



SOUND GLOBAL LTD.

(incorporated in the Republic of Singapore with limited liability)

INTERIM REPORT 2017

CONTENTS

3	Corporate Profile
4	Corporate Information
5	Management Discussion & Analysis
10	Board of Directors
15	Joint Company Secretaries
16	General Information
25	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
26	Condensed Consolidated Statement of Financial Position
27	Condensed Consolidated Statement of Changes in Equity
29	Condensed Consolidated Statement of Cash Flows
30	Notes to the Condensed Consolidated Financial Statements

CORPORATE PROFILE

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

REGISTERED OFFICE

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

OFFICES

Our Principal Office and Contact Details

National Environmental Protection Industry Zone
Tongzhou District, Beijing 101102, PRC
Telephone: +8610 6050 4718
Facsimile: +8610 6050 4766

Our Singapore Office and Contact Details

456 Alexandra Road
Fragrance Empire Building #04-03
Singapore 119962
Telephone: +65 6272 6678
Facsimile: +65 6272 1658

Our Hong Kong Office and Contact Details

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

CORPORATE WEBSITE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Bank of China Singapore Branch
Far Eastern International Bank
DBS Bank Ltd.

AUDITORS

Foo Kon Tan LLP
Chartered Accountants of Singapore
24 Raffles Place
Clifford Centre #07-03
Singapore 048621

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central, Hong Kong

SOLICITORS

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

Stevenson Wong & Co.
39/F, Gloucester Tower
The Landmark
15 Queen's Road
Central, Hong Kong

Branch Share Registrar in Hong Kong

Tricor Investor Services Limited
Level 22 Hopewell Centre
183 Queen's Road East
Hong Kong

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT TRENDS, COMPETITION AND EVENTS

Environmental issues have always been in the spotlight in China and even across the world. In 2017, the Ministry of Ecology and Environment, through regulation and supervision, scaled up its efforts to investigate non-compliant cases involving environment protection and imposed penalties, if any, with the revised “Water Pollution Prevention and Control Law of the People’s Republic of China” coming into force on 1 January 2018. Following the official introduction of the “Implementation Rules of the Environmental Protection Tax Law”, the system governing sewage discharge permits and the “environmental forerunner system” are also promoted and implemented. Meanwhile, the environmental monitoring reform continues to unfold. Besides strengthening the treatment of air, water and soil pollution, the Ministry of Ecology and Environment continues to deepen and carry out the ecological and environmental reforms. Despite these initiatives, there continues to require substantial commitments to developing the environmental rule of law.

Following the Ecological and Environmental Protection Plan during the 13th Five-Year Plan was issued by the State Council in November 2016, the “13th Five-Year Plan” and policies related to the environmental protection industry were introduced one after another. With the notion of “Lucid waters and lush mountains are invaluable assets” written into the Party Constitution according to the 19th National Congress of the Communist Party of China convened in 2017, it was explicitly proposed that green development should be carried on and an innovation system should be built for market-oriented green technologies, providing direction for the development of the environmental industry. These indicate that the reform of an ecological civilization system and the master plan to develop a beautiful China will constitute the major environmental work in the future; as for environmental remediation in rural areas, the government increasingly recognizes the importance of comprehensive environmental treatment in rural areas, and encourages a growing number of environmental enterprises to undertake public-private partnership projects of the government. As a result, they join forces to address the sewage discharge and pollution issues in rural areas.

According to the guidelines under the 13th Five-Year Plan, a comprehensive improvement shall be made in the ecological environment, with first inclusion of the construction of ecological civilization to the overall national development strategy, as well as introduction of “the Air Pollution Prevention and Control Action Plan”, “the Water Pollution Prevention and Control Action Plan” and “the Soil Pollution Prevention and Control Action Plan”. By constantly deepening the environmental work, the Chinese government begins to shift from targeted control over environmental pollution to targeted improvement in environmental quality in connection with environmental management, as well as to formulate the environmental management system centering on sewage discharge permits for solid waste pollution.

