HKEx were as follows:

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

(A) The Company

	Number of Shares/underlying Shares held, capacity and nature of interest				
Name	Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	Percentage to the issued share capital of the Company (%)
Wen Yibo	15,333,000	-	738,018,944[#1]	753,351,944	50.02
Zhang Jingzhi (Resigned on 12 August 2016)	7,559,000[#2]	-	-	7,559,000	0.50
Luo Liyang	7,110,000[#2]	-	-	7,110,000	0.47
Jiang Anping (Resigned on 12 August 2016)	6,725,000[#2]	-	-	6,725,000	0.45
Liu Wei (Resigned on 26 July 2017)	130,000[#2]	-	-	130,000	0.01

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 These include Shares held directly and share options granted under Sound Global Share Option Scheme adopted by the Company on 30 April 2010. These share options granted lapsed on 30 September 2017.

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

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

Note:

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

Save for disclosed above, as at 31 December 2015, none of the Directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and HKEx 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 HKEx.

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

As at the date of this Annual Report, the remaining number of shares which may be issued upon exercise of options to be granted under the Scheme is 82,802,000 shares, representing 5.5% of the number of issued shares of the Company. The remaining life of the Scheme is approximately 2 years.

As at 31 December 2015, the number of shares in respect of which options had been granted under the Scheme was 90,000,000 (2014: 90,000,000), representing 6% (2014: 6%) 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	Outstanding at 31 December 2015
9 December 2014	#4	#5	HKD8.11	90,000,000	1,795,000	88,205,000

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	Outstanding at 31 December 2015
Director							
Zhang Jingzhi (Resigned on 12 August 2016)	9 December 2014	#4	#5	HKD8.11	7,459,000	-	7,459,000
Wang Kai (Resigned on 18 December 2015)	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 (Resigned on 12 August 2016)	9 December 2014	#4	#5	HKD8.11	6,500,000	-	6,500,000
Liu Wei (Appointed on 30 July 2015 and resigned on 26 July 2017)	9 December 2014	#4	#5	HKD8.11	130,000	-	130,000
Other employees #6	9 December 2014	#4	#5	HKD8.11	62,621,000	1,795,000	60,826,000

#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 62,621,000 share options granted, 6,531,000 options, 216,000 options and 108,000 options were granted to Mr. Zhou Hao, Mr. Liu Xiqiang and Mr. Li Feng respectively as employee on 9 December 2014. Mr. Zhou Hao and Mr. Liu Xiqiang were appointed as Directors of the Company on 12 August 2016. Mr. Li Feng was appointed as Directors of the Company on 26 July 2017.

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 options 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 HKEx. No further options are available for issue under the Epure Scheme as at the date of this Annual Report.

As at 31 December 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	Expired	Outstanding at 31 December 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.

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	Expired	Outstanding at 31 December 2015
Director								
Wang Kai (Resigned on 18 December 2015)	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 (Resigned on 12 August 2016)	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 options 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.

12. SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, so far as is known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of company (%)
Zhang Huiming	753,351,944(L)#7	50.02(L)
Sound Water (BVI) Limited	703,784,000(L)	46.73(L)
International Finance Corporation	104,622,795(L)	6.99 (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 and Green Capital has signed an acting in concert agreement with Mr. Wen. Therefore, Ms. Zhang is deemed to be interested in these Shares under Part XV of the SFO.

Save as disclosed above, as at 31 December 2015, no person (other than Directors or chief executives of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

13. AUDIT COMMITTEE ("AC")

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

Ma Yuanju (Chairman)
Zhang Shuting
Luo Jianhua

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

The functions of the AC are as follows:

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

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

c. review internal control and risk management systems and procedures, including review of the internal auditor's internal audit plan and internal audit findings and ensure that the internal audit function is adequately resourced;;

d. to review the adequacy of the internal financial controls, operational and compliance controls and risk management policies and systems;

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

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

g. review Continuing Connected Transactions.

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

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

The audited consolidated financial statements of the Group for the year ended 31 December 2015 have been reviewed by the AC of the Company.

14. AUDITORS

The consolidated financial statements of the Group, which include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance and the CA, are prepared in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu, Hong Kong has resigned as auditors of the Group in Hong Kong with effect from 17 July 2015 and HLB has been appointed as the auditors of the Group in Hong Kong with effect from 21 July 2015. Deloitte & Touche LLP, Singapore has resigned as statutory auditors of the Company and its subsidiary incorporated in Singapore (Epure International Engineering Pte. Ltd.) with effect from 10 September 2015. FKT has been appointed at the extraordinary general meeting of the Company held on 27 October 2015 as statutory auditors of the Company.

The consolidated financial statements have been audited by HLB. The auditors, HLB and FKT shall retire at the forthcoming AGM and they have expressed their willingness to accept re-appointment as the Company's auditors at the forthcoming AGM.

15. PRE-EMPTIVE RIGHTS

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

16. SUFFICIENT PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained a sufficient public float as at 31 December 2015.

17. RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in Note 45 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

18. PERMITTED INDEMNITY PROVISIONS

The Constitution of the Company provide that the Directors of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court. Directors liability insurance is in place to protect the Directors of the Company or of its subsidiaries against any potential costs and liabilities arising from claims brought against the Directors.

19. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year.

20. ENVIRONMENTAL PROTECTION POLICY AND PERFORMANCE

The Group is committed to reduce the emission of various pollutants and has made best use of renewable resources. The Group has optimized the design of sewage treatment plants on the basis of the original site as far as possible during the process of transformation and expansion, and has not occupied any additional land. Some of the Group's projects are equipped with photovoltaic equipment to increase the utilization rate of renewable power resources. The Group recycles and reuses consumables in order to reduce the impact on the environment and resources.

21. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

22. RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group insist that the employees, customers and suppliers are the key partners of the Group and are keen on developing long-term relationships with them.

The Group places significant emphasis on human resource and encourages the employees to develop their own potential. The Group provides a fair and safe environment and provides competitive remuneration and career development opportunities to our staffs based on their performance. The Group also provide adequate trainings and development resources to the staffs so that they can follow the latest development inside the industry.

The Group always maintain a good relationship with its customers and provide the services in a high standard. The Group try to improve the relationship with its customers to get more market share and gain more business opportunities. The Group has also established procedures to handle customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner. The Group has also developed a good relationship with suppliers and contractors to ensure stable supply of materials and equipment.

ON BEHALF OF THE DIRECTORS

Zhou Hao

Liu Xiqiang

26 February 2018

independent auditors' report

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

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

We were engaged to audit the consolidated financial statements of Sound Global Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 187, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. The HKSAs require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(a) *Discrepancies in the bank balances as at 31 December 2012 and 2013 and loss of accounting records*

As disclosed in notes 3 and 46(b) to the consolidated financial statements, the Company made an announcement on 13 April 2016 stating that the Securities and Futures Commission (the "Commission") had directed The Stock Exchange of Hong Kong Limited (the "HKEx") to suspend all the dealings in the shares of the Company with effect from 13 April 2016 (the "2016 Suspension").

The Company later announced on 2 June 2017 and 19 June 2017 that (i) on 25 November 2016, an accident occurred when certain financial documents of the Group were being transported to a new file storage facility and as a result, certain financial documents of the Group were lost and/or damaged (the "Accident"); and (ii) the Group was in the course of verifying the relevant details and ascertaining the scope of loss. Subsequently on 24 July 2017, the Company made an announcement stating that (i) the reason for the 2016 Suspension was that the Commission had found the bank balances of five bank accounts (the "Banks Accounts") of the subsidiaries of the Company as at 31 December 2012 and 31 December 2013 were materially overstated by approximately RMB2.1 billion and RMB2.7 billion respectively (the "Bank Balances Discrepancies"); and (ii) PKF Business Advisory Limited (the "Reviewer") was engaged by the Company on 19 January 2017 to perform investigation services to the Company in respect of the Bank Balances Discrepancies.

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In relation to the Accident, the directors of the Company have determined that the Accident was a fire accident which caused damages to and loss of financial documents of five subsidiaries of the Company (the "Relevant PRC Subsidiaries"), details of which are set out in note 3 to the consolidated financial statements. Vouchers together with their supporting documents, bank statements and related bank reconciliations of the Relevant PRC Subsidiaries for the financial years 2010 to 2015 were lost in the Accident (the "Damaged Documents"). The directors of the Company asserted that the Group had been unable to retrieve or reconstruct the books and records of the Relevant PRC Subsidiaries based on the financial information of the Relevant PRC Subsidiaries available to them, as key personnel of the finance department of the Group had left the Group and the Group had lost contact with them. Further, the Bank Accounts to which the Bank Balances Discrepancies relate were bank accounts of the Relevant PRC Subsidiaries.

The Company further announced on 1 February 2018 that the Commission had not received from the Company any submission or representation which could satisfactorily explain the Bank Balances Discrepancies. The Company also announced that the Reviewer had on 8 January 2018 issued a report of their investigation findings. The Reviewer had identified discrepancies between the records shown in the list of bank accounts of the Group which was updated by the finance department after the Accident and the Group's audited consolidated bank balances, as well as discrepancies in the bank balances shown on the list of bank accounts of the Group provided by the Company and the records obtained by the Commission. Based on the information obtained by the Reviewer, the Reviewer identified that the balances of the Bank Accounts shown on the records obtained by the Commission as at 31 December 2012 and 2013 were lower than the corresponding balances shown on the lists of bank accounts of the Group provided by the Company, and the differences were respectively around RMB2.1 billion as at 31 December 2012 and around RMB2.7 billion as at 31 December 2013.

The Reviewer also stated that it did not receive responses from the relevant banks on confirmation requests for most of the bank balances as at 31 December 2012, 2013 and 2014 and that the extent of work performed by the Reviewer on tracing bank transactions to supporting records was constrained due to unavailability of related financial documents and records as a result of the Accident.

The Reviewer concluded that it was unable to identify the cause or causes for the Bank Balances Discrepancies and particulars of these discrepancies.

As disclosed in note 3 to the consolidated financial statements, in December 2017, the Group had commenced taking steps to further investigate the Bank Balances Discrepancies. As at the date of this report, these investigation works of the Group are still at a preliminary stage and no conclusive result was drawn in respect of the findings and conclusion of the Reviewer.

Under the circumstances as described above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the Bank Balances Discrepancies, investigations on the Bank Balances Discrepancies and the Accident relate.

Further, given the loss of books and records of the Relevant PRC Subsidiaries in relation to the Damaged Documents and the inability of the Group to retrieve or reconstruct them, the directors of the Company had prepared the consolidated financial statements of the Group for the year ended 31 December 2015 by using the figures shown in the management accounts of the Relevant PRC Subsidiaries even though the Group does not have the necessary information and supporting books and records and evidences about the transactions and

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account balances of the Relevant PRC Subsidiaries for inclusion of these entities in the consolidated financial statements of the Group for the year ended 31 December 2015. The amounts of the assets, liabilities, revenue, income, expenses and cash flows of the Relevant PRC Subsidiaries that have been included in the consolidated financial statements of the Group for the year ended 31 December 2015, including the comparative figures in respect of the preceding financial year, are disclosed in note 3 to the consolidated financial statements. As can be seen from the disclosure note, many elements in the consolidated financial statements for the year ended 31 December 2015 have been materially affected by the Damaged Documents.

There were no alternative audit procedures that we could perform to obtain sufficient and appropriate evidence as to the causes and effects of the Bank Balances Discrepancies and the Accident and their implications and impacts on all the elements (including all balances of assets and liabilities and all amounts of revenue, income and expenses) presented in the consolidated financial statements of the Group for the year ended 31 December 2015 and the comparative figures presented in these consolidated financial statements, including all information disclosed in the notes to the consolidated financial statements. In particular, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding (i) whether problematic transactions and balances that caused the Bank Balances Discrepancies had been completely identified by the directors of the Company and appropriately reflected in the Group's consolidated financial statements for the respective financial years to which they relate; (ii) the nature and validity of the problematic transactions and balances and the reasons why they arose; (iii) whether there were any contingent liabilities arising from the problematic transactions and balances; and (iv) whether there were any problematic transactions and balances involving related parties but which had not been previously identified by the directors of the Company. The scope limitations described above also impact on our ability to determine the reliability of the management representations received by us and relied upon for our audit testing purposes and hence of the audit evidence in general.

In view of the limitations, we have been unable to obtain sufficient appropriate audit evidence to evaluate the possible effects of the matters described above. Any adjustments found to be required may have consequential significant effects on the elements in the consolidated financial statements for the year ended 31 December 2015 and the comparative figures for the preceding financial year and hence on the net assets of the Group as at 31 December 2015 and 2014 and the profit attributable to the owners of the Company for the years ended 31 December 2015 and 2014.

(b) *Opening balances and the comparative information*

We had audited the consolidated financial statements of the Group for the year ended 31 December 2014 and had issued an unqualified opinion ("Our Previous Audit Opinion") on those consolidated financial statements on 24 November 2015.

However, the notification of the Bank Balances Discrepancies and our discussions of these matters with directors of the Company now cause us to believe that some key documentary evidences provided to us during our audit of the consolidated financial statements of the Group for the year ended 31 December 2014 are unlikely to be reliable and therefore are not satisfactory basis for Our Previous Audit Opinion.

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Further, the eventual discovery of the causes and effects of the Bank Balances Discrepancies from any further investigation could result in the identification of problematic transactions and balances which might require material adjustments to be made to multiple elements in the previously issued consolidated financial statements of the Group for the years ended 31 December 2012 and 2013. The closing balances as at 31 December 2012 and 2013 of the assets and liabilities of the Group entered into the determination of the financial performances and cash flows of the Group for the subsequent financial years and have carryforward effects on the closing balances as at the end of the subsequent financial years. Hence any adjustments found to be necessary to the closing balances as at 31 December 2012 and 2013 may affect the balance of retained profits as at 1 January 2014, the Group's results for the year ended 31 December 2014 and the closing balances as at 31 December 2014.

Based on the foregoing, we have determined that our opinion on the consolidated financial statements of the Group for the year ended 31 December 2014 shall be withdrawn and shall not be relied upon, and our auditors' report thereon shall be revised to a disclaimer of opinion on those consolidated financial statements due to scope limitation in relation to the Bank Balances Discrepancies. In view of these matters, we were unable to determine whether adjustments might have been necessary in respect of the figures as at and for the year ended 31 December 2014 presented as comparative figures in the consolidated financial statements of the Group for the year ended 31 December 2015 and the possible effects of these matters on the comparability of the current year's figures and the comparative figures.

Furthermore, the closing balances as at 31 December 2014 of the assets and liabilities of the Group entered into the determination of the financial performance and cash flows of the Group for the current financial year ended 31 December 2015 and have carryforward effects on the closing balances as at 31 December 2015. Consequently, any adjustments found to be necessary to the closing balances as at 31 December 2014 may significantly affect the balances of retained profits of the Group as at 1 January 2015, the Group's results and cash flows for the year ended 31 December 2015, closing balances of assets and liabilities of the Group as at 31 December 2015 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2015.

(c) *Going concern*

As disclosed in note 3 to the consolidated financial statements, the Group (i) incurred net cash outflows from operating activities of approximately RMB1,804,920,000 for the year ended 31 December 2015; and (ii) had total borrowings which exceeded the aggregate restricted bank balances and bank balances and cash by approximately RMB2,732,981,000 as at 31 December 2015. The Group recorded current and non-current borrowings of approximately RMB2,704,907,000 and RMB1,248,743,000 respectively and restricted bank balances and bank balances and cash of aggregate amount of approximately RMB1,220,669,000 as at 31 December 2015. In addition, the adjustments found to be necessary to the Group's balance of retained profits as at 1 January 2015, results for the year ended 31 December 2015 and closing balances of assets and liabilities as at 31 December 2015 of the matters described in paragraphs (a), (b) and (d) herein may cause the operating results and liquidity position of the Group as presented in the consolidated financial statements for the year ended 31 December 2015 to be adversely affected to the extent that the Group's ability to meet its obligations as and when they fall due may be adversely affected. These conditions indicate the existence of material uncertainties which may cast significant

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doubt about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings upon their maturities, through cash flows from operations and working capital, and financial support from the controlling shareholder and other financial institutions. As of the date of this report, we are unable to obtain the Group's cash flow forecast, including related reasonable and supportable bases for the underlying data and assumptions, which are necessary for us to assess the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements. Because of the significance of the matters above, we are unable to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(d) *Recoverability of trade receivables, amounts due from customers for contract work and other receivables and validity of related revenue recognised*

As disclosed in notes 24 and 26 to the consolidated financial statements, as of the date of this report, (i) trade receivables with principal amounts of approximately RMB229,923,000, RMB392,253,000 and RMB 522,728,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively which were still outstanding and remained unsettled, (ii) amounts due from customers for contract work with amounts of approximately RMB315,449,000, RMB417,272,000 and RMB220,540,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively which were still outstanding and no progress billings had been issued, and (iii) other receivables with amounts of approximately RMB58,396,000, RMB123,556,000 and RMB270,316,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively which were still outstanding and remained unsettled.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the trade receivables, amounts due from customers for contract work and other receivables described in the foregoing. Further, we were not provided with sales invoices and complete sets of related sales documents issued in relation to these trade receivables and amounts due from customers for contract work recognised during the year, hence we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity and existence of these trade receivables and amounts due from customers for contract work. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the balances of these assets and the related amounts being recognised by the Group as revenue were free from material misstatements, whether due to fraud or otherwise. Hence we have not been able to obtain sufficient appropriate audit evidence as to whether the trade receivables, amounts due from customers for contract work, other receivables, impairment losses recognised in respect of the trade receivables, amounts due from customers for contract work and other receivables and related revenue recognised in the consolidated financial statements as at and for the year ended 31 December 2015 were properly recorded and accounted for in accordance with the requirements of applicable IFRSs, including IAS 39 "Financial Instruments: Recognition and Measurement", IAS 18 "Revenue" and IAS 11 "Construction Contracts". There were no alternative audit procedures that we could perform to satisfy ourselves

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as to whether the trade receivables, amounts due from customers for contract work and other receivables, the impairment loss recognised in respect of the (i) trade receivables; (ii) amounts due from customers for contract work; and (iii) other receivables and the related revenue were free from material misstatement. Any adjustments that would be required may have consequential significant effects on the Group's financial position at 31 December 2015 and financial performance and cash flows of the Group for the year ended 31 December 2015, and the related disclosures thereof in the consolidated financial statements.

(e) Non-compliance with disclosure requirements of IFRSs and the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules")

As disclosed in note 46(g) to the consolidated financial statements, subsequent to the end of the reporting period of 31 December 2015 and before the date of this report, the Group has acquired 70% equity interests of Zhongye Zhengyi Group Limited (中冶正益集團有限公司) (now known as Sound Construction Group Company Limited (桑德建設集團有限責任公司)) ("Zhongye Zhengyi") and its subsidiaries (the "Target Group") at a consideration of RMB30,000,000. Up to the date of this report, the directors of the Company have been unable to gain access to the books and records of the Target Group. Given these circumstances, the directors of the Company have been unable to consolidate the financial statements or accounts of the Target Group into the consolidated financial statements or accounts of the Group since the date of acquisition. Because of the insufficient financial information of the Target Group, the directors of the Company have not disclosed in the consolidated financial statements of the Group for the year ended 31 December 2015 the information about the nature and financial effects of the acquisition of the Target Group which is required to be disclosed by the applicable IFRSs, including IAS 10 "Events after the Reporting Period" and IFRS 3 "Business Combinations". Also, given these circumstances, there were no practicable audit procedures that we could perform to satisfy ourselves about the completeness of the disclosures of the events after the reporting period in the consolidated financial statements. Further, given the lack of financial information available, there were no practicable audit procedures that we could perform to assess whether the acquisition of the Target Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 "Notifiable Transactions" and Chapter 14A "Connected Transactions" under the Listing Rules.