In April 2017, the central government established Xiong’an New District in Hebei and determined it as a new town featured with green and ecological residence. In line with emerging sponge city construction across China, sponge city development has become an important driver for the ecological civilization development, as well as an integral role in striking a balance between city development and ecological environment. Sound Global also pays closer attention to new market sectors, such as garden landscaping, pipeline repair, and underground drainage improvement. Given increasing competition in the environmental protection market to date, Sound Global continues to improve its own competitiveness and utilise its technical advantages and synergy among each segment, thereby expanding its scope of service with constant innovations.

MANAGEMENT DISCUSSION & ANALYSIS

The implementation of various environmental protection plans and measures, including “the Air Pollution Prevention and Control Action Plan”, “the Water Pollution Prevention and Control Action Plan” and “the Soil Pollution Prevention and Control Action Plan”, has created an enormous market for the environmental protection industry, further shedding light on the development direction, structural layout and key undertakings of this industry. Driven by national policies, the water and solid waste treatment industry is expected to embrace enormous market opportunities and development potential in the future. In 2017, government spending on energy conservation and environmental protection continued to increase, particularly with special funds granted by the central government in respect of environmental protection reaching RMB47.442 billion. These funds focus on prevention and control of water, air and soil pollution, rural environmental remediation, as well as protection, restoration and treatment of key ecosystems, and therefore provide necessary projects and financial support for the development of environmental industries. The government further improved the water supply pricing mechanism for rural areas to promote the sustainability of water resources and water conservation and emission reduction in urban and rural areas. The water supply, sewage treatment and solid waste treatment industries will benefit from the rapidly accelerating urbanization in China and government policy and support for the environmental protection industry. With the development, scale and growth level of these industries expanding further, investors in the capital market will pay growing attention to the environmental protection industry. In 2017, the Company further deepened its reforms under the new development strategy of “quality first, technological drivers and efficiency priority”. The Company will consistently strive to advance reforms, such as shifting its focus on a hierarchical structure and a flat business unit to a taskforce structure, and fully promote our quality-based, efficiency-enabled and momentum-driven reforms. Meanwhile, the Company will continue to increase its presence in the sponge city and urban-rural integration, and further improve the business layout in the sponge city.

We have been committed in the environmental protection sector for more than twenty years by adhering to our initial aspiration of achieving the goal of lucid waters and lush mountains in China. “Innovation, Perfection, Integrity, Responsibility” are the core values of Sound Global. We do our utmost for the environment. Sound Global embraces its mission to give fresh impetus to clean water.

MANAGEMENT DISCUSSION & ANALYSIS

Review of Group's Financial Performance:

Revenue

The Group's revenue increased by approximately RMB70.5 million or 3.3% from approximately RMB2,144.5 million for the six months ended 30 June 2016 to approximately RMB2,215.0 million for the six months ended 30 June 2017.

The increase was attributed mainly to increased contribution from the O&M segment of approximately RMB55.5 million or 13.6% from approximately RMB408.3 million for the six months ended 30 June 2016 to approximately RMB463.8 million for the six months ended 30 June 2017 as certain BOT projects started operations.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately RMB24.1 million or 3.1% from approximately RMB779.4 million for the six months ended 30 June 2016 to approximately RMB803.5 million for the six months ended 30 June 2017. This increase was in line with the higher revenue and the stable gross profit margin.

The gross profit margin remained relatively consistent at approximately 36.3% for the six months ended 30 June 2016 and for the six months ended 30 June 2017.

Other Income

Other income decreased by approximately RMB3.4 million or 11.6% from approximately RMB29.3 million for the six months ended 30 June 2016 to approximately RMB25.9 million for the six months ended 30 June 2017 mainly due to decrease in government grants.