Further, as disclosed in note 46(h) to the consolidated financial statements, subsequent to the end of the reporting period of 31 December 2015 and before the date of this report, the Group entered into a series of agreements with Ningbo Meishan Bonded Area Jinxin Tairun Investment Partnership (Limited Partnership) (寧波梅山保稅港區金信泰潤投資合夥企業(有限合伙)) ("Jinxin Tairun") and Sound Group Limited ("Sound Group") whereby the Group borrowed in aggregate RMB871,850,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun and Sound Group, the Group pledged 70% equity interests of five subsidiaries (the "Five Subsidiaries") to Jinxin Tairun. In addition, The Group disposed of 30% equity interests of the Five Subsidiaries to Jinxin Tairun for a total consideration of RMB84,150,000. Upon maturity of the loans from Jinxin Tairun, Sound Group shall buy the 30% equity interests of the Five Subsidiaries from Jinxin Tairun at a premium over the total consideration received by the Group for the disposal of the equity interests (together referred to as the "Transaction"). Jinxin Tairun is a limited partnership registered under the Partnership Enterprise Law of the People's Republic of China. Sound Group is a fellow subsidiary of the Company and also (i) directly held 33.304% of the equity interests in Jinxin Tairun as a limited partner and (ii) directly held 20% equity interests in Jiaxing Sangzi Equity Investment Management Company Limited (嘉興桑梓股權投資管理有限公司) ("Jiaxing Sangzi") which directly held 0.044% of the equity interests in Jinxin Tairun as an unlimited partner. A key management of

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the Group was a legal representative and executive director of Jiaxing Sangzi since its incorporation and up to 14 December 2017. We were not provided with sufficient appropriate audit evidences on the identity of Jinxin Tairun and there were no practicable audit procedures that we could perform to assess whether the Transactions entered into with Jinxin Tairun and Sound Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with IFRSs and as to whether they have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Report on Matters under the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence about the items described in the Basis for Disclaimer of Opinion paragraphs above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information and explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 26 February 2018

consolidated statement of profit or loss and other comprehensive income

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	7	4,085,758	3,674,364
Cost of sales		(2,768,089)	(2,471,368)
Gross profit		1,317,669	1,202,996
Other income	8	48,239	17,980
Other gains and losses	9	(156,005)	(59,751)
Distribution and selling expenses		(59,608)	(40,164)
Research and development expenses		(43,591)	(20,817)
Administrative expenses		(190,811)	(157,818)
Finance costs	10	(275,959)	(290,977)
Profit before income tax		639,934	651,449
Income tax expenses	11	(180,640)	(147,518)
Profit for the year	12	459,294	503,931
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations		(4,211)	(5,279)
Total comprehensive income for the year, net of tax		455,083	498,652
Profit for the year attributable to:			
Owners of the Company		455,425	502,943
Non-controlling interests		3,869	988
		459,294	503,931
Total comprehensive income for the year attributable to:			
Owners of the Company		451,214	497,664
Non-controlling interests		3,869	988
		455,083	498,652
Earnings per share (in RMB cents)			
Basic	16	30.24	35.19
Diluted	16	30.24	34.73

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

consolidated statement of financial position

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	91,390	52,069
Intangible assets	18	57,862	61,158
Land use rights	19	39,662	40,820
Goodwill	20	41,395	41,395
Service concession receivables	21	5,309,946	2,917,514
Deferred tax assets	22	10,888	7,730
		5,551,143	3,120,686
CURRENT ASSETS			
Inventories	23	97,827	34,872
Trade and other receivables	24	2,724,410	3,692,690
Land use rights	19	1,158	1,158
Available-for-sale investments	25	952,000	-
Amounts due from customers for contract work	26	1,513,870	1,157,581
Derivative financial instruments	32	-	18,037
Restricted bank balances	27	450,950	112,854
Bank balances and cash	27	769,719	1,968,239
		6,509,934	6,985,431
CURRENT LIABILITIES			
Trade and other payables	28	2,936,873	1,821,459
Tax payables		124,826	100,003
Borrowings	29	2,704,907	1,448,286
Senior notes	33	-	907,073
Obligation under finance lease	34	3,914	-
Amounts due to customers for contract work	26	83	101,065
		5,770,603	4,377,886
NET CURRENT ASSETS		739,331	2,607,545
TOTAL ASSETS LESS CURRENT LIABILITIES		6,290,474	5,728,231

consolidated statement of financial position

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	207,258	162,582
Borrowings	29	1,248,743	1,272,652
Obligation under finance lease	34	36,124	-
Derivative financial instruments	32	37,969	47,014
		1,530,094	1,482,248
TOTAL ASSETS LESS TOTAL LIABILITIES		4,760,380	4,245,983
CAPITAL AND RESERVES			
Issued capital	36	1,720,304	1,690,579
Reserves		2,993,272	2,549,158
Equity attributable to owners of the Company		4,713,576	4,239,737
Non-controlling interests		46,804	6,246
		4,760,380	4,245,983

Approved and authorised for issue by the Board of Directors on 26 February 2018 and are signed on its behalf by:

Zhou Hao
Director

Liu Xiqiang
Director

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

consolidated statement of changes in equity

	Attributable to owners of the Company										
	Issued capital RMB'000	Merger reserve RMB'000 (note i)	Capital reserve RMB'000 (note ii)	Translation reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	Statutory surplus reserve RMB'000 (note iii)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	833,368	(5,655)	7,138	2,327	34,249	58,026	145,007	2,066,967	3,141,427	5,511	3,146,938
Profit for the year	-	-	-	-	-	-	-	502,943	502,943	988	503,931
Other comprehensive expense	-	-	-	(5,279)	-	-	-	-	(5,279)	-	(5,279)
Total comprehensive income	-	-	-	(5,279)	-	-	-	502,943	497,664	988	498,652
Transfer to reserve fund	-	-	-	-	-	-	40,723	(40,723)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	(2,576)	-	-	-	-	-	(2,576)	(1,753)	(4,329)
Acquisition of a subsidiary from a fellow subsidiary under common control	-	(192,427)	-	-	-	-	-	-	(192,427)	-	(192,427)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	1,500	1,500
Recognition of equity-settled share-based payments	-	-	-	-	1,225	-	-	-	1,225	-	1,225
Conversion of convertible loan notes	640,325	-	-	-	-	(58,026)	-	-	582,299	-	582,299
Exercise of warrants	196,958	-	-	-	-	-	-	-	196,958	-	196,958
Exercise of share options	19,928	-	-	-	(4,761)	-	-	-	15,167	-	15,167
At 31 December 2014	1,690,579	(198,082)	4,562	(2,952)	30,713	-	185,730	2,529,187	4,239,737	6,246	4,245,983
Profit for the year	-	-	-	-	-	-	-	455,425	455,425	3,869	459,294
Other comprehensive expense	-	-	-	(4,211)	-	-	-	-	(4,211)	-	(4,211)
Total comprehensive income	-	-	-	(4,211)	-	-	-	455,425	451,214	3,869	455,083
Transfer to reserve fund	-	-	-	-	-	-	42,707	(42,707)	-	-	-
Non-controlling interest arising on change in ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	7,066	7,066
Capital contributions from non-controlling interest	-	-	-	-	-	-	-	-	-	29,623	29,623
Exercise of share options	29,725	-	-	-	(7,100)	-	-	-	22,625	-	22,625
Lapse of share options	-	-	-	-	(23,613)	-	-	23,613	-	-	-
At 31 December 2015	1,720,304	(198,082)	4,562	(7,163)	-	-	228,437	2,965,518	4,713,576	46,804	4,760,380

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 City Sound Water Co., Ltd. ("Tongliao Sound") in 2014, from the difference between the consideration in relation to the acquisition of 97.8% interest in Tongliao Sound 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 Sound of RMB82,641,000.

(ii) The balance reflects (a) the fair value of the 2,157,000 shares of the Company transferred to an initial public offering consultant at a nominal value of S$1.00 during the listing on the Singapore Exchange Securities Trading Limited (the "SGX") in 2006; (b) the difference between the consideration of RMB18,000,000 in relation to the acquisition of 40% interest in Anyang Zongcun Sound Water Co., Ltd. ("Anyang Zongcun Sound"), 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 Sound, a subsidiary, by the Group and the carrying amount on the non-controlling interest of approximately RMB1,753,000.

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

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

for the year ended 31 December 2015

consolidated statement of Cash flows

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before income tax		639,934	651,449
Adjustments for:			
Depreciation of property, plant and equipment		7,934	6,719
Amortisation of intangible assets		3,296	13,684
Amortisation of land use rights		1,158	1,158
Interest income		(32,717)	(15,391)
Finance costs		275,959	290,977
Allowance for doubtful debts		37,492	138
Allowance for doubtful debts written back		(24,862)	(3,003)
Write-down of inventories		3,868	-
Impairment losses recognised in respect of intangible assets		-	12,439
Imputed interest income on service concession receivables		(160,626)	(116,703)
Gain on bargain purchase of subsidiaries		(23,209)	(5,258)
Foreign exchange loss (gain)		30,202	(2,784)
Loss on disposal of property, plant and equipment		1,584	44
Loss on early redemption of senior notes		56,501	-
Share-based payment expenses		-	1,225
Fair value change of redemption option embedded in senior notes		15,321	(15,321)
Fair value change of warrants		-	46,748
Fair value change of foreign currency forward contracts		2,716	668
Fair value change of a swap contract		8,286	(6,964)
Operating cash flows before movements in working capital		842,837	859,825
Increase in inventories		(63,482)	(6,723)
Increase in trade and other receivables		(888,752)	(33,763)
Increase in service concession receivables		(2,126,699)	(376,836)
Increase in amounts due from customers for contract work		(356,289)	(61,006)
Increase in trade and other payables		997,602	61,407
(Decrease) increase in amounts due to customer for contract work		(100,982)	59,698
Cash (used in) from operations		(1,695,765)	502,602
Income taxes paid		(109,155)	(112,170)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(1,804,920)	390,432

consolidated statement of cash flows

	Notes	2015 RMB'000	2014 RMB'000
INVESTING ACTIVITIES			
Interest received		32,717	15,391
Purchases of property, plant and equipment		(13,182)	(9,653)
Proceeds from disposal of property, plant and equipment		616	1,334
Refund of earnest money paid for the proposed acquisition of subsidiaries		2,000,000	-
Payment of earnest money of the proposed acquisition of subsidiaries		-	(2,000,000)
Acquisitions of subsidiaries	37	(89,465)	(51,413)
Purchase of available-for-sale investments		(952,000)	-
Payment for deferred consideration on acquisitions of subsidiaries in previous year		(7,031)	-
Placement in restricted bank balances		(1,699,506)	(114,082)
Withdrawal from restricted bank balances		1,362,267	109,967
NET CASH FROM (USED IN) INVESTING ACTIVITIES		634,416	(2,048,456)
FINANCING ACTIVITIES			
Interest paid		(325,997)	(269,096)
Payment for acquisition of additional interest in a subsidiary		-	(4,329)
Payment for acquisition of a subsidiary from a fellow subsidiary under common control		-	(192,427)
Capital contribution from non-controlling interest		29,623	1,500
Exercise of warrants		-	148,563
Exercise of share options		22,625	15,167
Proceeds from obligation under finance lease		40,000	-
Repayments of obligation under finance lease		-	(12,840)
Repayment for senior notes		(1,008,102)	-
Borrowings raised		3,225,273	1,160,397
Repayments of borrowings		(2,019,979)	(753,840)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(36,557)	93,095
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,207,061)	(1,564,929)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		1,968,239	3,533,580
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		8,541	(412)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR REPRESENTED BY BANK BALANCES AND CASH		769,719	1,968,239

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

1. GENERAL INFORMATION

The Company (Singapore Registration Number 200515422C) was a limited liability company incorporated in the Republic of Singapore ("Singapore") on 7 November 2005 under the Singapore Companies Act and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKEx"). The registered office of the Company is at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542. Its principal place of business is at 456 Alexandra Road, #04-03 Fragrance Empire Building, Singapore 119962.

The Company is an investment holding company which is also engaged in environmental construction related design services. Its subsidiaries (together with the Company, collectively referred as the "Group") are mainly engaged in environmental construction related to water treatment, research and development of water treatment technologies, manufacturing of water treatment equipments, provision of services for technology consultation and construction, management and operation of wastewater projects and water supply.

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND DISCLOSURES

The accounting policies adopted in the consolidated financial statements for the year ended 31 December 2015 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014 except as described below.

In the current year, the Group has applied, for the first time, the following amendments to IFRSs ("Amendments") issued by the International Accounting Standards Board.

IFRSs (Amendments)	Annual Improvements to IFRSs 2010-2012 Cycle
IFRSs (Amendments)	Annual Improvements to IFRSs 2011-2013 Cycle
IAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions

The application of the Amendments in the current year has had no material impact on the Group's financial results and positions and/or on the disclosures set out in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND DISCLOSURES (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

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

IFRSs (Amendments)	Annual Improvements to IFRSs 2012-2014 Cycle[1]
IFRSs (Amendments)	Annual Improvements to IFRSs 2014-2016 Cycle[4]
IFRSs (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle[5]
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[4]
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[4]
IFRS 9	Financial Instruments[4]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[5]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[7]
IFRS 10, IFRS 12 and IAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
IFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[4]
IFRS 16	Leases[5]
IFRS 17	Insurance Contracts[6]
IAS 1 (Amendments)	Disclosure Initiative[1]
IAS 7 (Amendments)	Disclosure Initiative[3]
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[3]
IAS 16 and IAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
IAS 16 and IAS 41 (Amendments)	Agriculture: Bearer Plants[1]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[5]
IAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[5]
IAS 40 (Amendments)	Transfers of Investment Property[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[4]
IFRIC 23	Uncertainty over Income Tax Treatments[5]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after 1 January 2017
[4] Effective for annual periods beginning on or after 1 January 2018
[5] Effective for annual periods beginning on or after 1 January 2019
[6] Effective for annual periods beginning on or after 1 January 2021
[7] Effective for annual periods beginning on or after a date to be determined

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND DISCLOSURES (CONTINUED)

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

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND DISCLOSURES (CONTINUED)

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

IFRS 16 Leases

IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17 "Leases". Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the HKEx (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

3. BASIS OF PREPARATION

(i) On 13 April 2016, the Company announced that, under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules, the Securities and Futures Commission (the "Commission") has directed the HKEx to suspend all dealings in the shares of the Company with effect from 9:00am on 13 April 2016 (the "2016 Suspension").

On 2 June 2017, the Company announced that the finance department of the Group discovered on 31 May 2017 that some of the financial documents of the Group were missing and the Group was in the course of verifying the relevant details. On 19 June 2017, the Company further announced that (i) the finance department of the Group reported that on 25 November 2016 an accident occurred when certain financial documents of the Group were being transported to a new file storage facility and as a result certain financial documents of the Group were lost and/or damaged (the "Accident"); (ii) the Group was in the course of verifying the relevant details and ascertaining the scope of loss.

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

The directors of the Company have determined that the Accident was a fire accident which damaged financial documents of five subsidiaries engaged in (i) research and development of water treatment technologies, provision of water treatment technology consultation services and construction of water treatment plant, which contributed to the operating segment of turnkey projects and services; and (ii) manufacturing water treatment equipment which contributed to the operating segment of equipment fabrications (the "Relevant PRC Subsidiaries"). The financial documents which were lost included vouchers with supporting documents, bank statements and related bank reconciliations for the financial years 2010 to 2015 (the "Damaged Documents"). As of the date of approval for issuance of the consolidated financial statements of the Group for the year ended 31 December 2015, the directors of the Company considered that the Group had made its best efforts, to the extent commercially practicable, to reconstruct the accounting records of the Relevant PRC Subsidiaries for the year ended 31 December 2015, applying the best estimate and judgement based on the information of the Group that are available to the directors of the Company. However, given that almost all books and records of the Relevant PRC Subsidiaries were damaged in the Accident and a number of key personnel of the finance department of the Group had left the Group and the Group had lost contact with them, the directors of the Company considered that it is impossible and impractical to ascertain the transactions and balances of the Relevant PRC Subsidiaries included in the consolidated financial statements of the Group.

On 24 July 2017, the Company announced that the reason for trading suspension of the shares of the Company under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) was that the Commission has found that the bank balances of five bank accounts (the "Bank Accounts") of the subsidiaries of the Company as at 31 December 2012 and 31 December 2013 were materially overstated by around RMB2.1 billion and RMB2.7 billion respectively (the "Bank Balances Discrepancies") and the Company had engaged PKF Business Advisory Limited (the "Reviewer") on 19 January 2017 to perform investigation services to the Company in respect of the Bank Balances Discrepancies.

Up to 1 February 2018, the Company announced that the Commission had not received from the Company any submission or representation which can satisfactorily explain the Bank Balances Discrepancies. The Company also announced that the Reviewer had on 8 January 2018 issued a report of their investigation findings on 8 January 2018. The Reviewer had identified discrepancies between the records shown in the list of bank accounts of the Group which was updated by the finance department after the Accident and the Group's audited consolidated bank balances, as well as discrepancies in the bank balances shown on the list of bank accounts of the Group provided by the Company and the records obtained by the Commission. Based on the information obtained by the Reviewer, the Reviewer identified that the balances of the Bank Accounts shown on the records obtained by the Commission as at 31 December 2012 and 2013 were lower than the corresponding balances shown on the lists of bank accounts of the Group provided by the Company, and the differences were respectively around RMB2.1 billion as at 31 December 2012 and around RMB2.7 billion as at 31 December 2013.

The Reviewer also stated that it did not receive responses from the relevant banks on confirmation requests for most of the bank balances as at 31 December 2012, 2013 and 2014 and that the extent of work performed by the Reviewer on tracing bank transactions to supporting records was constrained due to unavailability of related financial documents and records as a result of the Accident.

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

The Reviewer concluded that it was unable to identify the cause or causes for the Bank Balances Discrepancies and particulars of these discrepancies.

In December 2017, the Group had commenced taking steps to further investigate the Bank Balances Discrepancies. As at the date of this report, these investigation works of the Group are still at a preliminary stage and no conclusive result was drawn in respect of the findings and conclusion of the Reviewer.

Based on the circumstances as abovementioned and the fact that the Bank Accounts to which the Bank Balances Discrepancies relate were bank accounts of the Relevant PRC Subsidiaries, the directors of the Company were unable to assess the impact of the Bank Balances Discrepancies on the Group's consolidated financial statements for the year ended 31 December 2015 and the consolidated financial statements issued in respect of previous financial years. As of the date of the approval for issuance of the consolidated financial statements, the directors of the Company are still considering steps in response to the investigation of the Bank Balances Discrepancies.