Other Gains and Losses, net

Other losses decreased by approximately RMB35.6 million or 42.8% from approximately RMB83.1 million for the six months ended 30 June 2016 to approximately RMB47.5 million for the six months ended 30 June 2017. The losses for the six months ended 30 June 2017 mainly arose from the allowance for doubtful debts.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB5.0 million or 15.5% from approximately RMB32.3 million for the six months ended 30 June 2016 to approximately RMB37.3 million for the six months ended 30 June 2017. 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 slightly increased by approximately RMB1.8 million or 8.1% from approximately RMB22.1 million for the six months ended 30 June 2016 to approximately RMB23.9 million for the six months ended 30 June 2017. The research and development expenses are depending on the development of its dynamic technological trends of water treatment industry and the Company's needs in market development. There is no clear identifiable trend.

MANAGEMENT DISCUSSION & ANALYSIS

Administrative Expenses

Administrative expenses increased by approximately RMB42.5 million or 37.8% from approximately RMB112.4 million for the six months ended 30 June 2016 to approximately RMB154.9 million for the six months ended 30 June 2017 mainly due to the increase in 1) staff costs by approximately RMB11.5 million as Group's headcount increased; 2) consultation fees increased approximately RMB5.5 million in relation to new borrowings and engagement of consultation services as Group's awarded new projects; and 3) due to cancellation of BOT projects, service concession receivables being recognised as administrative expenses at approximately RMB28.9 million.

Finance Costs

Finance costs increased by approximately RMB29.4 million or 42.2% from approximately RMB69.6 million for the six months ended 30 June 2016 to approximately RMB99.0 million for the six months ended 30 June 2017 mainly due to addition of finance lease and borrowings during the six months ended 30 June 2017.

Income Tax Expenses

Income tax expenses increased by approximately RMB16.9 million or 17.5% from approximately RMB96.6 million for the six months ended 30 June 2016 to approximately RMB113.5 million for the six months ended 30 June 2017 as business operations increased.

Profit Attributable to Owners of the Company

As a result of the above, profit attributable to owners of the Company decreased by approximately RMB41.7million or 10.8% from approximately RMB385.2 million for the six months ended 30 June 2016 to approximately RMB343.5 million for the six months ended 30 June 2017.

Review of Group's Financial Position:

Current Assets

Current assets increased by approximately RMB2,345.4 million or 39.2% from approximately RMB5,977.3 million as at 31 December 2016 to approximately RMB8,322.7 million as at 30 June 2017 mainly due to increase in trade receivables and other receivables.

Non-Current Assets

Non-current assets increased by approximately RMB683 million or 8.6% from approximately RMB7,943.1 million as at 31 December 2016 to approximately RMB8,626.1 million as at 30 June 2017 mainly arose from increased in service concession receivables and intangible assets as investment in BOT projects increased.

Current Liabilities

Current liabilities increased by approximately RMB1,673.6 million or 35.2% from approximately RMB4,756.6 million as at 31 December 2016 to approximately RMB6,430.2 million as at 30 June 2017 mainly arose from the increase in borrowings and trade and other payables.

Non-Current Liabilities

Non-current liabilities increased by approximately RMB932.7 million or 24.9% from approximately RMB3,744.2 million as at 31 December 2016 to approximately RMB4,676.9 million as at 30 June 2017 mainly due to increase in borrowings during the period.

MANAGEMENT DISCUSSION & ANALYSIS

Capital and Reserves

Equity attributable to owners of the Company increased by approximately RMB345.9 million or 6.7% from approximately RMB5,186.6 million as at 31 December 2016 to approximately RMB5,532.5 million as at 30 June 2017 mainly due to the retained profits of approximately RMB343.5 million.

FINANCIAL REVIEW

Gearing

	30 June 2017 RMB'000	31 December 2016 RMB'000
Borrowings (current)	2,130,859	1,483,726
Borrowings (non-current)	3,390,013	2,624,444
Obligation under finance lease (current)	214,212	188,092
Obligation under finance lease (non-current)	947,215	826,578
Total debts	6,682,299	5,122,840
Equity attributable to owners of the Company	5,532,468	5,186,632
Total debt to equity ratio	1.21	0.99

BOARD OF DIRECTORS

WEN YIBO

Executive Director and Chairman

Mr. Wen Yibo, aged 53, 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 and legal representative of Tus-Sound Environmental Resources Co., Ltd and Beijing Sound Environmental Engineering Co., Ltd. (北京桑德環境工程有限公司). The shares of Tus-Sound Environmental Resources Co., Ltd (Shenzhen Stock Code : 000826) are listed on Shenzhen Stock Exchange and Beijing Sound Environmental Engineering Co., Ltd. is a wholly-owned subsidiary of the Company. He is also the director of Sound Water (BVI) Limited, a substantial shareholder of the Company.