The revenue, income, expenses and cash flows for the years ended 31 December 2015 and 2014 and the assets and liabilities as at those dates of the Relevant PRC Subsidiaries, excluding intra-group transactions and balances, which have been included in the consolidated financial statements of the Group are as follow:

	2015 RMB'000	2014 RMB'000
Revenue, income and expenses for the years ended 31 December:		
Revenue (note (a))	3,524,057	3,068,421
Cost of sales	(2,498,070)	(2,082,539)
Gross profit	1,025,987	985,882
Other income	36,906	15,506
Other gains and losses	(16,448)	7,972
Distribution and selling expenses	(58,399)	(38,855)
Research and development expenses	(43,591)	(20,817)
Administrative expenses	(92,089)	(76,396)
Finance costs	(76,281)	(69,112)
Profit before income tax	776,085	804,180
Income tax expenses	(118,712)	(93,609)
Profit and total comprehensive income for the year attributable to owners of the Company	657,373	710,571

Note:

(a) Included in the revenue of the Relevant PRC Subsidiaries for the year ended 31 December 2015 were revenue attributable to (i) operating segment of turnkey projects and services of approximately RMB3,482,810,000 (2014: RMB3,031,368,000), representing 99% (2014: 94%) of revenue in this segment. Such revenue included approximately RMB2,294,602,000 (2014: RMB591,959,000 related to revenue from service concession arrangements of the Group; and (ii) operating segment of Equipment Fabrications of approximately RMB41,247,000 (2014: RMB37,053,000), representing 100% (2014: 100%) of revenue in this segment.

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

	2015 RMB'000	2014 RMB'000
Assets and liabilities as at 31 December:		
NON-CURRENT ASSETS		
Property, plant and equipment	39,801	40,926
Land use rights	38,786	40,820
Goodwill	41,395	41,395
Services concession receivables	2,017,639	816,092
Deferred tax assets	7,730	7,730
	2,145,351	946,963
CURRENT ASSETS		
Inventories	90,655	28,006
Trade and other receivables	1,869,025	1,223,398
Land use rights	1,150	1,158
Available-for-sale investments	952,000	-
Amounts due from customers for contract work	717,105	1,003,091
Derivative financial instruments	-	2,716
Restricted bank balances	414,369	81,628
Bank balances and cash	486,072	1,689,175
	4,530,376	4,029,172
CURRENT LIABILITIES		
Trade and other payables	2,488,278	1,501,066
Tax payables	97,513	86,036
Borrowings	1,041,420	709,660
Amounts due to customers for contract work	-	101,035
	3,627,211	2,397,797
NET CURRENT ASSETS	903,165	1,631,375
TOTAL ASSETS LESS CURRENT LIABILITIES	3,048,516	2,578,338
NON-CURRENT LIABILITIES		
Deferred tax liabilities	4,497	4,594
Borrowings	557,700	435,260
	562,197	439,854
TOTAL ASSETS LESS TOTAL LIABILITIES	2,486,319	2,138,484

3. BASIS OF PREPARATION (CONTINUED)

(i) (continued)

	2015 RMB'000	2014 RMB'000
Cash flow for the years ended 31 December:		
Net cash from operating activities	184,624	209,643
Net cash (used in) from investing activities	(1,255,171)	5,563
Net cash from financing activities	188,821	214,787
	881,726	429,993

(ii) On 15 June 2017, the board of directors of the Company (the "Board") received two letters from Mr. Wen Yibo and Changjiang Capital Fund (the "Potential Offerors") (collectively, the "Letters"), in which the Potential Offerors informed the Board that they are in the preliminary phase of considering the feasibility of pursuing a proposal for the privatisation of the Company, which, if proceeded with, could result in the privatisation and delisting of the Company from the HKEx (the "Possible Proposal"). The Board is also informed by the Potential Offerors that, in relation to the Possible Proposal, the Potential Offerors are acting in concert. The privatisation was not yet completed up to the date of approval of the consolidated financial statements.

(iii) During the year ended 31 December 2015, the Group recorded net cash outflow from operating activities of approximately RMB1,804,920,000 and as at 31 December 2015, the Group recorded total borrowings exceeding restricted bank balances and bank balances and cash of approximately RMB2,732,981,000. The Group recorded current and non-current borrowings of approximately RMB2,704,907,000 and RMB1,248,743,000 and restricted bank balances and bank balances and cash of aggregate amount of approximately RMB1,220,669,000 as at 31 December 2015.

The directors of the Company have assessed the latest financial position and operating performance of the Group. The directors of the Company are of the view that the Group is able to meet with its liabilities as and when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs and the accounting policies are set out below. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules, and by the Hong Kong Companies Ordinance and the Singapore Companies Act.

Basis of consolidation

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Allocation of total comprehensive income to non-controlling interests

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (continued)

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable and they have been agreed with the customer.

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

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

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

Sale of goods

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Rendering of services

Service income including that from operating service provided under service concession arrangements is recognised when services are provided. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Interest income

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

Leasing

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

The Group as lessee

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including land and buildings and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as describes below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under construction over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Land and buildings	2% to 3%
Plant and machinery	9% to 33%
Transportation vehicles	18%
Fixtures and equipment	9% to 33%

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that day. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate.

Borrowing costs

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

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

Government grants

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

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

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

Service concession arrangements

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

Financial asset - service concession receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (continued)

Intangible asset - operating concession

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

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

Retirement benefit costs

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Land use rights

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

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

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

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale financial assets and loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Cash and cash equivalents

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

Restricted bank balances

Cash and cash equivalent are classified as restricted bank balances when the assets are restricted from being exchanged or used to settle a liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities classified as FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Financial guarantee contract

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

Derivative financial instruments

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

Embedded derivatives

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

Derecognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Derecognition (continued)

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Convertible loan notes

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

Related parties transactions

A party is considered to be related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control of the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiaries is related to the others);

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);

  (iii) both entities are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employees are also related to the Group;

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions (continued)

(b) An entity is related to the Group if any of the following conditions applies: (continued)

(vi) the entity is controlled or jointly controlled by a person identified in note (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ii. Key sources of estimation uncertainty

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

Estimated impairment of trade and other receivables

The Group makes allowances for bad and doubtful debts based on assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will affect the carrying amount of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed. The carrying amount of trade and other receivables are disclosed in Note 24 to the consolidated financial statements.

Revenue recognition

The Group recognises contract revenue based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 4. Significant estimation is required in determining the stage of completion, including the extent of the contract cost incurred, the estimated total contract revenue and the estimated total contract cost and the recoverability of the costs. In assessing the estimation, the Group relies on past experience and the work of the project management team. Changes in the estimation of contract revenue or contract costs, or changes in the estimated outcome of a contract could affect the amounts of revenue and expenses recognised in profit or loss in the period in which the changes are made and in subsequent periods. Such impact could potentially be significant.

Accounting for IFRIC 12 Service Concession Arrangements

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

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, fair value of the construction services, expected future wastewater treatment volume of the relevant sewage treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market condition. Changes in these estimates could impact the amounts of construction revenue and deemed interest income and expenses recognised in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

ii. Key sources of estimation uncertainty (continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating operating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill and details of the recoverable amount calculation are disclosed in Note 20 to the consolidated financial statements.

Impairment of intangible assets and property, plant and equipment

Determining whether the intangible assets and property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which intangible assets and property, plant and equipment have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of the intangible assets and property, plant and equipment at the end of the reporting period is disclosed in Notes 18 and 17 to the consolidated financial statements respectively.

6. 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 and maintenance of water supply and wastewater treatment facilities ("O&M").

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, other income, other gains and losses and finance costs at corporate level.

6. SEGMENT INFORMATION (CONTINUED)

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

Segment revenue and results

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
For the year ended 31 December 2015						
Revenue						
External sales	3,512,357	41,247	532,154	4,085,758	-	4,085,758
Inter-segment sales	-	263,106	-	263,106	(263,106)	-
Total revenue	3,512,357	304,353	532,154	4,348,864	(263,106)	4,085,758
Segment results	731,138	14,545	256,280	1,001,963	-	1,001,963
Unallocated income						7
Unallocated other gains and losses						(146,146)
Unallocated finance costs						(180,937)
Unallocated expenses						(34,953)
Profit before income tax						639,934
For the year ended 31 December 2014						
Revenue						
External sales	3,209,968	37,053	427,343	3,674,364	-	3,674,364
Inter-segment sales	-	189,156	-	189,156	(189,156)	-
Total revenue	3,209,968	226,209	427,343	3,863,520	(189,156)	3,674,364
Segment results	774,705	(6,342)	157,686	926,049	-	926,049
Unallocated income						360
Unallocated other gains and losses						(57,546)
Unallocated finance costs						(193,046)
Unallocated expenses						(24,368)
Profit before income tax						651,449

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

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	Turnkey projects and services	Equipment Fabrications	O&M	Segment total	Elimination	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015						
Segment assets	8,010,402	651,000	7,772,912	16,434,314	(6,940,430)	9,493,884
Unallocated corporate assets (note i)						2,567,193
Consolidated assets						12,061,077
Segment liabilities	6,201,637	309,546	4,513,681	11,024,864	(6,940,430)	4,084,434
Deferred tax liabilities						63,625
Unallocated corporate liabilities (note ii)						3,152,638
Consolidated liabilities						7,300,697
At 31 December 2014						
Segment assets	7,516,878	616,144	5,195,997	13,329,019	(4,546,451)	8,782,568
Unallocated corporate assets (note i)						1,323,549
Consolidated assets						10,106,117
Segment liabilities	4,482,043	294,349	2,324,293	7,100,685	(4,546,451)	2,554,234
Deferred tax liabilities						52,625
Unallocated corporate liabilities (note ii)						3,253,275
Consolidated liabilities						5,860,134

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

notes:

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

ii Unallocated corporate liabilities mainly represent borrowings, senior notes, derivative financial instruments, obligation under finance lease and other payables at the corporate and investment holding companies' levels.

Other information

	Turnkey projects and services	Equipment Fabrications	O&M	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2015					
Additions to non-current assets excluding financial instruments and deferred tax assets	2,319	968	9,740	155	13,182
Depreciation and amortisation	2,149	2,132	8,051	56	12,388
Interest income	(32,386)	(121)	(207)	(3)	(32,717)
Imputed interest income on service concession receivables	-	-	(160,626)	-	(160,626)
Loss (gain) on disposal of property, plant and equipment	102	1,122	402	(42)	1,584
Finance costs	78,022	5,167	11,832	180,938	275,959
For the year ended 31 December 2014					
Additions to non-current assets excluding financial instruments and deferred tax assets	5,086	211	4,352	4	9,653
Depreciation and amortisation	1,835	12,807	6,890	29	21,561
Interest income	(13,309)	(315)	(1,468)	(299)	(15,391)
Imputed interest income on service concession receivables	-	-	(116,703)	-	(116,703)
Impairment of intangible assets	-	-	12,439	-	12,439
Loss (gain) on disposal of property, plant and equipment	51	-	(7)	-	44
Finance costs	64,332	4,780	28,819	193,046	290,977

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	2015 RMB'000	2014 RMB'000 (Restated)
Revenue from external customers		
The PRC	3,966,064	3,644,285
Saudi Arabia	1,873	-
Bangladesh	117,821	30,079
	4,085,758	3,674,364
Non-current assets		
The PRC	230,309	195,147
Saudi Arabia	-	295
	230,309	195,442

No revenue from a single external customer (2014: Nil) amount to 10% or more of the Group's total revenue for the year ended 31 December 2015.

7. REVENUE

	2015 RMB'000	2014 RMB'000 (Restated)
Revenue from engineering, procurement and construction contracts (note (i))		
- Design service	57,666	51,930
- Sale of equipment	487,401	267,183
- Turnkey services	2,949,920	2,869,394
	3,494,987	3,188,507
Revenue from sale of goods	41,247	37,053
Operating and maintenance income	371,528	310,640
Design service	17,370	21,461
Imputed interest income on service concession receivables	160,626	116,703
	4,085,758	3,674,364

Note:

(i) Further breakdown of revenue from engineering, procurement and construction contracts:

	2015 RMB'000	2014 RMB'000
From contracts with external customers	1,200,385	2,596,548
From service concession arrangements of the Group	2,294,602	591,959
	3,494,987	3,188,507

8. OTHER INCOME

	2015 RMB'000	2014 RMB'000 (Restated)
Interest income	32,717	15,391
Government grants	15,104	2,482
Sundry income	418	107
	48,239	17,980

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

9. OTHER GAINS AND LOSSES

	2015 RMB'000	2014 RMB'000
Allowance for doubtful debts	37,492	138
Allowance for doubtful debts written back	(24,862)	(3,003)
Write-down of inventories	3,868	-
Change in fair value of redemption option embedded in senior notes	15,321	(15,321)
Change in fair value of a swap contract	8,286	2,941
Change in fair value of foreign currency forward contracts	2,716	668
Change in fair value of warrants	-	46,748
Loss on disposal of property, plant and equipment	1,584	44
Loss on early redemption of senior notes	56,501	-
Gain on bargain purchase of subsidiaries	(23,209)	(5,258)
Impairment losses recognised in respect of intangible assets	-	12,439
Net foreign exchange loss	78,067	20,290
Others	241	65
	156,005	59,751

10. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expenses on borrowings		
- wholly repayable within five years	114,808	103,082
- not wholly repayable within five years	32,364	43,212
Interest expenses on finance lease	38	206
Interest expenses on convertible loan notes	-	11,654
Interest expenses on senior notes	128,749	132,823
	275,959	290,977

11. INCOME TAX EXPENSES

	2015 RMB'000	2014 RMB'000
The charge comprises:		
Current tax		
- PRC income tax	133,978	114,452
Over provision in prior years		
- PRC income tax	-	(10,247)
Deferred tax (Note 22)	46,662	43,313
	180,640	147,518

The Singapore income tax represents income tax in Singapore which is calculated at the prevailing tax rate on the taxable income of companies established in Singapore. For the years ended 31 December 2014 and 2015, the tax rate was 17%.

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

The EIT Law provides that qualified dividend income between two "resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a withholding tax under the tax treaty or the domestic law.

11. INCOME TAX EXPENSES (CONTINUED)

For the year ended 2014 and 2015, certain PRC subsidiaries of the Company enjoyed preferential income tax rates at 12.5%, 15% or tax exemption as follows:

	2015 %	2014 %
Beijing Sound (note i)	15	15
Beijing Epure International Water Co., Ltd ("Beijing Epure") (note ii)	15	15
Beijing Hi-Standard Water Treatment Equipment Co., Ltd ("Hi-Standard Equipment") (note iii)	15	15
Guangxi Sound Water Co., Ltd ("Guangxi Sound") (note iv)	12.5	12.5
Hainan Sound Water Co., Ltd ("Hainan Sound") (note iv)	12.5	12.5
Taizhou Sound Wastewater Co., Ltd ("Taizhou Sound") (note iv)	12.5	12.5
Xi'an Chang'an Sound Water Co., Ltd ("Xi'an Chang'an Sound") (note iv)	12.5	12.5
Xi'an Hu County Sound Water Co., Ltd ("Xi'an Hu County Sound") (note iv)	12.5	12.5
Hancheng City Sound Water Co., Ltd ("Hancheng Sound") (note iv)	12.5	12.5
Shangluo Sound Water Co., Ltd ("Shangluo Sound") (note iv)	12.5	12.5
Tongliao Sound (note iv)	12.5	12.5
Yulin City Jingzhou Water Co., Ltd ("Yulin Jingzhou") (note iv)	12.5	12.5
Anyang Zongcun Sound (note iv)	12.5	Exempted
Xi'an Trade & Logistics Park Sound Water Co., Ltd ("Xi'an Trade & Logistics Park Sound") (note iv)	12.5	Exempted
Daye Honglian Water Co. Ltd ("Daye Honglian") (note iv)	Exempted	Exempted
Jiangyan Qinlong Water Co., Ltd ("Jiangyan Qinlong") (note iv)	Exempted	Exempted
Anshan Qingchang Water Co., Ltd ("Anshan Qingchang") (note iv)	Exempted	Exempted
Anshan Qinglang Water Co., Ltd ("Anshan Qinglang") (note iv)	Exempted	Exempted
Anshan Tianqing Water Co., Ltd ("Anshan Tianqing") (note iv)	Exempted	Exempted
Anyang Taiyuan Water Co., Ltd ("Anyang Taiyuan") (note iv)	Exempted	Exempted
Changsha Sound Water Co., Ltd ("Changsha Sound") (note iv)	Exempted	Exempted
Fushun Sound Water Co., Ltd ("Fushun Sound") (note iv)	Exempted	Exempted
Hailun Sound Water Co., Ltd ("Hailun Sound") (note iv)	Exempted	Exempted
Hongze Zeqing Water Co., Ltd ("Hongze Zeqing") (note iv)	Exempted	Exempted
Sound Hanzhong Yang County Water Co., Ltd ("Hanzhong Yang County") (note iv)	Exempted	Exempted
Yantai Bihai Water Co., Ltd ("Yantai Bihai") (note iv)	Exempted	Exempted
Beijing Jingyushi Water Co., Ltd ("Jingyushi") (note iv)	Exempted	25%
Beijing Jingyuyang Water Co., Ltd ("Jingyuyang") (note iv)	Exempted	25%
Changbaishan Protection and Development Zone Sound Water Co., Ltd ("Changbaishan Sound") (note iv)	Exempted	25%
Helong Sound Water Co., Ltd ("Helong Sound") (note iv)	Exempted	25%
Hongze Sound Water Co., Ltd ("Hongze Sound") (note iv)	Exempted	25%
Tongzi Sound Water Co., Ltd ("Tongzi Sound") (note iv)	Exempted	25%
Advanced Water (Pengxi) Co., Ltd ("Advanced (Pengxi)") (note v)	15%	N/A

11. INCOME TAX EXPENSES (CONTINUED)

notes:

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

According to the EIT Law and Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Enjoyed by High-and-new-tech Enterprises (Guo Shui Han 2009 No. 203), high-and-new-tech enterprises are levied enterprise income tax at 15%. Beijing Sound was entitled to enjoy a preferential tax rate at 15% from 2008 to 2016 and as it has successfully applied as a high-and-new-tech enterprise in 2014 for a period from 2014 to 2016.

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

In accordance with the Interim Measures of Beijing New Tech Industry Development Test Zone approved by the State Council on May 10, 1988 and promulgated by the People's Government of Beijing on May 20, 1988, the newly established new tech enterprise within test zone shall be entitled to an exemption from income tax for the three years commencing from its establishment, and thereafter, entitled to a 50% relief of income tax for the next three years subject to the approval from the relevant authority. As a company established in a test zone, Beijing Epure was exempted from income tax for each of the years ended 31 December 2007, 2008 and 2009, and is subject to income tax at 7.5% for each of the years ended 31 December 2010, 2011 and 2012. According to Guo Shui Han 2009 No. 203, Beijing Epure was entitled to enjoy a preferential tax rate at 15% for current year as it has successfully applied as a high-and-new-tech enterprise in 2014 for a period from 2014 to 2016.

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

According to Guo Shui Han 2009 No. 203, Hi-Standard Equipment was entitled to enjoy a preferential tax rate of 15% for an effective period from 2011 to 2016 and as it has successfully applied as a high-and-new-tech enterprise in 2014 for a period from 2014 to 2016.

11. INCOME TAX EXPENSES (CONTINUED)

notes: (continued)

(iv) According to No.88 provision of the Implementation Rules on the EIT Law of the PRC and the third item in No.27 provision of the EIT Law of the PRC, the income of companies engaged in environmental protection projects, or energy and water saving projects, which meet relevant requirements, shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations and thereafter, be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the competent department of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicised and implemented after being approved by the State Council. Guangxi Sound, Hainan Sound, Taizhou Sound, Xi'an Chang'an Sound and Xi'an Hu County Sound have obtained the approval and are entitled to exempt from enterprise income tax in 2010, 2011 and 2012 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Hancheng Sound, Shangluo Sound, Tongliao Sound, and Yulin Jingzhou have obtained the approval and are entitled to exempt from enterprise income tax in 2011, 2012 and 2013 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Anyang Zongcun Sound and Xi'an Trade & Logistics Park Sound have obtained the approval and are entitled to exempt from enterprise income tax in 2012, 2013 and 2014 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Daye Honglian and Jiangyan Qinlong have obtained the approval and are entitled to exempt from enterprise income tax in 2013, 2014 and 2015 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Anshan Qingchang, Anshan Qinglang, Anshan Tianqing, Anyang Taiyuan, Changsha Sound, Fushun Sound, Hailun Sound, Hongze Zeqing, Hanzhong Yang County and Yantai Bihai have obtained the approval and are entitled to exempt from enterprise income tax in 2014, 2015 and 2016 and enjoy 12.5% preferential enterprise income tax rate in the following three years. Jingyushi, Jingyuyang, Changbaishan Sound, Helong Sound, Hongze Sound and Tongzi Sound have obtained the approval and are entitled to exempt from enterprise income tax in 2015, 2016 and 2017 and enjoy 12.5% preferential enterprise income tax rate in the following three years.

(v) Advanced (Pengxi) is a foreign investment enterprise located in Pengxi County, Suining City, Sichuan, the PRC.

According to the EIT Law, Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy (No. 58 2011 of the Ministry of Finance), and Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western Region Development Strategy, enterprise's main business belongs to the scope of "Catalogue of Encouraged Industries in Western Regions" are levied enterprise income tax at 15%. Advanced (Pengxi) was entitled to enjoy a preferential tax rate at 15% from 2011 to 2020.

11. INCOME TAX EXPENSES (CONTINUED)

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

	2015 RMB'000	2014 RMB'000
Profit before income tax	639,934	651,449
Tax at the applicable income tax rate of respective tax jurisdictions	193,701	242,264
Tax effect of expenses not deductible for tax purpose	58,862	29,095
Tax effect of income not taxable for tax purpose	(15,954)	(89,468)
Effect of tax exemption	(120,887)	(85,903)
Tax effect of unrecognised deductible temporary differences	460	796
Tax effect of tax losses not recognised	58,988	46,783
Utilisation of tax losses previously not recognised	(5,530)	(2,052)
Deferred tax liabilities arising on undistributed profits in the PRC subsidiaries from 1 January 2008 onwards	11,000	16,250
Over provision of current tax in prior years	-	(10,247)
Income tax expense	180,640	147,518

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2015 RMB'000	2014 RMB'000
Amortisation of intangible assets	3,296	13,684
Amortisation of land use rights	1,158	1,158
Auditors' remuneration		
Audit services	4,186	5,170
Non-audit services	2,422	45
Cost of inventories recognised as expenses	283,339	217,248
Depreciation for property, plant and equipment	7,934	6,719
Staff costs		
Directors' remuneration (Note 13)	2,623	2,992
Other staff costs		
Salaries and other benefits	146,107	132,675
Contributions to defined contribution plans	23,390	17,295
Share-based payments	-	930
Total staff costs	172,120	153,892

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2015 RMB'000	2014 RMB'000
Directors' fees	420	610
Directors' emoluments:		
- Salaries and other benefits	1,936	1,577
- Bonus	24	310
- Contributions to defined contribution plans	243	200
- Share-based payments	-	295
	2,203	2,382
Total	2,623	2,992

	Directors' fee RMB'000	Salaries and other benefit RMB'000	Bonus RMB'000	Contributions to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
For the year ended 31 December 2015						
Executive directors:						
WEN Yibo	-	465	-	44	-	509
ZHANG Jingzhi (note i)	-	396	-	44	-	440
JIANG Anping (note ii)	-	249	-	44	-	293
LUO Liyang	-	248	-	44	-	292
WANG Kai (note iii)	-	293	-	44	-	337
LIU Wei (note iv)	-	285	24	23	-	332
Independent non-executive directors:						
MA Yuanju (note v)	83	-	-	-	-	83
ZHANG Shuting (note vi)	57	-	-	-	-	57
LUO Jianhua (note vii)	50	-	-	-	-	50
WONG See Meng (note viii)	75	-	-	-	-	75
FU Tao (note ix)	30	-	-	-	-	30
SEOW Han Chiang Winston (note x)	125	-	-	-	-	125
	420	1,936	24	243	-	2,623

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Directors' fee	Salaries and other benefit	Bonus	Contributions to defined contribution plans	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2014						
Executive directors:						
WEN Yibo	-	470	-	40	-	510
ZHANG Jingzhi	-	314	-	40	-	354
JIANG Anping	-	254	33	40	46	373
LUO Liyang	-	254	277	40	124	695
WANG Kai	-	285	-	40	125	450
Independent non-executive directors:						
WONG See Meng	300	-	-	-	-	300
FU Tao	60	-	-	-	-	60
SEOW Han Chiang Winston	250	-	-	-	-	250
	610	1,577	310	200	295	2,992

notes:

(i) Mr. Zhang Jingzhi resigned as an executive director and chief executive officer of the Company on 12 August 2016.

(ii) Mr. Jiang Anping resigned as an executive director of the Company on 12 August 2016.

(iii) Mr. Wang Kai ("Mr. Wang") was resigned as an executive director and removed as chief financial officer of the Company on 18 December 2015.

(iv) Mr. Liu Wei was appointed as an executive director of the Company on 30 July 2015 and resigned as an executive director of the Company on 26 July 2017.

(v) Mr. Ma Yuanju was appointed as an independent non-executive director of the Company on 20 April 2015.

(vi) Mr. Zhang Shuting was appointed as an independent non-executive director of the Company on 9 July 2015.

(vii) Mr. Luo Jianhua was appointed as an independent non-executive director of the Company on 31 July 2015.

(viii) Mr. Wong See Meng resigned as an independent non-executive director of the Company on 26 March 2015.

(ix) Mr. Fu Tao resigned as an independent non-executive director of the Company on 6 July 2015.

(x) Mr. Seow Han Chiang Winston resigned as an independent non-executive director of the Company on 31 July 2015.

13. **DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)**

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

None of the directors of the Company has waived any emoluments during the years ended 31 December 2014 and 2015.

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

Details of material interests of the directors of the Company in transactions, arrangements or contracts entered into by subsidiaries of the Company are disclosed in the Directors' Statement of this annual report.

14. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals included two (2014: two) directors for the year ended 31 December 2015. The emoluments of the directors are included in the disclosure in Note 13 above. The emoluments of the remaining three (2014: three) highest paid individuals for the year ended 31 December 2015 are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other benefits	1,550	1,532
Bonus (note)	345	338
Contributions to defined contribution plans	173	121
Share-based payments	-	119
	2,068	2,110

note:

The performance related bonus is determined based on evaluation of each individual annually.

No emoluments were paid by the Group to the directors or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

Their emoluments were within the following band:

	Number of individuals	
	2015	2014
Nil to HK$1,000,000	3	2
HK$1,000,001 to HK$1,500,000	-	1

15. DIVIDENDS

No dividend has been proposed by the Board in respect of the year ended 31 December 2014 and 2015.

16. EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
Earnings for the purpose of basic earnings per share	455,425	502,943
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes	-	11,654
Earnings for the purpose of diluted earnings per share	455,425	514,597

	2015 '000	2014 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,506,047	1,429,349
Effect of dilutive potential ordinary shares from:		
Share options	-	12,018
Convertible loan notes	-	40,344
Weighted average number of shares for the purpose of diluted earnings per share	1,506,047	1,481,711

17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Plant and machinery RMB'000	Transportation vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2014	44,973	11,982	8,901	12,387	-	78,243
Reclassification	-	97	158	(255)	-	-
Additions	-	264	6,986	2,403	-	9,653
Acquired on acquisitions of subsidiaries (Note 37)	-	8	94	153	-	255
Disposal	-	(3,131)	(1,766)	(505)	-	(5,402)
Exchange alignment	-	5	4	8	-	17
At 31 December 2014	44,973	9,225	14,377	14,191	-	82,766
Additions	354	168	7,486	4,240	934	13,182
Acquired on acquisitions of subsidiaries (Note 37)	17,087	12,957	562	356	5,311	36,273
Transfer	33	2,803	-	179	(3,015)	-
Disposal	-	(5,626)	(640)	(1,286)	-	(7,552)
Exchange alignment	-	68	50	33	-	151
At 31 December 2015	62,447	19,595	21,835	17,713	3,230	124,820

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings RMB'000	Plant and machinery RMB'000	Transportation vehicles RMB'000	Fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
ACCUMULATED DEPRECIATION						
At 1 January 2014	11,452	5,790	5,141	5,607	-	27,990
Reclassification	-	11	(131)	120	-	-
Charge for the year	1,487	1,316	1,616	2,300	-	6,719
Disposal	-	(1,964)	(1,594)	(466)	-	(4,024)
Exchange alignment	-	2	3	7	-	12
At 31 December 2014	12,939	5,155	5,035	7,568	-	30,697
Charge for the year	1,451	1,289	2,562	2,632	-	7,934
Disposal	-	(3,631)	(547)	(1,174)	-	(5,352)
Exchange alignment	-	68	50	33	-	151
At 31 December 2015	14,390	2,881	7,100	9,059	-	33,430
CARRYING AMOUNT						
At 31 December 2015	48,057	16,714	14,735	8,654	3,230	91,390
At 31 December 2014	32,034	4,070	9,342	6,623	-	52,069

At 31 December 2015, the Group has pledged land and buildings with carrying amount of approximately RMB26,627,000 (2014: RMB27,321,000) to secure general banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Patents RMB'000	Operating concessions RMB'000	Total RMB'000
COST			
At 1 January 2014	67,199	67,846	135,045
Acquired on acquisitions of subsidiaries (Note 37)	-	9,733	9,733
At 31 December 2014 and 31 December 2015	67,199	77,579	144,778
ACCUMULATED AMORTISATION AND IMPAIRMENT			
At 1 January 2014	57,199	298	57,497
Amortisation for the year	10,000	3,684	13,684
Impairment loss recognised for the year	-	12,439	12,439
At 31 December 2014	67,199	16,421	83,620
Amortisation for the year	-	3,296	3,296
At 31 December 2015	67,199	19,717	86,916
CARRYING AMOUNTS			
At 31 December 2015	-	57,862	57,862
At 31 December 2014	-	61,158	61,158

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 17 to 27 years. Details of these operating concessions are set out in Note 21.

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

18. INTANGIBLE ASSETS (CONTINUED)

Despite the increase in revenue contribution by the operating concessions for the year ended 31 December 2014, the operating results of Jingyushi and Jingyuyang had not been reached as originally expected. Consequently, the directors of the Company have revised downward the profit forecast on the operating concessions of Jingyushi and Jingyuyang.

At 31 December 2015, the directors of the Company have assessed the recoverable amount of intangible assets by reference to valuation report issued by Peak Vision Appraisals Limited, a firm of independent qualified professional valuers, which valued the operating concession using the value-in-use calculation with a discount rate of 7.44% (2014: 7.94%) and determined that no intangible assets associated with it was impaired for the year ended 31 December 2015 (2014: approximately RMB12,439,000).

19. LAND USE RIGHTS

	RMB'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	49,921
ACCUMULATED AMORTISATION	
At 1 January 2014	6,785
Charge for the year	1,158
At 31 December 2014	7,943
Charge for the year	1,158
At 31 December 2015	9,101
CARRYING AMOUNTS	
At 31 December 2015	40,820
At 31 December 2014	41,978

	2015 RMB'000	2014 RMB'000
Analysed for reporting purpose as:		
- Current asset	1,158	1,158
- Non-current asset	39,662	40,820
	40,820	41,978

19. LAND USE RIGHTS (CONTINUED)

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

At 31 December 2015, the Group has pledged land use rights with carrying amount of approximately RMB2,075,000 (2014: RMB2,138,000) to secure general banking facilities granted to the Group.

20. GOODWILL

	RMB'000
COST	
At 1 January 2014, 31 December 2014 and 31 December 2015	41,395

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

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

The value in use calculation uses cash flow forecasts derived from the most recent financial forecasts approved by the management for the next five years, and discount rate of 9.63% (2014: 9.98%) at 31 December 2015. No growth rate is extrapolated beyond the five-year forecasted period.

During the year ended 31 December 2015 and 2014, based on the business valuation report issued by Peak Vision Appraisals Limited of Hi-Standard Equipment cash-generating unit, its recoverable amount exceeded its carrying amount in which the goodwill was allocated, hence no impairment charge was recognised for the year ended 31 December 2015 and 2014.

21. SERVICE CONCESSION RECEIVABLES

	2015 RMB'000	2014 RMB'000
Service concession receivables	5,608,467	3,112,135
Less: Amounts due within one year shown under current assets (Note 24)	(298,521)	(194,621)
Service concession receivables due after one year	5,309,946	2,917,514

Service concession receivables arose from the service concession contracts to build and operate water supply, wastewater treatment and recycling water plants. The Group is the operator under certain build-operate-transfer ("BOT") arrangements. As explained in the accounting policy for "Service concession arrangements" set out in Note 4, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concessions) or a financial asset (service concession receivables) or a combination of both, as appropriate. The intangible asset component is detailed in Note 18, and the financial asset component is as above.

The Group has 88 (2014: 53) BOT projects in progress, among which 35 (2014: 26) BOT projects were in the operation period during the year ended 31 December 2015. Those arrangements entitle the Group concession rights for periods ranging from 19 to 30 years with minimum guaranteed tonnage and tariff per ton as defined in the agreements. During the year ended 31 December 2015, the Group recognised construction revenue of approximately RMB2,294,602,000 (2014: RMB591,959,000) and construction profit of RMB645,671,000 (2014: RMB129,833,000) in connection with BOT projects under construction period.

At 31 December 2015, certain BOT projects' charging rights under the service concession contracts of the Group with an aggregate carrying amount of approximately RMB2,561,794,000 (2014: RMB1,565,335,000) was pledged to secure certain bank borrowings granted to the Group (Note 29(i)).

The Group's obligation under finance lease is secured by the lessors' title to the leased assets classified as service concession receivables, which have a carrying amount of approximately RMB156,270,000 (2014: RMB Nil) at 31 December 2015 (Note 34).

22. DEFERRED TAXATION

The deferred tax assets (liabilities) recognised by the Group, and the movements thereon are as follows:

	Allowance for doubtful debts RMB'000	Undistributed profits of the PRC subsidiaries RMB'000	Fair value adjustment arising from acquisitions of subsidiaries RMB'000	Service concession receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014	8,008	(36,375)	(30,729)	(50,985)	173	(109,908)
(Charge) credit to profit or loss	(451)	(16,250)	7,341	(33,953)	-	(43,313)
Acquired on acquisitions of subsidiaries (Note 37)	-	-	(1,631)	-	-	(1,631)
At 31 December 2014	7,557	(52,625)	(25,019)	(84,938)	173	(154,852)
Credit (charge) to profit or loss	3,158	(11,000)	513	(39,333)	-	(46,662)
Acquired on acquisitions of subsidiaries (Note 37)	-	-	5,144	-	-	5,144
At 31 December 2015	10,715	(63,625)	(19,362)	(124,271)	173	(196,370)

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

	2015 RMB'000	2014 RMB'000
Deferred tax assets	10,888	7,730
Deferred tax liabilities	(207,258)	(162,582)
	(196,370)	(154,852)

22. DEFERRED TAXATION (CONTINUED)

At 31 December 2015, the Group has unused tax losses of approximately RMB449,944,000 (2014: RMB463,406,000) available for offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams. The tax losses of approximately RMB364,882,000 (2014: RMB378,529,000) at 31 December 2015 has no expiry date and the remainder will be expired as follows:

	2015 RMB'000	2014 RMB'000
2015	-	3,780
2016	11,715	11,715
2017	5,695	6,309
2018	15,117	15,758
2019	47,299	47,315
2020	5,236	-
	85,062	84,877

Under the EIT Law, withholding tax is imposed at 5% on dividends declared to foreign investors in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Accordingly, deferred taxation has been provided for in the consolidated financial statements in respect of profits of relevant PRC subsidiaries to be distributed estimated by the directors of the Company. Meanwhile, deferred tax liabilities on the undistributed profits of the PRC subsidiaries of approximately RMB3,351,050,000 (2014: RMB2,492,952,000) which was earned after 1 January 2008, have not been recognised at 31 December 2015, because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

23. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	40,499	11,690
Work in progress	2,746	11,340
Finished goods	54,582	11,842
	97,827	34,872

24. TRADE AND OTHER RECEIVABLES

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

	2015 RMB'000	2014 RMB'000
Trade receivables	1,627,886	1,232,455
Allowance for doubtful debts	(59,380)	(46,181)
	1,568,506	1,186,274
Bills receivable	13,100	18,000
Bid and compliance deposits	251,696	78,755
Advance payments to suppliers and subcontractors	192,967	100,915
Other receivables	399,620	2,114,125
Service concession receivables (Note 21)	298,521	194,621
Total	2,724,410	3,692,690

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.

	2015 RMB'000	2014 RMB'000
Trade receivables:		
Within 90 days	510,070	516,362
91 to 180 days	226,720	123,821
181 days to 1 year	178,623	216,556
1 to 2 years	580,152	275,832
2 to 3 years	54,672	51,250
More than 3 years	18,269	2,453
	1,568,506	1,186,274
Bills receivable:		
Within 180 days	13,100	18,000

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

Included in the Group's trade receivables are debtors with an aggregate carrying amount of approximately RMB341,509,000 (2014: RMB417,056,000) at 31 December 2015 which were overdue, for which the Group has not made allowance for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

Aging of trade receivables past due but not impaired:

	2015 RMB'000	2014 RMB'000
181 days to 1 year	40,340	87,521
1 to 2 years	263,397	275,832
2 to 3 years	19,503	51,250
More than 3 years	18,269	2,453
	341,509	417,056

Movement in allowance for doubtful debts:

	2015 RMB'000	2014 RMB'000
Balance at beginning of the year	46,181	49,184
Acquired on acquisitions of subsidiaries (Note 37)	569	-
Charge to profit or loss	37,492	138
Written back to profit or loss	(24,862)	(3,003)
Amounts written off as uncollectable	-	(138)
Balance at end of the year	59,380	46,181

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

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

At 31 December 2015, no trade receivables have been pledged (2014: trade receivables with carrying amount of approximately RMB110,021,000 have been pledged as collateral for the short-term borrowings of RMB80,000,000).

As of the date of the approval of the consolidated financial statements, (i) trade receivables with principal amounts of approximately RMB229,923,000, RMB392,253,000 and RMB 522,728,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively were still outstanding and remained unsettled, representing approximately 18%, 50% and 70% of the balances of trade receivables as at 31 December 2013, 2014 and 2015 were still outstanding and remained unsettled; and (ii) other receivables with amounts of approximately RMB58,396,000, RMB123,556,000 and RMB270,316,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively were still outstanding and remained unsettled, representing approximately 17%, 7% and 39% of the balances of other receivables as at 31 December 2013, 2014 and 2015 were still outstanding and remained unsettled.