BOARD OF DIRECTORS

LUO LIYANG **Executive Director**

Mr. Luo Liyang, aged 45, is an Executive Director and was appointed to our Board on 2 February 2011. Mr. Luo currently acts as the 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, and he is currently studying for an executive MBA degree at Renmin University of China.

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. From March 2010 to February 2019, 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 acts as the president of the Company since 26 February 2019, responsible for the overall management 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.

ZHOU HAO **Executive Director**

Mr. Zhou Hao, aged 48, 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.

BOARD OF DIRECTORS

LIU XIQIANG **Executive Director**

Mr. Liu Xiqiang, aged 39, 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.

LI FENG **Executive Director**

Mr. Li Feng, aged 35, 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.

BOARD OF DIRECTORS

MA YUANJU

Lead Independent Non-Executive Director

Mr. Ma Yuanju, aged 61, 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 63, 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.

BOARD OF DIRECTORS

LUO JIANHUA

Independent Non-Executive Director

Mr. Luo Jianhua, aged 54, 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.

JOINT COMPANY SECRETARIES

TAN WEI SHYAN

Joint Company Secretary

Mr. Tan Wei Shyan, aged 41, 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.

GENERAL INFORMATION

DIRECTORS

The Directors of the Company in office during the six months ended 30 June 2017 and up to the date of the 2017 Interim Report are:

Executive Directors

Wen Yibo (Chairman)

Luo Liyang

Liu Wei (Resigned on 26 July 2017)

Zhou Hao

Liu Xiqiang

Li Feng (Appointed on 26 July 2017)

Independent Non-Executive Directors

Ma Yuanju

Zhang Shuting

Luo Jianhua

DIRECTORSHIPS

Present and past directorships of our Directors (as at the date of this Report) in other listed companies, group and related companies and major appointments in other companies are as follows:

Name of Director	Present Directorships	Past directorships for the past 3 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	Soundon New Energy Technology Co., Ltd Beijing Jingyushi Water Co., Ltd

GENERAL INFORMATION

Name of Director	Present Directorships	Past directorships for the past 3 year
	Beijing Epure Environmental Engineering Co., Ltd Sound Water Holdings Ltd Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd. Linzhi Sound Water Co., Ltd Xizang Sound Water Co., Ltd Xizang Sound Environmental Engineering Co., Ltd Xizang Sound Environmental Development Co., Ltd Xizang Sound Investment Holdings Co., Ltd Tianjin Sound Financial Leasing Co., Ltd Xizang Sound Imaging Technology Co., Ltd Sound (Xizang) New Energy Automobile Co., Ltd Tianjin Sound Environmental Technology Co., Ltd Sound Ecological Technology Co., Ltd Sound Gold Holdings Limited	
Luo Liyang	NIL	NIL
Zhou Hao	Epure International Engineering Pte. Ltd. Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	NIL
Liu Xiqiang	Qingdao Sound Sponge City Construction Engineering Co., Ltd. Zhaoyuan Sound Ecological Environment Co., Ltd.	NIL
Li Feng	Epure International Engineering Pte. Ltd. Advanced Resources Holdings Pte. Ltd. Advanced Water Engineering Pte. Ltd.	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

GENERAL INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and SEHK were as follows:

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

(A) The Company

Name	Number of Shares/underlying Shares held, capacity and nature of interest			Total	Percentage to the issued share capital of the Company (%)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Wen Yibo	25,333,000	-	748,945,944 ^{#1}	774,278,944	51.41
Luo Liyang	7,110,000 ^{#2}	-	-	7,110,000	0.47
Zhou Hao	6,531,000 ^{#2}	-	-	6,531,000	0.43
Liu Xiqiang	216,000 ^{#2}	-	-	216,000	0.01
Liu Wei	130,000 ^{#2}	-	-	130,000	0.01

Notes:

#1 This includes 714,711,000 Shares held by Sound Water (BVI) Limited, 22,729,944 Shares held by Sound (HK) Limited, 11,505,000 Shares held by Green Capital Holdings Limited. 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.