24. 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 Group which refer to the shortfall of or about RMB2.0 billion between the Group's cash balances at banks and that on the Group's books at 31 December 2014 (the "Cash Discrepancy"). The Company's shares (stock code: 00967) and debt securities (stock code: 04561) had been suspended from trading on the HKEx with effect from 16 March 2015 (the "2015 Suspension").

In order to deal with the Cash Discrepancy, it has been resolved by 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") revealed that the Cash Discrepancy was a result of the earnest money amounting to RMB2.0 billion (the "Earnest Money") paid through Sound Group, paid to two independent third parties incorporated in the PRC (the "Sellers") for acquisition of their water treatment businesses (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 "Supplemental Trust Agreement"), pursuant to which Sound Group agreed to transfer RMB2.0 billion, being the refund of the Earnest Money, back to the Group's bank account within one month from the date of the signing of the Supplemental Trust Agreement and pay interests to the Group at 0.35% annually which is the interest rate of current deposit of the People's Bank of China. As a result of the Supplemental Trust Agreement, Sound Group transferred approximately RMB2.8 million as interest to the Company during the year ended 31 December 2015. Details of the Review Report were set out in the Company's announcement dated 23 June 2015.

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

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

(ii) demonstrate that the Group 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 HKEx 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. TRADE AND OTHER RECEIVABLES (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 of the Company's shares and debt securities on the HKEx, the Company was required, amongst others, to engage an independent forensic specialist acceptable to the HKEx to conduct forensic investigations on the Cash Discrepancy and to demonstrate that the Group had 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 Group'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 on the HKEx since 16 March 2014. On the other hand, it is uncertain in respect of the discretion of HKEx as to whether there may be potential non-compliance of the Listing Rules in respect of the Proposed Acquisition, the Trust Agreement and the Supplemental Trust Agreement which may result in possible sanctions for breach of the Listing Rules including relevant provisions of the Listing Rules and relevant sections of the Securities and Futures Ordinance (Cap. 571). The Board has been taking active steps to satisfy the resumption conditions but the resumption of the trading of shares of the Company are subjected to the satisfaction of the requirements laid down by the HKEx and its discretion. These conditions, along with the matters abovementioned described the uncertainty relating to the future outcome of the resumption of trading of the Company's shares which might have a significant effect on the consolidated financial statements of the Company and its subsidiaries.

On 30 November 2015, the Company announced that RSM has completed its forensic investigations on the Cash Discrepancy and had 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 HKEx.

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 management of the Group had 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 was also considering the implementation of the proposed remedial measures, where appropriate.

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 balances at banks and that on the book at 31 December 2014 i.e. the Cash Discrepancy, during the course of their audit of the Group'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.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 Group'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 Group 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 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 Group.

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 balances at banks and that on the books 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.

At the relevant time, the Chief Financial Officer ("CFO") (also an executive director) of the Company, 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.

24. TRADE AND OTHER RECEIVABLES (CONTINUED)

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 Group, 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 Group had, 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 Group is required to provide the chairman of the Audit Committee with the relevant supporting documents and information for his perusal and verification.

The Company announced on 21 January 2016 that according to the internal control report issued by PKF dated 13 January 2016 (the "Internal Control Report"), PKF has come to a conclusion that from their review of the Group's implementation of the proposed measures, their enquiries, observations and discussions with the management of the Group, as well as their examination of relevant documents and records, the Group had already put in place adequate financial reporting procedures and internal control systems to meet the obligations under the Listing Rules.

Having considered the Internal Control Report, the Board is of the view that the Group's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.

The Company further announced on 21 January 2016 that all of the Resumption Conditions imposed by the HKEx has been fulfilled. The trading of the shares of the Company was resumed on 25 January 2016.

25. AVAILABLE-FOR-SALE INVESTMENT

	2015 RMB'000	2014 RMB'000
Structured deposit	952,000	-

The amount represents a RMB denominated structured deposits place by the Group in the licensed commercial bank in the PRC, which without a fixed or determinable repayment at the maturity.

The structured deposit is classified as available-for-sale investment and stated at cost less accumulated impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

26. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2015 RMB'000	2014 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	6,312,971	5,502,309
Less: Progress billings	(4,799,184)	(4,445,793)
	1,513,787	1,056,516
Contract work in progress at the end of the reporting period:		
Amounts due from customers for contract work	1,513,870	1,157,581
Amounts due to customers for contract work	(83)	(101,065)
	1,513,787	1,056,516

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

At 31 December 2015, retentions held by customers for contract works amounted to approximately RMB185,699,000 (2014: RMB88,719,000).

As of the date of the approval of the consolidated financial statements, amounts due from customers for contract work with amounts of approximately RMB315,449,000, RMB417,272,000 and RMB220,540,000 which were recognised by the Group on or before 31 December 2013, during the year ended 31 December 2014 and 2015 respectively were still outstanding and no progress billings had been issued, representing approximately 29%, 63% and 63% of the balances of amounts due from customers for contract work as at 31 December 2013, 2014 and 2015 were still outstanding and no progress billings had been issued.

27. BANK BALANCES AND CASH

Bank balances and cash comprise cash with an original maturity of three months or less which are held with banks and carry interest at prevailing market rate is from 0.001% to 0.30% (2014: 0.001% to 0.35%) per annum at 31 December 2015.

Bank balances and cash were mainly denominated in RMB which is not a fully convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

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

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

	2015 RMB'000	2014 RMB'000
United States Dollar ("US$")	177,346	100,901
Singapore Dollar ("S$")	7,012	78,106
Bangladeshi Taka ("BDT")	2,250	14,189
Hong Kong Dollar ("HKD")	424	12,313
Australian Dollar ("AUD")	1,078	1,140
Japanese Yen ("JPY")	4,803	347
Saudi Riyal ("SAR")	875	-

Restricted bank balances

	2015 RMB'000	2014 RMB'000
Bills payables and banking facilities	430,226	105,394
Construction contracts	9,596	3,160
Forward contracts	-	4,300
Merchandise agreements	10,228	-
Salaries payables	900	-
	450,950	112,854

The restricted bank balances bear prevailing interest rate is 0.35%-0.39% (2014: 0.55%-1.54%) per annum at 31 December 2015. The restricted bank balances will be released upon the completion of relevant contracts or maturity and settlement of related liabilities which are due within current operating cycle or within one year and are therefore classified as current assets.

27. BANK BALANCES AND CASH (CONTINUED)

Restricted bank balances (continued)

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

	2015 RMB'000	2014 RMB'000
US$	15,940	10,356
S$	20,641	20,871
JPY	10,228	3,160

28. TRADE AND OTHER PAYABLES

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

	2015 RMB'000	2014 RMB'000
Trade payables		
Within 90 days	778,432	510,716
91 days to 180 days	320,590	169,662
181 days to 1 year	474,867	148,758
1 to 2 years	225,854	202,979
2 to 3 years	156,769	57,861
More than 3 years	75,780	66,908
	2,032,292	1,156,884
Bills payable within 180 days	153,190	123,550
Other payables	376,065	162,229
Borrowings interest payables	6,603	10,605
Senior notes interest and withholding tax payables (Note 33)	5,285	47,470
Bid and compliance deposits	43,764	27,112
Advance from customers	39,521	29,890
Value added tax payables	45,815	71,754
Business tax payables	215,309	173,966
Other tax payables	19,029	17,999
	2,936,873	1,821,459

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

The average credit period on purchases of goods is 90 days (2014: 90 days).

29. BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured bank borrowings (note i)	1,217,152	1,131,000
Borrowings from International Finance Corporation (note ii)	-	277,021
Unsecured bank borrowings	2,686,498	1,312,917
Unsecured other borrowings	50,000	-
	3,953,650	2,720,938
Carrying amount repayable (note iv):		
Within one year	2,704,907	1,190,590
More than one year but not exceeding two years	295,525	401,502
More than two years but not exceeding five years	583,278	923,357
More than five years	369,940	205,489
	3,953,650	2,720,938
Less: Amounts not repayable within one year from the end of the reporting period but contain a repayment on demand clause	-	(65,220)
Amounts due within one year	(2,704,907)	(1,383,066)
Amounts shown under current liabilities	(2,704,907)	(1,448,286)
Amounts shown under non-current liabilities	1,248,743	1,272,652

The borrowings comprise:

	2015 RMB'000	2014 RMB'000
Fixed-rate borrowings	475,000	70,000
Variable-rate borrowings (note iii)	3,478,650	2,650,938
	3,953,650	2,720,938

The effective interest rates per annum at the end of each reporting period, are as follows:

	2015	2014
Fixed-rate borrowings	3.311% ~ 7.000%	6.000% ~ 6.600%
Variable-rate borrowings	1.456% ~ 8.160%	1.981% ~ 8.160%

notes:

(i) At 31 December 2015, bank borrowings of approximately RMB72,000,000 (2014: RMB92,000,000) were mortgaged and secured by certain buildings and land use rights of the Group. Bank borrowings of approximately RMBNil (2014: RMB80,000,000) were secured by certain trade receivables of the Group. Bank borrowings of approximately RMB1,145,152,000 (2014: RMB909,000,000) were secured by certain BOT subsidiaries' charging rights under the service concession contracts. Bank borrowing of approximately RMBNil (2014: RMB50,000,000) was secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

29. BORROWINGS (CONTINUED)

notes: (continued)

(ii) Borrowings from International Finance Corporation ("IFC") of approximately RMB277,021,000 denominated in US$ at 31 December 2014 were advanced from IFC and secured by the equity interest in certain subsidiaries of the Company. The interest rate is 3.5% per annum above the relevant London Interbank Offered Rate ("LIBOR") interest rate. The effective interest rate after considering the transaction costs (see Note 31) is 3.73% per annum. The borrowings were fully repaid on 19 November 2015.

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

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

(v) At 31 December 2015, the Group has borrowings of approximately RMB1,605,498,000 (2014: RMB1,158,679,000) which where denominated in US$.

(vi) The borrowings at 31 December 2015 will be repayable from 2016 to 2027 (2014: 2015 to 2025).

30. CONVERTIBLE LOAN NOTES

The Company issued RMB885 million, 6% convertible loan notes on 15 September 2010. The convertible loan notes entitle the holders to convert them into ordinary shares of the Company (unless previously redeemed, converted or purchased and cancelled) at any time on or after 25 October 2010 up to the close of business on 8 September 2015 at a conversion price (subject to adjustments) fixed in RMB. In 2012, the conversion price was adjusted to RMB3.384 per share as a result of the dividend declared by the Company according to the terms of the convertible loan notes agreement. Unless previously redeemed, purchased or cancelled, the convertible loan notes will be redeemed on 15 September 2015. Interest of 6% per annum will be paid semi-annually with the first interest payment date falling on 15 March 2011.

On or at any time after 15 September 2013, the Company may redeem all but not some of the convertible loan notes at a redemption price equivalent to RMB principal amount together with interest accrued on that date on some conditions (as defined in the Terms and Conditions of the Bonds in the Offering Circular dated 10 September 2010 (the "Offering Circular")). Meanwhile, the holders will have a right to require the Company to redeem the convertible loan notes following the occurrence of Relevant Event (as defined in the Offering Circular) at a redemption price equivalent to RMB principal amount together with interest accrued on that date.

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

30. CONVERTIBLE LOAN NOTES (CONTINUED)

On 15 September 2012, the Company partially redeemed convertible loan notes of an aggregate principal amount of RMB263,000,000 at the option of the holders and the redemption price is equivalent to RMB principal amount together with interest accrued on that date. The consideration paid has been allocated between the liability and equity components of the convertible loan notes. The difference between the consideration allocated to the liability component and the carrying amount of the liability component is recognised as redemption loss of RMB117,000 which was charged to profit or loss.

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

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

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

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	-	583,647
Interest charge (Note 10)	-	11,654
Interest paid	-	(13,002)
Conversion of convertible loan notes	-	(582,299)
Carrying amount at 31 December	-	-

31. WARRANTS

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

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

The warrants are derivatives and classified as financial liabilities at FVTPL. The warrants are issued in connection with the IFC loan and therefore considered as transaction costs directly attributable to the IFC loan. The fair value of the warrants at initial recognition amounting to approximately RMB7,953,000 was deducted against the proceed received from the IFC loan and included in estimating the effective interest of the IFC loan.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 RMB'000	2014 RMB'000
Financial assets		
Fair value of foreign currency forward contracts	-	2,716
Fair value of redemption options embedded in senior notes	-	15,321
Amounts classified as current assets	-	18,037
Financial liability		
Fair value of a swap contract classified as non-current liability (note)	37,969	47,014

note: During the year ended 31 December 2013, the Group has signed a swap contract with the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") and the contract will mature in 2017. Under the contract, the Group will receive fixed amounts and pay floating amounts (except for the first year which is fixed at 10.875% per annum) on a semi-annual basis. In respect of the swap contract, the Group entered into International Swaps and Derivatives Association Master Agreements with HSBC which is subject to an enforceable master netting arrangement.

33. SENIOR NOTES

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

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

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

Year	Redemption price
2015	105.9375%
2016 and thereafter	102.96875%

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

33. SENIOR NOTES (CONTINUED)

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

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

The fair value of the redemption options embedded in Senior Notes is set out in Note 32.

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

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

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

The movements of the Senior Notes for the year ended 31 December 2015 and 2014 are set out below:

	2015 RMB'000	2014 RMB'000
Carrying amount at beginning of the year	954,543	945,970
Interest charge (Note 10)	128,749	132,823
Interest paid	(158,664)	(120,098)
Redemption of senior notes	(1,008,102)	-
Loss on early redemption of senior notes	56,501	-
Exchange alignment	32,258	(4,152)
Carrying amount at end of the year	5,285	954,543
Less: Interest and withholding tax payables within one year included in payables shown under current liabilities (Note 28)	(5,285)	(47,470)
	-	907,073

33. SENIOR NOTES (CONTINUED)

	2015 RMB'000	2014 RMB'000
Non-current portion	-	-
Current portion	-	907,073
	-	907,073

On 13 November 2015, the Senior Notes were redeemed in full and there were no outstanding Senior Notes in issue at 31 December 2015.

34. OBLIGATION UNDER FINANCE LEASE

The Group leased certain of its service concession arrangement's plant and machinery under finance lease (Note 21). The lease term is 6 years (2014: Nil). Interest rates underlying all obligations under finance are fixed at 5.64% (2014: Nil) per annum. The Group has options to purchase the plant and machinery for a nominal amount at the end of the lease term.

	Minimum lease payments		Present value of minimum lease payments	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Amounts payable under finance lease:				
Within one year	6,059	-	3,914	-
In more than one year and not more than five years	31,614	-	26,537	-
In more than five years	9,879	-	9,587	-
	47,552	-	40,038	-
Less: future finance charges	(7,552)	-	-	-
Present value of lease obligations	40,000	-	40,038	-
Less: Amount due for settlement within one year (shown under current liabilities)			(3,914)	-
Amount due for settlement after one year			36,124	-

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

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure bank and other borrowings (Note 29) of the Group:

	2015 RMB'000	2014 RMB'000
Land and buildings	26,627	27,321
Land use right	2,075	2,138
Service concession receivables	2,561,794	1,565,335
Trade receivable	-	110,021
	2,590,496	1,704,815

At 31 December 2015, the Group's obligations under finance lease (Note 34) are secured by the lessors' title to the leased plant and machinery classified as service concession receivables, which have carrying amounts of approximately RMB156,270,000 (2014: RMB Nil).

36. ISSUED CAPITAL

	Number of shares	RMB'000
Issued and paid up		
At 1 January 2014	1,290,000,000	833,368
Conversion of convertible loan notes	177,296,876	640,325
Exercise of warrants	28,154,545	196,958
Exercise of share options	4,317,000	19,928
At 31 December 2014	1,499,768,421	1,690,579
Exercise of share options	6,437,000	29,725
At 31 December 2015	1,506,205,421	1,720,304

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

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

37. ACQUISITIONS OF SUBSIDIARIES

Acquisitions of subsidiaries for the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired the entire equity interests in Fogang Sound Water Co., Ltd ("Fogang Sound") (formerly known as Fogang Zhanyang Domestic Sewage Treatment Co., Ltd), Bazhong Sound Water Co., Ltd (formerly known as Bazhong Best Environment Investment Co., Ltd.), Xingping City Hualu Water Co., Ltd ("Xingping Hualu"), Advanced Resources Holdings Pte. Ltd. ("Advanced Resources"), Advanced Water Engineering Pte. Ltd. ("Advanced Engineering") and their respective subsidiaries from independent third parties for an aggregate consideration of approximately RMB144,463,000.

These subsidiaries are mainly engaged in (i) BOT contracts on management and operation of wastewater projects located in Fogang, Bazhong, Xingping and Chengdu under service concession arrangements with remaining service concession periods of 14 to 20 years, (ii) own, management and operation of water supply projects located in Pengxi under service concession arrangement with remaining service concession periods of 43 years, and (iii) construction in the PRC.

The acquisitions have been accounted for using the acquisition method. There was gain on bargain purchase arising from these acquisitions.

Assets acquired and liabilities recognised at the dates of acquisitions are as follows:

	Fair value RMB'000
Property, plant and equipment	36,273
Service concession receivables	209,007
Deferred tax assets	5,840
Inventories	3,131
Trade and other receivables	46,647
Bank balances and cash	39,123
Trade and other payables	(166,053)
Borrowings	(5,600)
Deferred tax liabilities	(696)
	167,672
Gain on bargain purchase	(23,209)
Total consideration	144,463

37. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Acquisitions of subsidiaries for the year ended 31 December 2015 (continued)

	RMB'000
Satisfied by:	
Cash	128,588
Deferred consideration	15,875
	144,463
Net cash outflow arising from these acquisitions:	
Consideration paid in cash	128,588
Bank balances and cash acquired	(39,123)
	89,465

Included in the Group's profit for the year ended 31 December 2015, is a net profit of approximately RMB12,116,000 and revenue of approximately RMB23,612,000 attributable to these acquired companies.

Had the acquisitions taken place at beginning of the year, the revenue and net profit of the Group for the year ended 31 December 2015 would have been approximately RMB43,951,000 and RMB15,554,000 respectively.

Acquisition-related costs amounting to approximately RMB170,000 have been excluded from the consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss.

The fair value of trade receivables at the dates of acquisitions is approximately RMB46,647,000 and the gross contractual amount is approximately RMB47,216,000. The best estimate at the dates of acquisitions of the contractual cash flows not expected to be collected is approximately RMB569,000.

Acquisitions of subsidiaries for the year ended 31 December 2014

On 30 September 2014 and 31 October 2014, the Group acquired the entire equity interests in two BOT companies which are Shandong Chengwu Yingyuan Industrial Co., Ltd. and Luoyuan Beimei Stage 2 Sewage Treatment Co., Ltd. and one BT company which is Luoyuan Beimei Sewage Treatment Co., Ltd. from independent third parties, for an aggregate consideration of approximately RMB59,521,000. The acquisitions have been accounted for using the acquisition method. There was gain on bargain purchase arising from these acquisitions. The three BOT companies are mainly engaged in management and operation of wastewater projects located in Shandong and Fujian under three service concession arrangements with remaining service concession periods of 26 to 32 years.

37. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

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

Assets acquired and liabilities recognised at the dates of acquisitions are as follows:

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

Included in the Group's profit for the year ended 31 December 2014, is a net profit of approximately RMB1,562,000 and revenue of approximately RMB4,128,000 attributable to the three acquired BOT companies.

Had the acquisitions taken place at beginning of the year, the revenue and net profit of the Group for the year ended 31 December 2014 would have been approximately RMB3,570,561,000 and RMB503,902,000 respectively.

37. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

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

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

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

38. TRANSACTION WITH NON-CONTROLLING INTEREST

Disposal of shareholding in Fuqing Sound Water Co., Ltd ("Fuqing Sound")

During the year ended 31 December 2015, the Group entered into a sale and purchase agreement with an independent third party to dispose 49% of the entire issued share capital of Fuqing Sound, at a total cash consideration of approximately RMB7,066,000.

As a result of the disposal, the Group owns 51% of Fuqing Sound. The disposal was completed on 14 August 2015. There was no carrying amount of the non-controlling interest in Fuqing.

	RMB'000
Consideration from non-controlling interests	7,066
Amount recognised as non-controlling interests	(7,066)
Movement on disposed within equity	-

The total cash consideration of approximately RMB7,066,000 was settled by other receivables of Fuqing Sound from the Group.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings, obligation under finance lease, senior notes and equity attributable to owners of the Company, comprising issued capital, retained earnings and other reserves.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation.

	2015 RMB'000	2014 RMB'000
Borrowings (current)	2,704,907	1,448,286
Borrowings (non-current)	1,248,743	1,272,652
Obligation under finance lease (current)	3,914	-
Obligation under finance lease (non-current)	36,124	-
Senior notes (current)	-	907,073
Total debts	3,993,688	3,628,011
Bank balances and cash	769,719	1,968,239
Equity attributable to owners of the Company	4,713,576	4,239,737
Net debt	**Net debt**	**Net debt**
Total debt to equity ratio	0.85	0.86

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

40. FINANCIAL INSTRUMENTS

40a. Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
Service concession receivables	5,608,467	3,112,135
Trade receivables	1,568,506	1,186,274
Bills receivable	13,100	18,000
Bid and compliance deposits	251,696	78,755
Other receivables	399,620	2,114,125
Restricted bank balances	450,950	112,854
Bank balances and cash	769,719	1,968,239
	9,062,058	8,590,382
Available-for-sale financial asset		
Structured deposit	952,000	-
Fair value through profit or loss		
Foreign currency forward contracts	-	2,716
Redemption option embedded in senior notes	-	15,321
	-	18,037
Total	10,014,058	8,608,419
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	2,032,292	1,156,884
Bills payable	153,190	123,550
Other payables	375,938	162,229
Borrowings interest payables	6,603	10,605
Senior notes interest payables	-	47,470
Bid and compliance deposits	43,764	27,112
Borrowings	3,953,650	2,720,938
Senior notes	-	907,073
	6,565,437	5,155,861
Fair value through profit or loss		
Swap contract	37,969	47,014
Total	6,603,406	5,202,875

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies

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

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

Credit risk management

The Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position at the end of each reporting period.

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

The Group's credit risk primarily relates to the Group's trade and other receivables, service concession receivables and bank balances. There is no significant concentration of credit risk as the top five largest customers account for approximately 27% (2014: 25%) of the carrying amount of trade receivables at 31 December 2015. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade receivable is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts.

The Group is exposed to the concentration of credit risk on its service concession receivables as approximately 22% (2014: 33%) of the carrying amount of service concession receivables at 31 December 2015 are from top five largest grantors which are government bodies in the PRC. The directors of the Company consider that the associated credit risk is low as the corresponding grantors are all government bodies in the PRC, which either pay or guarantee the payments to the Group.

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (continued)

Market risk management

The Group's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Foreign currency risk management

The Group undertakes certain financing and treasury transactions in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will consider hedging significant foreign currency exposure should the need arise.

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

	Liabilities		Assets	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
S$	1,858	835	27,961	88,807
US$	1,643,615	2,066,108	193,287	122,012
BDT	-	-	2,250	14,784
HKD	1,228	-	802	12,485
AUD	-	-	1,078	1,140
JPY	-	-	15,033	407
SAR	-	-	1,892	-

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (continued)

Market risk management (continued)

(i) Foreign currency risk management (continued)

Sensitivity analysis

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

	Profit for the year	
	2015	2014
	RMB'000	RMB'000
S$	(2,610)	(8,797)
US$	145,033	194,410
BDT	225	(1,478)
HKD	43	(1,248)
AUD	(108)	(114)
JPY	(1,503)	(41)
SAR	(189)	-

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (continued)

Market risk management (continued)

(ii) Interest rate risk management

The Group is mainly exposed to fair value interest rate risk in relation to its fixed-rate borrowings and senior notes (see Notes 29 and 33 for details).

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

Sensitivity analysis

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

If interest rates had been increased/decreased by 50 basis points and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately RMB13,703,000 (2014: RMB10,398,000) for the year ended 31 December 2015.

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (continued)

Liquidity risk management

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

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

	Weighted average interest rate	On demand	Within one year	1 – 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015							
Trade payables	-	-	2,032,292	-	-	2,032,292	2,032,292
Bills payable	-	-	153,190	-	-	153,190	153,190
Other payables	-	-	375,938	-	-	375,938	375,938
Bid and compliance deposits	-	-	43,764	-	-	43,764	43,764
Borrowings							
Fixed-rate	4.86	-	380,397	79,921	88,831	549,149	475,000
Variable-rate	4.01	-	2,456,774	1,053,203	373,312	3,883,289	3,485,253
Total		-	5,442,355	1,133,124	462,143	7,037,622	6,565,437
At 31 December 2014							
Trade payables	-	-	1,156,884	-	-	1,156,884	1,156,884
Bills payable	-	-	123,550	-	-	123,550	123,550
Other payables	-	-	162,229	-	-	162,229	162,229
Bid and compliance deposits	-	-	27,112	-	-	27,112	27,112
Senior notes	11.875	-	112,579	1,285,766	-	1,398,345	954,543
Borrowings							
Fixed-rate	6.26	-	71,729	-	-	71,729	70,000
Variable-rate	5.22	65,220	1,159,680	1,395,225	234,357	2,854,482	2,661,543
Total		65,220	2,813,763	2,680,991	234,357	5,794,331	5,155,861

40. FINANCIAL INSTRUMENTS (CONTINUED)

40b. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

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

	Weighted average interest rate	Within one year	1 - 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2015	-	-	-	-	-	-
At 31 December 2014	7.41	34,708	41,950	-	76,658	65,220

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40c. Fair value measurements of financial instruments

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

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

Financial assets/ financial liabilities	Fair value at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015	2014				
1) Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	N/A	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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40c. Fair value measurements of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2015	2014				
2) Swap contract classified as derivative financial instruments in the consolidated statement of financial position	Liabilities 37,969	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
3) Redemption option embedded in senior notes classified as derivative financial instruments in the consolidated statement of financial position	N/A	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

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

40. FINANCIAL INSTRUMENTS (CONTINUED)

40c. Fair value measurements of financial instruments (continued)

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

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

	2015		2014	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Senior notes (note a)	-	-	954,543	1,001,348

note:

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

41. OPERATING LEASES COMMITMENTS

Lease payment recognised as an expense:

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid under operating lease recognised as an expense in the year	3,782	4,089

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

	2015 RMB'000	2014 RMB'000
Within one year	2,201	1,633
In the second to fifth years inclusive	1,535	961
	3,736	2,594

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

42. CAPITAL COMMITMENT

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

	2015 RMB'000	2014 RMB'000
Construction of buildings:		
Contracted but not provided for	48,850	-

43. RETIREMENT BENEFIT PLANS

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

During the year ended 31 December 2015, the total amounts contributed by the Group to the schemes and charged to profit or loss represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes and are as follows:

	2015 RMB'000	2014 RMB'000
Contributions to defined contribution plan	23,633	17,495

At 31 December 2015, the contribution due in respect of the year that had not been paid to the schemes is approximately RMB151,000 (2014: RMB311,000).

44. SHARE-BASED PAYMENT TRANSACTIONS

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

The Scheme was adopted pursuant to a resolution passed on 30 April 2010, for the primary purpose of providing an opportunity for employees and directors (including independent non-executive directors) of the Company to participate in the equity of the Company so as to motivate them to greater dedication and higher standards of performance, and to give recognition to past contribution and services. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company immediately following its completion of the HKEx 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.

At 31 December 2015, the number of shares in respect of which options had been granted under the Scheme was 88,205,000 (2014: 90,000,000) representing 5.86% (2014: 6.00%) of the shares of the Company in issue at that date.

Details of the options are as follows:

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

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

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

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

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

(b) The growth rate for net profit, based on net profit for the financial year ended 31 December 2013, must be at least 35%, 85% and 150% for the financial years ending 31 December 2014, 2015 and 2016 respectively, excluding all exceptional items in the statement of profit or loss. 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.

44. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

Movements in the share options in the year ended 31 December 2015 are as follow:

Date of grant	Outstanding at 1 January 2015	Granted during 2015	Forfeited during 2015	Exercised during 2015	Outstanding at 31 December 2015
9 December 2014	90,000,000	-	(1,795,000)	-	88,205,000
Exercisable at the end of the year					-
Weighted average exercise price	HK$8.11	N/A	N/A	N/A	HK$8.11

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

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

The Group has not recognised any share-based payment expenses for the year ended 31 December 2015 (2014: Nil) in relation to the share option granted by the Company.

44. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(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 HKEx. No further options are available for issue under the Epure Scheme at 31 December 2015.

At 31 December 2015, no shares options had been granted under the Epure Scheme (2014: 64,500,000, representing 4.30% of the shares of the Company in issue at that date).

Details of the options are as follows:

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

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

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

(b) The increase in profit after tax for each of the financial years ended 31 December 2013 and 2014 must be at least 10% excluding all exceptional items; and

(c) The compounded growth rate for profit after tax, based on profit after tax for the financial year ended 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.

Movements in the share options in the year ended 31 December 2015 are as follow:

Date of grant	Outstanding at 1 January 2015	Granted during 2015	Forfeited during 2015	Exercised during 2015	Outstanding at 31 December 2015
23 July 2010	27,845,400	-	(21,408,400)	(6,437,000)	-
Exercisable at the end of the year					-
Weighted average exercise price	S$0.745	N/A	S$0.745	S$0.745	N/A

44. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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

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

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

The Group has not recognised any share-based payment expenses for the year ended 31 December 2015 (2014: RMB1,225,000) in relation to the share options granted by the Company.

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

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

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

Granted to	Employees	Directors
Grant date	9 December 2014	9 December 2014
Stock price	HK$7.27	HK$7.27
Strike price	HK$8.11	HK$8.11
Risk free rate	0.681%	0.681%
Amortised dividend yield	0.853%	0.853%
Expected volatility	42.446%	42.446%
Exercise multiple	1.60	2.47
Post-vesting exit rate	9%	0%
Unit option value	1.46-1.69	1.69
	179,618	161,424

45. RELATED PARTY TRANSACTIONS

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

Name of party	Relationship
Sound Group	Companies under common control of Mr. Wen Yibo
Tus-Sound Environmental Resources Co. Ltd ("Tus-Sound")	Mr. Wen Yibo act as legal representative and director

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

	2015 RMB'000	2014 RMB'000
Revenue from engineering, procurement and construction contracts		
Sound Group and its subsidiaries	147,767	71,556
Tus-Sound and its subsidiaries	21,457	139,441
	169,224	210,997
Revenue from sales of goods		
Sound Group and its subsidiaries	504	7,337
Revenue from design service		
Sound Group and its subsidiaries	3,536	-
Tus-Sound and its subsidiaries	3,154	13,983
	6,690	13,983
Equipment procurement		
Tus-Sound and its subsidiaries	10,818	824
Purchase of transportation vehicles		
Tus-Sound and its subsidiaries	-	202
Disposal of property, plant and equipment		
Tus-Sound and its subsidiaries	11	-

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

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) At the end of the reporting period, the Group had the following balances with related parties:

	2015 RMB'000	2014 RMB'000
Trade receivables		
Sound Group and its subsidiaries	119,054	2,866
Tus-Sound and its subsidiaries	26,925	8,763
	145,979	11,629
Amounts due from customers for contract work		
Tus-Sound and its subsidiaries	-	21,773
Other receivables		
Sound Group and its subsidiaries	-	2,000,000
Tus-Sound and its subsidiaries	400	-
Directors:		
Mr. Wang	-	201
Jiang Anping	32	31
	432	2,000,232

The maximum balance outstanding for amounts due from Mr. Wang and Jiang Anping during the year was approximately RMB201,000 and RMB32,000 (2014: RMB255,000 and RMB100,000) respectively. Mr. Wang was resigned as executive director and removed as chief financial officer of the Company on 18 December 2015 (See Note 13 for details).

	2015 RMB'000	2014 RMB'000
Advance from customers		
Sound Group and its subsidiaries	153	-
Tus-Sound and its subsidiaries	9,168	-
	9,321	-
Trade payables		
Tus-Sound and its subsidiaries	11,676	-
Other payables		
Sound Group and its subsidiaries	20,660	-
Director:		
Luo Liyang	121	10
	20,781	10

The maximum balance outstanding for amount due to Luo Liyang during the year was approximately RMB121,000 (2014: RMB115,000).

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel

The emoluments of key management during the year including the directors and chief executive disclosed in Note 13 were as follows:

	2015 RMB'000	2014 RMB'000
Wages and salaries	2,356	2,187
Performance related incentive payments	24	310
Contributions to defined contribution plan	243	200
Share-based payments	-	295
	2,623	2,992

(e) Guarantees

At the end of the reporting period, borrowings amounting to approximately RMB1,579,725,000 (2014: RMB854,920,000) of the Group were guaranteed by Sound Group. The borrowings include the bank borrowing of approximately RMBNil (2014: RMB50,000,000) secured by listed shares of a fellow subsidiary of the Company held by Sound Group.

At the end of the reporting period, bank borrowings amounting to approximately RMBNil (2014: RMB663,604,000) of Sound Global (Hong Kong) Limited were jointly guaranteed by the Company, Sound International Engineering Ltd, Sound International Investment Holdings Ltd and Epure International Engineering Pte Ltd.

(f) Licensing of trademarks

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

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

45. RELATED PARTY TRANSACTIONS (CONTINUED)

(g) Trust Agreement and Supplemental Trust Agreement

As set out in Note 24 to the consolidated financial statements, the Company entered into the Trust Agreement and the Supplemental 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 Supplemental 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 HKEx as to whether the Proposed Acquisition, the Trust Agreement and the Supplemental Trust Agreement would fall into the disclosure requirements of the Listing Rules. On the other hand, the directors of the Company considered the effect of this potential non-compliance of the Listing Rule was adequately reflected in the consolidated financial statements.

46. EVENT AFTER THE REPORTING PERIOD

(a) Development of the 2015 Suspension

As set out in note 24 to the consolidated financial statements, the Company's shares have been suspended from trading on the HKEx with effect from 16 March 2015. The HKEx has set out Resumption Conditions in respect of the resumption of trading in the Company's share on the HKEx.

The Company announced on 21 January 2016 that according to the Internal Control Report, PKF had come to a conclusion that from their review of the Group's implementation of the proposed measures, its enquiries, observations and discussions with the management of the Company, as well as its examination of relevant documents and records, the Company had put in place adequate financial reporting procedures and internal control systems to meet the obligations under the Listing Rules.

Having considered the Internal Control Report, the Board was of the view that the Company's financial reporting procedures and internal control systems were sufficient to meet the obligations under the Listing Rules.

The Company further announced on 21 January 2016 that all of the Resumption Conditions imposed by the HKEx had been fulfilled. The trading of the shares of the Company was resumed on 25 January 2016.

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) The 13 April 2016 announcement

On 13 April 2016, the Company announced that, under Rule 8(1) of the Securities and Futures (Stock Market Listing) Rules, the Commission has directed HKEx to suspend all dealings in the shares of the Company with effect from 9:00am on 13 April 2016.

The 2 June 2017 announcement

On 2 June 2017, the Company announced that the finance department of the Group discovered on 31 May 2017 that some of the financial documents of the Group were missing. The Group was now in the course of verifying the relevant details.

The 19 June 2017 announcement

On 19 June 2017, the Company announced that the finance department of the Group reported that on 25 November 2016, an accident occurred when some of the financial documents of the Group were being transported to a new file storage facility and as a result, some of the financial documents of the Group were lost and/or damaged. The Group is now in the course of verifying the relevant details and ascertaining the scope of loss.

The 24 July 2017 and 13 September 2017 announcements

On 24 July 2017 and 13 September 2017, the Company announced that the reason of the 2016 Suspension was that the Commission had found that the bank balances of 5 bank accounts of the subsidiaries of the Company as at 31 December 2012 and 31 December 2013 were materially overstated by around RMB2.1 billion and RMB2.7 billion respectively. As at the date of the respective announcement, the Commission had not received from the Company any submission or representation which can satisfactorily explain such material discrepancies in the Group's bank balances.

The Company further announced that on 19 January 2017, the Company engaged the Reviewer to perform investigation services to the Company in respect of the above. The Reviewer will provide the Company with an independent investigation report to summarise the findings and recommendations to the Company. Further announcement will be made on the findings by the Reviewer when the independent investigation report has been received and assessed by the Board.

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) (continued)

The 26 September 2017 announcement

On 26 September 2017, the Company announced that as at the date of this announcement, the Reviewer was continuing to perform investigation services to the Company in respect of the above, and its report on the said investigation was expected to be finalised in or around early October 2017. Notwithstanding the fact the Company had been actively assisting the Reviewer, the Company was given to understand from the Reviewer that based on the information provided by external parties in response to its enquiries, the findings of the Reviewer may not be adequate to satisfactorily address the concerns of the Commission. The Company was discussing with the Reviewer in relation to further possible works and procedures to be undertaken by the Reviewer in order to address the above.

The 16 October 2017 announcement

On 16 October 2017, the Company announced that as at the date of this announcement, the Reviewer was continuing to perform investigation services to the Company in respect of the above, and its report on the said investigation was expected to be finalised in or around late October 2017. Notwithstanding the fact the Company had been actively assisting the Reviewer, the Company was given to understand from the Reviewer that based on the information provided by external parties in response to its enquiries, the findings of the Reviewer may not be adequate to satisfactorily address the concerns of the Commission. The Company was discussing with the Reviewer in relation to further possible works and procedures to be undertaken by the Reviewer in order to address the above.

The 6 and 17 November 2017 announcements

On 6 and 17 November 2017, the Company announced that as at the date of the respective announcement, the Reviewer was continuing to perform investigation services to the Company in respect of the above, and based on the progress of the works of the Reviewer, it was expected that its report on the said investigation would be finalised in or around late November 2017. Notwithstanding the fact the Company has been actively assisting the Reviewer, the Company was given to understand from the Reviewer that based on the information provided by external parties in response to its enquiries, the findings of the Reviewer may not be adequate to satisfactorily address the concerns of the Commission. The Company was discussing with the Reviewer in relation to further possible works and procedures to be undertaken by the Reviewer in order to address the above.