GENERAL INFORMATION

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

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

Notes:

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and SEHK.

SHARE OPTION

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.

GENERAL INFORMATION

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 Report, the remaining number of shares which may be issued upon exercise of options to be granted under the Scheme is 105,672,000 shares, representing 7.016% of the number of issued shares of the Company. The remaining life of the Scheme is approximately 2 years.

As at 30 June 2017, the number of shares in respect of which options had been granted under the Scheme was 90,000,000 (2016: 90,000,000), representing 6% (2016: 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 2017	Forfeited	Outstanding at 30 June 2017
9 December 2014	#4	#5	HKD8.11	58,090,000	1,426,000	56,664,000

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.

GENERAL INFORMATION

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 2017	Forfeited	Outstanding at 30 June 2017
Director							
Luo Liyang	9 December 2014	#4	#5	HKD8.11	6,500,000	-	6,500,000
Zhou Hao	9 December 2014	#4	#5	HKD8.11	6,531,000	-	6,531,000
Liu Xiqiang	9 December 2014	#4	#5	HKD8.11	216,000	-	216,000
Liu Wei (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	44,713,000	1,426,000	43,287,000

#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 This includes 108,000 options granted to Mr. Li Feng as employee on 9 December 2014. Mr. Li Feng was appointed as Director 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.

GENERAL INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Section 336 of the SFO or as the Company is aware:

Name	Number of shares	Percentage to the issued share capital of company (%)
Zhang Huiming	774,278,944 (L) ^{#7}	51.41 (L)
Sound Water (BVI) Limited	714,711,000 (L)	47.45 (L)
Changjiang Capital Fund	251,406,590 (L)	16.69 (L)
Beijing Enterprises Water Group Limited	176,425,000 (L)	11.71 (L)
Beijing Enterprises Group Company Limited	176,425,000 (L)	11.71 (L)
Beijing Enterprises Holdings Limited	176,425,000 (L)	11.71 (L)

(L) — Long position

Note:

#7 This includes 25,333,000 Shares held by her husband, Mr. Wen Yibo, 714,711,000 Shares held by Sound Water (BVI) Limited, 22,729,944 Shares held by Sound (HK) Limited and 11,505,000 Shares held by Green Capital Holdings Limited.

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

Save as disclosed above, as at 30 June 2017, no person (other than Directors or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the internal control and reporting matters. The unaudited interim results for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

GENERAL INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company devotes to the best practice on corporate governance, and has complied with the Code Provisions of the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules for the six months ended 30 June 2017 except for the deviations from the following Code Provisions:

- a) Code Provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election. Although the independent non-executive directors are not appointed for a specific term, all directors shall submit themselves for re-election at least once every three years pursuant to the Company’s Articles of Association. Under the Company’s Articles of Association, any new director appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall be then eligible for re-election at the meeting.
- b) Code Provision E.1.2 of the CG Code stipulates that the chairman should attend the annual general meeting. The chairman of the Company did not attend the annual general meeting held on 9 October 2018 due to other work commitment. He will use his best endeavours to attend all future shareholders’ meetings of the Company.

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

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transactions by the directors. The Board confirms that, having made specific enquiries with all directors of the Company, during the six months ended 30 June 2017, all directors of the Company have complied with the required standards of the Model Code.