The 27 December 2017 announcement

As at the date of this announcement, the Reviewer is continuing to perform investigation services to the Company in respect of the above, and its report on the said investigation is expected to be finalised in or around mid-January 2018. Notwithstanding the fact the Company has been actively assisting the Reviewer, the Company was given to understand from the Reviewer that based on the information provided by external parties in response to its enquiries, the findings of the Reviewer may not be adequate to satisfactorily address the concerns of the Commission. The Company is currently discussing with the Reviewer in relation to further possible works and procedures to be undertaken by the Reviewer in order to address the above.

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) (continued)

The 26 January 2018 announcement

On 26 January 2018, the Company announced that the investigation was completed and a finalised investigation report was received from the Reviewer (the "Investigation Report") on 12 January 2018. The Company is currently reviewing the Investigation Report and seeking professional advice in respect of the findings and conclusion of the Reviewer.

The 1 February 2018 announcement

On 1 February 2018, the Company announced that on 8 January 2018, the Reviewer issued a report on its findings.

Work performed by the Reviewer

The Reviewer has performed the following investigation works:-

1. verifying the bank balances of the Group as at 31 December 2012, 2013 and 2014 by obtaining confirmations from the relevant banks;

2. comparing the balances shown in the bank statements and bank reconciliation statements provided by the Company as at 31 December 2012, 2013 and 2014 against the records maintained by the finance department of the Group (the "Finance Department"); and

3. conducting matching tests on a series of randomly selected bank transactions of the Group for the financial years ended 31 December 2012, 2013 and 2014 and examining and comparing the relevant accounting vouchers, supporting documents and monthly bank statements against the bank ledgers.

Key findings of the Reviewer

The key findings of the Reviewer is set out below:-

1. As announced by the Company on 2 and 19 June 2017, the accident occurred when some of the financial documents of the Group were being transported to a new file storage facility, and as a result, the financial documents and records for the years of 2010 to 2015 of five of the subsidiaries of the Company were damaged.

2. According to the explanation obtained by the Reviewer from the Finance Department, the list of bank accounts of the Group was updated by the Finance Department after the Accident (the "Updated List"), and the Updated List omitted some of the bank accounts (保證金戶) of the Group which had not been used for a long period of time (the "Abandoned Bank Accounts").

   By reason of the exclusion of the Abandoned Bank Accounts in the Updated List, the Reviewer identified discrepancies between the records shown in the Updated List and the Group's audited consolidated bank balances.

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) (continued)

The 1 February 2018 announcement (continued)

Key findings of the Reviewer (continued)

3. The Reviewer also identified discrepancies between the bank balances shown on the list of bank accounts of the Group provided by the Company and the records obtained by the Commission. Based on the information obtained by the Reviewer, the Reviewer identified that the balances of the Bank Accounts shown on records obtained by the Commission as at 31 December 2012 and 2013 were lower than the corresponding balances shown on the lists of bank accounts of the Group provided by the Company, and the differences were respectively around RMB2.1 billion as at 31 December 2012 and around RMB2.7 billion as at 31 December 2013.

   However, the Reviewer was unable to identify the cause(s) for the Discrepancies. This was because (1) the Bank Accounts had been closed and the relevant banks did not respond to the Reviewer's request for confirmations; and (2) the relevant financial records and documents were damaged and/or destroyed during the Accident.

4. The Reviewer did not receive responses from the relevant banks on confirmation requests for most of the bank balances as at 31 December 2012, 2013 and 2014.

   Furthermore, the extent of work performed by the Reviewer on tracing bank transactions to supporting records was constrained due to unavailability of related financial documents and records as a result of the Accident.

   Save for the discrepancies caused by the omission of the Abandoned Bank Accounts in the Updated List and the discrepancies identified by the Reviewer referred to in paragraph 3 above, the Reviewer was not provided with requested documentary records on a number of accounts for the remaining bank balances of the Group as at 31 December 2012, 2013 and 2014.

Conclusion of the Reviewer

Due to the limited information made available to the Reviewer, the Reviewer was unable to identify the reason for and particulars of the Discrepancies.

The Company is currently seeking professional advice in respect of the findings and conclusion the Reviewer. Further announcement will be made by the Company as and when appropriate.

(c) On 25 October 2017, the Company disclosed a letter from the Listing Committee regarding failure by Mr. Wang Kai, a former director of the Company, to cooperate in the HKEx's investigation into possible Listing Rule breaches is viewed seriously and will not be tolerated, and will also be taken into account in assessing an individual's suitability to act as a director of any listed issuer and listing applicant in the future.

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(d) Privatisation

On 15 June 2017, the Board received the Letters from the Potential Offerors, in which the Potential Offerors informed the Board that they are in the preliminary phase of considering the feasibility of pursuing a proposal for the privatisation of the Company, which, if proceeded with, could result in the privatisation and delisting of the Company from the HKEx. The Board is also informed by the Potential Offerors that, in relation to the Possible Proposal, the Potential Offerors are acting in concert. The privatisation was not yet completed up to the date of approval of the consolidated financial statements.

(e) Resignation of directors and chief executive officer

Mr. Zhang Jingzhi resigned as an executive director and chief executive officer of the Company on 12 August 2016.

Mr. Jiang Anping resigned as an executive director of the Company on 12 August 2016.

Mr. Liu Wei resigned as an executive director of the Company on 26 July 2017.

(f) Appointment of directors

Mr. Zhou Hao and Mr. Liu Xiqiang were appointed as executive directors of the Company on 12 August 2016.

Mr. Li Feng was appointed as an executive director of the Company on 26 July 2017.

(g) Acquisition of subsidiaries

During the year ended 31 December 2016, the Group acquired 70% equity interests of Zhongye Zhengyi Group Limited (中冶正益集團有限公司) (now known as Sound Construction Group Company Limited (桑德建設集團有限責任公司)) ("Zhongye Zhengyi") and its subsidiaries (collectively the "Target Group") at a consideration of RMB30,000,000. Zhongye Zhengyi is an investment holding company and mainly engaged in constructions in the PRC. Zhongye Zhengyi held the entire equity interests in Jiaxing City Zhengyi Equity Investment Management Company Limited (嘉興市正益股權投資管理有限公司) and Jiaxing Zhenghao Property Service Company Limited (嘉興正皓物業服務有限公司) and 90% of the equity interests in Jiaxing Zhengxing Machinery and Equipment Leasing Company Limited (嘉興正興機械設備租賃有限公司).

46. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(g) Acquisition of subsidiaries (continued)

The directors of the Company have been unable to gain access to the books and records of the Target Group. Given these circumstances, the directors of the Company have been unable to consolidate the financial statements of the Target Group into the consolidated financial statements or accounts of the Group since the date of acquisition. Because of the insufficient financial information of the Target Group, the directors of the Company have not disclosed in the consolidated financial statements of the Group for the year ended 31 December 2015 the information about the nature and financial effects of the acquisition of the Target Group which is required to be disclosed by the applicable IFRSs, including IAS 10 "Events after the Reporting Period" and IFRS 3 "Business Combinations". Further, given the lack of financial information available, the directors of the Company consider that they cannot determine whether the acquisition of the Target Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 "Notifiable Transactions" and Chapter 14A "Connected Transactions" under the Listing Rules.

(h) Loans and partial disposal of equity interests in subsidiaries

During the year ended 31 December 2016, the Group entered into a series of agreements with Ningbo Meishan Bonded Area Jinxin Tairun Investment Partnership (Limited Partnership) (寧波梅山保稅港區金信泰潤投資合夥企業(有限合伙)) ("Jinxin Tairun") and Sound Group whereby the Group borrowed in aggregate RMB871,850,000 from Jinxin Tairun for a duration of five years. Pursuant to the agreements with Jinxin Tairun and Sound Group, the Group pledged 70% equity interests of five subsidiaries including Shanxian Huadu Water Company Limited (單縣華都水務有限公司), Huizhou Sound Water Company Limited (惠州桑德水務有限公司), Shantou Guanbu Sound Water Company Limited (汕頭市關埠桑德水務有限公司), Shantou Heping Sound Water Company Limited (汕頭市和平桑德水務有限公司) and Shantou Tongyu Sound Water Company Limited (汕頭市銅盂桑德水務有限公司) (the "Five Subsidiaries") to Jinxin Tairun. In addition, the Group disposed of 30% equity interests of the Five Subsidiaries to Jinxin Tairun for a total consideration of RMB84,150,000. Upon maturity of the loans from Jinxin Tairun, Sound Group shall buy the 30% equity interests of the Five Subsidiaries from Jinxin Tairun at a premium over the total consideration received by the Group for the disposal of the equity interests (together referred to as the "Transactions"). Jinxin Tairun is a limited partnership registered under the Partnership Enterprise Law of the People's Republic of China. Sound Group is a fellow subsidiary of the Company and also (i) directly held 33.304% of the equity interests in Jinxin Tairun as a limited partner and (ii) directly held 20% equity interests in Jiaxing Sangzi Equity Investment Management Company Limited (嘉興桑梓股權投資管理有限公司) ("Jiaxing Sangzi") which directly held 0.044% of the equity interests in Jinxin Tairun as an unlimited partner. A key management of the Group was a legal representative and executive director of Jiaxing Sangzi since its incorporation and up to 14 December 2017. No announcement has been made by the Company and no shareholders' approval have been obtained for the Transactions. The directors of the Company consider they cannot determine whether the Transactions entered into with Jinxin Tairun and Sound Group resulted in any non-compliance with the Listing Rules, including the disclosure requirements and the shareholders' approval requirements under Chapter 14 and Chapter 14A under the Listing Rules.

47. PARTICULAR OF SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Beijing Sound 北京桑德環境工程有限公司	The PRC	RMB500,000,000	75	25	75	25	Environmental construction related to water treatment
Beijing Epure 北京伊普国際水務有限公司	The PRC	US$20,000,000	100	-	100	-	Research and development of water treatment technologies and provision of services of technology consultation
Sound International Investment Holdings Limited	The BVI	US$1	100	-	100	-	Investment holding
Sound International Engineering Ltd.	The BVI	US$1	100	-	100	-	Investment holding
Epure International Engineering Pte. Ltd.	Singapore	S$1	100	-	100	-	Investment holding
Beijing Epure Sound Environmental Engineering Technology Co., Ltd 北京伊普桑德環境工程技術有限公司	The PRC	RMB15,000,000	-	100	-	100	Research and development of water treatment technologies and provision of services of technology consultation
Hi-Standard Equipment 北京海斯頓水處理設備有限公司	The PRC	RMB66,000,000	-	100	-	100	Manufacture of wastewater treatment equipment
Xi'an Hu County Sound 西安戶縣桑德水務有限公司	The PRC	RMB24,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects, and sales of treated water

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Xi'an Chang'an Sound 西安長安桑德水務有限公司	The PRC	RMB51,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Guangxi Sound 廣西桑德水務有限公司	The PRC	US$5,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hangcheng Sound 韓城市桑德水務有限公司	The PRC	RMB14,200,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Shangluo Sound 商洛桑德水務有限公司	The PRC	RMB13,800,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Yulin Jingzhou 榆林市靖洲水務有限公司	The PRC	RMB31,030,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Taizhou Sound 泰州桑德水務有限公司	The PRC	RMB145,800,000	-	76.8 (note i)	-	76.8	Construction, management and operation of the municipal wastewater projects
Fushun Sound 撫順桑德水務有限公司	The PRC	US$13,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hainan Sound 海南桑德水務有限公司	The PRC	RMB5,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		Equity interest attributable to the Company as at 31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Anyang Zongcun Sound 安陽宗村桑德水務有限公司	The PRC	RMB45,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Yantai Bihai 煙台碧海水務有限公司	The PRC	RMB38,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Daye Honglian 大冶鴻漣水務有限公司	The PRC	RMB18,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Changsha Sound 長沙桑德水務有限公司	The PRC	RMB43,524,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hongze Zeqing 洪澤澤清水務有限公司	The PRC	US$12,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xi'an Trade & Logistics Park Sound 西安港務區桑德水務有限公司	The PRC	US$3,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Hanzhong Yang County 桑德漢中洋縣水務有限公司	The PRC	US$7,280,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anyang Taiyuan 安陽泰元水務有限公司	The PRC	RMB30,000,000	-	90	-	90	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Hunan Epure Environmental Engineering Co., Ltd 湖南伊普環境工程有限公司 ("Hunan Epure") (note ii)	The PRC	RMB30,000,000	-	100	-	100	Research and development of water treatment technologies and provision of services of technology consultants
Anshan Tianqing 鞍山天清水務有限公司	The PRC	RMB30,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Qinglang 鞍山清朗水務有限公司	The PRC	RMB102,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Anshan Qingchang 鞍山清暢水務有限公司	The PRC	RMB92,350,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Jiangyan Qinlong 姜堰市溱瀧水務有限公司	The PRC	RMB43,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Sound Siyang Water Co., Ltd 桑德泗陽水務有限公司	The PRC	US$18,300,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Quanzhou Sound Water Co., Ltd 泉州桑德水務有限公司	The PRC	RMB30,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Sound Global (Hong Kong) Limited	Hong Kong	US$3,150,000	100	-	100	-	Investment holding
Hailun Sound 海倫桑德水務有限公司	The PRC	RMB9,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Liangping Sound Water Co., Ltd 梁平桑德水務有限公司	The PRC	RMB12,400,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xianyang Xingping Sound Water Co., Ltd 咸陽興平桑德水務有限公司	The PRC	RMB38,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Fuqing Sound 福清桑德水務有限公司	The PRC	RMB72,100,000	-	51	-	100	Construction, management and operation of the municipal wastewater projects
Quanzhou Sound Water Investment Co., Ltd 泉州桑德自來水投資有限公司	The PRC	RMB28,550,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xinghua City Sound Water Co., Ltd 興化市桑德水務有限公司	The PRC	RMB36,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Siyang Yangqing Water Co., Ltd 泗陽洋清水務有限公司 ("Siyang Yangqing") (note xlvi)	The PRC	RMB52,000,000	-	N/A	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Xintai Sound Biqing Water Co., Ltd 新泰碧清水務有限公司	The PRC	US$2,680,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xintai Sound Zhengyuan Water Co., Ltd 新泰桑德正源水務有限公司	The PRC	US$7,200,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Fuqing Sound Rongqing Water Co., Ltd 福清桑德融清水務有限公司 ("Fuqing Rongqing") (note iii)	The PRC	RMB10,040,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Jingyushi 北京京禹石水務有限公司	The PRC	RMB25,060,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Jingyuyang 北京京禹陽水務有限公司	The PRC	RMB34,580,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Beijing Jingyushun Environment Co., Ltd. 北京京禹順環保有限公司	The PRC	RMB32,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Siyang Siqing Water Co., Ltd. 泗陽泗清水務有限公司	The PRC	RMB2,400,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Sanming Sound Water Co., Ltd. 三明桑德水務有限公司	The PRC	RMB3,100,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct	31 December 2015 Indirect	31 December 2014 Direct	31 December 2014 Indirect	Principal activities
			%	%	%	%	
Fuyang Sound Water Co., Ltd. 阜陽桑德水務有限公司	The PRC	US$13,080,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Shandong Chengwu Yingyuan Industrial Co., Ltd. 山東省成武盈源實業有限公司	The PRC	RMB36,880,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Luoyuan Beimei Water Co., Ltd. 羅源北美水務有限公司	The PRC	RMB5,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Luoyuan Beimei (Phase II) Water Co., Ltd. 羅源北美二期水務有限公司	The PRC	RMB10,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xunyang Sound Water Co., Ltd 旬陽桑德水務有限公司	The PRC	RMB3,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Tacheng City Sound Water Co., Ltd. 塔城市桑德水務有限公司	The PRC	RMB20,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Tongliao Sound 通遼市桑德水務有限公司	The PRC	RMB53,500,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xishui County Xianqing Water Co., Ltd. 習水縣黔清水務有限公司	The PRC	RMB18,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct	31 December 2015 Indirect	31 December 2014 Direct	31 December 2014 Indirect	Principal activities
			%	%	%	%	
Huangping County Sound Water Co., Ltd. 黃平縣桑德水務有限公司 ("Huangping Sound") (note iv)	The PRC	RMB6,250,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xiangxiang Sound Water Co., Ltd. 湘鄉桑德水務有限公司 ("Xiangxiang Sound") (note v)	The PRC	RMB8,640,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Leiyang Sound Water Co., Ltd. 耒陽桑德水務有限公司	The PRC	RMB103,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Changbaishan Sound 長白山保護開發區桑德水務有限公司	The PRC	RMB15,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Fuqing Qingxi Water Co., Ltd. 福清清溪水務有限公司 ("Fuqing Qingxi") (note vi)	The PRC	RMB1,700,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xintai Sound Water Co., Ltd. 新泰桑德水務有限公司	The PRC	RMB17,750,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Urumqi Sound Water Co., Ltd. 烏魯木齊桑德水務有限公司	The PRC	RMB40,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Yulin Sound Water Co., Ltd. 榆林桑德水務有限公司 ("Yulin Sound") (note vii)	The PRC	US$4,050,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Xinghua Huqing Water Co., Ltd. 興化湖清水務有限公司 ("Xinghua Huqing") (note viii)	The PRC	RMB112,260,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Taihe Sound Water Treatment Co., Ltd. 太和桑德淨水有限公司 ("Taihe Sound") (note ix)	The PRC	US$6,000,000	-	100	-	100	Construction, management and operation of the water supply projects
Tongling Sound Water Co., Ltd. 銅陵桑德水務有限公司 ("Tongling Sound") (note x)	The PRC	RMB30,000,000	-	80	-	80	Construction, management and operation of the municipal wastewater projects
Changbaishan Protection and Development Zone Sound Water Supply Co., Ltd. 長白山保護開發區桑德自來水有限公司 ("Changbaishan Water Supply") (note xi)	The PRC	RMB13,500,000	-	100	-	100	Construction, management and operation of the water supply projects
Yining City Huize Water Co., Ltd. 伊寧市惠澤水務有限責任公司 ("Yining City Huize") (note xii)	The PRC	RMB77,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xingren County Sound Water Co., Ltd. 興仁縣桑德水務有限公司 ("Xingren County Sound") (note xiii)	The PRC	US$6,200,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Jilin Sound Water Co., Ltd. 吉林桑德水務有限公司	The PRC	RMB3,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Beijing Epure Environment Engineering Co., Ltd. 北京伊普環境工程有限公司 ("Beijing Epure Environment") (note xiv)	The PRC	RMB20,000,000	20	80	20	80	Research and development of water treatment technologies and provision of services of technology consultation
Baoding Sound Water Treatment Co., Ltd. 保定桑德水處理有限公司 ("Baoding Sound") (note xv)	The PRC	RMB20,800,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Xishui County Xianyuan Water Co., Ltd. 習水縣黔源水務有限公司 ("Xishui County Xianyuan") (note xvi)	The PRC	US$12,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Huangping County Qianjing Water Co., Ltd. 黃平縣黔京水務有限公司	The PRC	RMB17,500,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Dazhou Sound Water Co., Ltd. 達州桑德水務有限公司 ("Dazhou Sound") (note xvii)	The PRC	RMB10,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Linfen Yi'ande Water Co., Ltd. 臨汾益安德水務有限公司 ("Linfen Yiande") (note xviii)	The PRC	RMB2,000,000	-	80	-	80	Construction, management and operation of the water supply projects
Ankang Sound Water Co., Ltd. 安康桑德水務有限公司	The PRC	RMB25,240,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Huoqiu Sound Water Co., Ltd. 霍邱桑德水務有限公司 ("Huoqiu Sound") (note xix)	The PRC	RMB13,000,000	-	100	-	100	Construction, management and operation of the municipal wastewater projects
Chongqing Yusang Environment Technology Co., Ltd. 重慶渝桑環保科技有限公司 ("Chongqing Yusang") (note xx)	The PRC	RMB50,000,000	-	50	-	50	Construction, management and operation of the municipal wastewater projects
Advanced Resources (note xlv)	Singapore	S$8,822,000	100	-	N/A	N/A	Investment holding
Advanced Engineering (note xlv)	Singapore	S$420,000	100	-	N/A	N/A	Investment holding
Jinjiang Sound Water Co., Ltd 晉江桑德水務有限公司 ("Jinjiang Sound") (note xxi & xliv)	The PRC	RMB36,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Anhui Sound Water Co., Ltd 安徽桑德水務有限公司 ("Anhui Sound") (note xxii & xliv)	The PRC	RMB5,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Shanxian Sound Xinnong Water Co., Ltd 單縣桑德新農水務有限公司 ("Shanxian Xinnong") (note xxiii & xliv)	The PRC	RMB17,700,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Zhaoyuan Sound Water Co., Ltd 招遠市桑德水務有限公司 ("Zhaoyuan Sound") (note xxiv & xliv)	The PRC	US$12,000,0000	-	80	N/A	N/A	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct	31 December 2015 Indirect	31 December 2014 Direct	31 December 2014 Indirect	Principal activities
			%	%	%	%	
Lanxi Sound Water Co., Ltd 蘭溪桑德水務有限公司 (note xliv)	The PRC	RMB12,520,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Hongze Sound 洪澤桑德水務有限公司 (note xliv)	The PRC	RMB1,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Fu'an Sound Water Co., Ltd 福安桑德水務有限公司 ("Fu'an Sound") (note xxv & xliv)	The PRC	RMB18,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Wuyi Sound Water Co., Ltd 武義桑德水務有限公司 (note xliv)	The PRC	US$8,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Sound Wellmind Jiangsu Water Co., Ltd 桑德維爾美江蘇水務有限公司 (note xliv)	The PRC	RMB10,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Zhejiang Sound Zhenqing Water Co., Ltd 浙江桑德鎮清水務有限公司 (note xliv)	The PRC	RMB10,000,000	-	70	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Xingping City Hualu Water Co., Ltd 興平市華陸水務有限公司 (note xlv)	The PRC	RMB10,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct %	31 December 2015 Indirect %	31 December 2014 Direct %	31 December 2014 Indirect %	Principal activities
Xi'an Changqing Sound Water Co., Ltd 西安長清桑德水務有限公司 ("Xi'an Changqing") (note xxvi & xliv)	The PRC	RMB50,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Ankang Wuli Sound Water Co., Ltd 安康五里桑德水務有限公司 ("Ankang Wuli") (note xxvii & xliv)	The PRC	RMB11,400,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Tongjiang Sound Water Co., Ltd 通江桑德水務有限公司 ("Tongjiang Sound") (note xxviii & xliv)	The PRC	US$8,500,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Tongzi Sound 桐梓桑德水務有限公司 (note xxix & xliv)	The PRC	RMB45,000,000	-	56	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Shuicheng Sound Water Co., Ltd 水城桑德水務有限公司 (note xliv)	The PRC	RMB5,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Bazhong Sound Environment Investment Co., Ltd 巴中桑德環保投資有限公司 (note xlv)	The PRC	RMB10,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Bazhong Sound Water Co., Ltd 巴中桑德水務有限公司 ("Bazhong Sound") (note xxx & xlv)	The PRC	US$5,200,000	-	100	N/A	N/A	Construction, management and operation of the wastewater and water supply projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Bazhong Sound Mingjiang Water Co., Ltd 巴中桑德銘江水務有限公司 ("Bazhong Mingjiang") (note xxxi & xliv)	The PRC	RMB10,000,000	-	64	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Fengdu County Sound Water Co., Ltd 豐都縣桑德水務有限公司 ("Fengdu Sound") (note xxxii & xliv)	The PRC	RMB40,000,000	-	90	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Tongzi Sound Panlong Water Co., Ltd 桐梓桑德蟠龍水務有限公司 ("Tongzi Panlong") (note xxxiii & xliv)	The PRC	RMB40,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Advanced Pengxi 蓬溪愛文思水務有限公司 (note xlv)	The PRC	US$3,000,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Advanced Reclamation 成都愛文思水質淨化有限公司 (note xlv)	The PRC	S$2,700,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Advanced Water Technologies (Chengdu) Co., Ltd 成都愛文思水務科技有限公司 (note xlv)	The PRC	S$400,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Dazhu Sound Water Co., Ltd 大竹桑德水務有限公司 ("Dazhu Sound") (note xxxiv & xliv)	The PRC	RMB35,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015		Equity interest attributable to the Company as at 31 December 2014		Principal activities
			Direct	Indirect	Direct	Indirect	
			%	%	%	%	
Bazhong Sound Sewage Treatment Co., Ltd 巴中桑德污水處理有限公司 ("Bazhong Sewage Treatment") (note xxxv & xliv)	The PRC	RMB15,310,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Xishui Sound Water Co., Ltd 習水桑德水務有限公司 ("Xishui Sound") (note xxxvi & xliv)	The PRC	RMB90,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Yangchun City Sound Water Co., Ltd 陽春市桑德水務有限公司 (note xliv)	The PRC	RMB9,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Huazhou Sound Water Co., Ltd 化州桑德水務有限公司 ("Huazhou Sound") (note xxxvii & xliv)	The PRC	RMB7,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Huizhou Sound Water Co., Ltd 惠州桑德水務有限公司 (note xliv)	The PRC	RMB50,000,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Fusui Sound Water Co., Ltd 扶綏桑德水務有限公司 ("Fusui Sound") (note xxxviii & xliv)	The PRC	RMB8,400,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Fogang Sound 佛岡桑德水務有限公司 (note xlv)	The PRC	RMB25,200,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation and operation	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2015 Direct		31 December 2014 Direct	
			Direct %	Indirect %	Direct %	Indirect %	Principal activities
Huazhou City Tongqing Sound Water Co., Ltd 化州市同慶桑德水務有限公司 ("Huazhou Tongqing") (note xxxix & xliv)	The PRC	RMB7,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Gucheng Sound Water Co., Ltd 故城桑德水務有限公司 ("Gucheng Sound") (note xl & xliv)	The PRC	RMB48,000,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Jingxian Sound Water Treatment Co., Ltd 景縣桑德淨水有限公司 ("Jingxian Sound") (note xli & xliv)	The PRC	RMB20,000,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Xinshao Sound Water Co., Ltd 新邵桑德水務有限公司 (note xliv)	The PRC	RMB48,000,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Tai'an Sound Water Co., Ltd 台安桑德水務有限公司 (note xliv)	The PRC	RMB33,270,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects
Zhaodong Sound Water Co.,Ltd 肇東桑德水務有限公司 ("Zhaodong Sound") (note xlii & xliv)	The PRC	RMB86,810,000	-	100	N/A	N/A	Construction, management and operation of the water supply projects
Helong Sound Water Co., Ltd 和龍桑德水務有限公司 ("Helong Sound") (note xliii & xliv)	The PRC	RMB24,000,000	-	100	N/A	N/A	Construction, management and operation of the municipal wastewater projects

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

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

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

Significant restrictions

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

notes:

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

(ii) The registered capital of Hunan Epure is RMB30,000,000, of which RMB6,000,000 has been paid as at 31 December 2015.

(iii) The registered capital of Fuqing Rongqing is RMB10,040,000, of which RMB7,010,000 has been paid as at 31 December 2015.

(iv) The registered capital of Huangping Sound is RMB6,250,000 , of which RMB3,125,000 has been paid as at 31 December 2015.

(v) The registered capital of Xiangxiang Sound is RMB8,640,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(vi) The registered capital of Fuqing Qingxi is RMB1,700,000, and nil has been paid as at 31 December 2015.

(vii) The registered capital of Yulin Sound is USD4,050,000, of which USD1,465,476 has been paid as at 31 December 2015.

(viii) The registered capital of Xinghua Huqing is RMB112,260,000, of which RMB53,312,500 has been paid as at 31 December 2015.

(ix) The registered capital of Taihe Sound is USD6,000,000, of which USD4,800,000 has been paid as at 31 December 2015.

(x) The registered capital of Tongling Sound is RMB30,000,000, of which RMB5,000,000 has been paid as at 31 December 2015.

(xi) The registered capital of Changbaishan Water Supply is RMB13,500,000, and nil has been paid as at 31 December 2015.

(xii) The registered capital of Yining Huize is RMB77,000,000, of which RMB27,912,500 has been paid as at 31 December 2015.

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

notes: (continued)

(xiii) The registered capital of Xingren Sound is USD6,200,000, of which USD1,098,407 has been paid as at 31 December 2015.

(xiv) The registered capital of Beijing Epure Environment is RM20,000,000 of which RMB3,010,650 has been paid as at 31 December 2015.

(xv) The registered capital of Baoding Sound is RMB20,800,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(xvi) The registered capital of Xishui Qianyuan is USD12,000,000, of which USD3,000,000 has been paid as at 31 December 2015.

(xvii) The registered capital of Dazhou Sound is RMB10,000,000, of which RMB1,300,000 has been paid as at 31 December 2015.

(xviii) The registered capital of Linfen Yi'ande is RMB2,000,000, of which RMB200,000 has been paid as at 31 December 2015.

(xix) The registered capital of Huoqiu Sound is RMB13,000,000, of which RMB2,000,000 has been paid as at 31 December 2015.

(xx) The registered capital of Chongqing Yusang is RMB50,000,000, of which RMB3,000,000 has been paid as at 31 December 2015.

(xxi) The registered capital of Jinjiang Sound is RMB36,000,000, of which RMB2,000,000 has been paid as at 31 December 2015.

(xxii) The registered capital of Anhui Sound is RMB5,000,000 , and nil has been paid as at 31 December 2015.

(xxiii) The registered capital of Shanxian Xinnong is RMB17,700,000 , and nil has been paid as at 31 December 2015.

(xxiv) The registered capital of Zhaoyuan Sound is USD12,000,000 , of which USD1,440,000 has been paid as at 31 December 2015.

(xxv) The registered capital of Fu'an Sound is RMB18,000,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(xxvi) The registered capital of Xi'an Changqing is RMB50,000,000, of which RMB20,000,000 has been paid as at 31 December 2015.

(xxvii) The registered capital of Ankang Wuli is RMB11,400,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(xxviii) The registered capital of Tongjiang Sound is USD8,500,000, of which USD1,296,300 has been paid as at 31 December 2015.

(xxix) The registered capital of Tongzi Sound is RMB45,000,000, of which RMB25,000,000 has been paid as at 31 December 2015.

47. PARTICULAR OF SUBSIDIARIES (CONTINUED)

notes: (continued)

(xxx) The registered capital of Bazhong Sound is USD5,200,000, of which USD4,100,000 has been paid as at 31 December 2015.

(xxxi) The registered capital of Bazhong Mingjiang is RMB10,000,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(xxxii) The registered capital of Fengdu Sound is RMB40,000,000, of which RMB18,000,000 has been paid as at 31 December 2015.

(xxxiii) The registered capital of Tongzi Panlong is RMB40,000,000, of which RMB6,028,400 has been paid as at 31 December 2015.

(xxxiv) The registered capital of Dazhu Sound is RMB35,000,000, and nil has been paid as at 31 December 2015.

(xxxv) The registered capital of Bazhong Sewage Treatment is RMB15,310,000, and nil has been paid as at 31 December 2015.

(xxxvi) The registered capital of Xishui Sound is RMB90,000,000, and nil has been paid as at 31 December 2015.

(xxxvii) The registered capital of Huazhou Sound is RMB7,000,000, and nil has been paid as at 31 December 2015.

(xxxviii) The registered capital of Fusui Sound is RMB8,400,000, and nil has been paid as at 31 December 2015.

(xxxix) The registered capital of Huazhou Tongqing is RMB7,000,000, and nil has been paid as at 31 December 2015.

(xl) The registered capital of Gucheng Sound is RMB48,000,000, and nil has been paid as at 31 December 2015.

(xli) The registered capital of Jingxian Sound is RMB20,000,000, of which RMB1,000,000 has been paid as at 31 December 2015.

(xlii) The registered capital of Zhaodong Sound is RMB86,810,000, of which RMB77,000,000 has been paid as at 31 December 2015.

(xliii) The registered capital of Helong Sound is RMB24,000,000, of which RMB15,000,000 has been paid as at 31 December 2015.

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

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

(xlvi) Siyang Yangqing was liquidated on 27 November 2015.

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

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Equipment		120	22
Investments in subsidiaries		1,405,602	1,977,276
		1,405,722	1,977,298
CURRENT ASSETS			
Trade and other receivables		1,463,926	3,245,986
Derivative financial instruments		-	15,321
Bank balances		53,328	135,366
		1,517,254	3,396,673
CURRENT LIABILITIES			
Trade and other payables		968,652	2,318,527
Borrowings		192,694	307,701
Senior notes		-	907,073
		1,161,346	3,533,301
NET CURRENT ASSETS (LIABILITIES)		355,908	(136,628)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,761,630	1,840,670
NON-CURRENT LIABILITY			
Derivative financial instruments		37,969	47,014
TOTAL ASSETS LESS TOTAL LIABILITIES		1,723,661	1,793,656
CAPITAL AND RESERVES			
Issued capital	36	1,720,304	1,690,579
Reserves		3,357	103,077
		1,723,661	1,793,656

Approved and authorised for issue by the Board of Directors on 26 February 2018 and are signed on its behalf by:

Zhou Hao
Director

Liu Xiqiang
Director

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Capital reserve RMB'000	Share options reserve RMB'000	Convertible loan notes reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	7,010	34,249	58,026	5,194	104,479
Profit for the year	-	-	-	60,160	60,160
Recognition of equity-settled share-based payments	-	1,225	-	-	1,225
Conversion of convertible loan notes	-	-	(58,026)	-	(58,026)
Exercise of share options	-	(4,761)	-	-	(4,761)
At 31 December 2014	7,010	30,713	-	65,354	103,077
Loss for the year	-	-	-	(92,620)	(92,620)
Exercise of share options	-	(7,100)	-	-	(7,100)
Lapse of share options	-	(23,613)	-	23,613	-
At 31 December 2015	7,010	-	-	(3,653)	3,357

49. COMPARATIVE

Certain comparative amounts have been reclassified to conform with current year presentation. In particular, imputed interest income on service concession receivables has been reclassified from "other income" to "revenue". In the opinion of the directors of the Company, such reclassifications provide a more appropriate presentation of the Group's business segments and the consolidated statement of profit or loss and other comprehensive income.

50. NON-CASH TRANSACTIONS

Save as disclosed elsewhere and below which are not reflected in the consolidated statement of cash flow, the Group did not have major non-cash transactions.

Considerations in respect of the Group's acquisition of subsidiaries with an amount of approximately RMB15,875,000 (2014: RMB7,031,000) had not been paid in cash at the end of the reporting period (Note 37).

Proceed in respect of the Group's disposal of 49% equity interest in Fuqing Sound with an amount of approximately RMB7,066,000 was settled by other receivables of Fuqing Sound of the Group (Note 38).

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 26 February 2018.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of **SOUND GLOBAL LTD.** (the "**Company**") will be held at National Environmental Protection Industry Zone, Maju Qiao County, Tongzhou District, Beijing 101102, People's Republic of China on Tuesday, 8 May 2018 at 10:30 a.m. (the "**Annual General Meeting**") for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To receive and adopt the Report of the Director and Audited Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Ordinary Resolution 2)**

3. To re-elect the following Directors retiring pursuant to the Company's Constitution (the "**Constitution**"):

   Mr. Zhou Hao as an Executive Director (Article 88) **(Ordinary Resolution 3)**
   Mr. Liu Xiqiang as an Executive Director (Article 88) **(Ordinary Resolution 4)**
   Mr. Li Feng as an Executive Director (Article 88) **(Ordinary Resolution 5)**
   Mr. Wen Yibo as an Executive Director (Article 89) **(Ordinary Resolution 6)**
   Mr. Luo Liyang as an Executive Director (Article 89) **(Ordinary Resolution 7)**
   See Explanatory Note (i)

4. To approve the payment of Directors' fees of S$92,025/– for the year ended 31 December 2015 (2014: S$122,000/–). **(Ordinary Resolution 8)**

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

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

7. To transact any other ordinary business which may properly be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Special Resolution, with or without any modifications:

8. Amendments to Constitution

"That, the Constitution of the Company be and are hereby amended as follows:

(A) Amendment to Article 2

Inserting the following definition of "business day" after the existing definition of "Board"

"business day" Shall mean a day on which The Stock Exchange of Hong Kong Limited is open for business for dealing in securities. For the avoidance of doubt, when The Stock Exchange of Hong Kong Limited is closed for the business of dealing in securities on a business day by reason of a Number 8 or higher typhoon signal, black rainstorm warning or other similar event, such day shall for the purposes of notice period of general meetings as stipulated in these Articles be counted as a business day.

(B) Amendment to Article 41B

Deleting the Article 41B in its entirety and inserting the following Article in substitution therefor:

The Register of Members and branch Register of Members, as the case may be, shall be open to inspection for at least two (2) hours on every business day by Members without charge or by any other person, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the Registration Office or such other place at which the Register is kept in accordance with the Statutes. The Register of Members including any overseas or local or other branch register of Members may, after notice has been given by any electronic means or in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.

(C) Amendment to Article 48

Deleting the Article 48 in its entirety and inserting the following Article in substitution therefor:

Any Annual General Meeting shall be called by twenty-one clear days' and not less than twenty clear business days' notice in writing in the least and any other general meeting of the Company (other than an adjourned meeting) shall be called by fourteen clear days' and not less than ten clear business days' notice in writing in the least, Provided that any other general meeting at which it is proposed to pass a Special Resolution shall also be called by twenty-one clear days' notice in writing in the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in manner hereinafter mentioned to all Members other than such as are not under the provisions of these Articles entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:-

(a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and

(b) in the case of a General Meeting other than an Annual General Meeting, by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Members having a right to vote thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting."

(Special Resolution 1)

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

Singapore, 4 April 2018

* *for identification purpose only*

Explanatory Notes:

(i) Mr Wen Yibo will upon re-election as an Executive Director of the Company, remain as a member of the Nomination Committee.

Notes:

1. A Shareholder of the Company is entitled to attend and vote at the Annual General Meeting is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a Shareholder of the Company.

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the registered office of the Company at 1 Robinson Road, #17-00 AIA Tower, Singapore 048542, or at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting, or any adjournment thereof.

4. For determining the entitlement to attend and vote at the Annual General Meeting of the Company to be held on 8 May 2018 (Tuesday), the register of members of the Company will be closed from 3 May 2018 (Thursday) to 8 May 2018 (Tuesday), both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of shares of the Company should ensure that all transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on 2 May 2018 (Wednesday).

As at the date of this Notice, the Executive Directors are Wen Yibo, Zhou Hao, Liu Xiqiang, Luo Liyang and Li Feng; and the Independent Non-executive Directors are Ma Yuanju, Luo Jianhua and Zhang Shuting.

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Sound Global Ltd. Annual Report 2015

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Stock Code: 00967(SEHK)
Co. Reg. No. 200515422C