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

For the six months ended 30 June 2017, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, there were 3,449 (2016: 2,979) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

GENERAL INFORMATION

PRE-EMPTIVE RIGHTS

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

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except as disclosed in the condensed consolidated financial statements of the Group for the six months ended 30 June 2017, there were no significant investments held as at 30 June 2017, nor other material acquisitions and disposals of subsidiaries during the period.

EVENT AFTER THE REPORTING PERIOD

Please refer to Note 23 of the notes to the condensed consolidated financial statements for the six months ended 30 June 2017 for the information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended	
		30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Revenue	5	2,215,027	2,144,470
Cost of sales		(1,411,549)	(1,365,064)
Gross profit		803,478	779,406
Other income	6	25,945	29,285
Other gains and losses, net	7	(47,525)	(83,065)
Distribution and selling expenses		(37,259)	(32,346)
Research and development expenses		(23,911)	(22,145)
Administrative expenses		(154,936)	(112,357)
Finance costs	8	(99,033)	(69,598)
Profit before income tax		466,759	489,180
Income tax expenses	9	(113,462)	(96,638)
Profit for the period	10	353,297	392,542
Other comprehensive income (expense)			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange difference arising on translation of financial statements of foreign operations		2,373	(8,205)
Total comprehensive income for the period (net of tax)		355,670	384,337
Profit for the period attributable to:			
Owners of the Company		343,463	385,249
Non-controlling interests		9,834	7,293
		353,297	392,542
Total comprehensive income for the period attributable to:			
Owners of the Company		345,836	377,044
Non-controlling interests		9,834	7,293
		355,670	384,337
Earnings per share (in RMB cents)			
Basic and diluted	12	22.80	25.58

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	219,808	175,239
Intangible assets	14	578,305	473,682
Land use rights		37,927	38,505
Goodwill		-	-
Service concession receivables	15	7,780,510	7,245,861
Deferred tax assets		9,564	9,842
		8,626,114	7,943,129
CURRENT ASSETS			
Inventories		356,134	204,327
Trade and other receivables	17	4,569,902	2,401,237
Land use rights		1,158	1,158
Available-for-sale investments		-	42,800
Amounts due from customers for contract work		2,214,290	1,797,114
Restricted bank balances		398,105	1,059,667
Bank balances and cash		783,127	470,975
		8,322,716	5,977,278
CURRENT LIABILITIES			
Trade and other payables	18	3,989,132	2,985,729
Tax payables		89,973	72,766
Derivative financial instruments	16	3,918	20,380
Borrowings	19	2,130,859	1,483,726
Obligation under finance lease		214,212	188,092
Amounts due to customers for contract work		2,140	5,874
		6,430,234	4,756,567
NET CURRENT ASSETS		1,892,482	1,220,711
TOTAL ASSETS LESS CURRENT LIABILITIES		10,518,596	9,163,840
NON-CURRENT LIABILITIES			
Deferred tax liabilities		339,636	293,155
Borrowings	19	3,390,013	2,624,444
Obligation under finance lease		947,215	826,578
		4,676,864	3,744,177
TOTAL ASSETS LESS TOTAL LIABILITIES		5,841,732	5,419,663
CAPITAL AND RESERVES			
Issued capital		1,720,304	1,720,304
Reserves		3,812,164	3,466,328
Equity attributable to owners of the Company		5,532,468	5,186,632
Non-controlling interests		309,264	233,031
		5,841,732	5,419,663

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Issued capital	Merger reserve	Capital reserve	Translation reserve	Share options reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	1,720,304	(198,082)	4,562	(7,163)	-	228,437	2,965,518	4,713,576	46,804	4,760,380
Profit for the period	-	-	-	-	-	-	385,249	385,249	7,293	392,542
Other comprehensive expense for the period	-	-	-	(8,205)	-	-	-	(8,205)	-	(8,205)
Total comprehensive income for the period	-	-	-	(8,205)	-	-	385,249	377,044	7,293	384,337
Contributions from non-controlling interest	-	-	-	-	-	-	-	-	33,750	33,750
Balance at 30 June 2016 (unaudited)	1,720,304	(198,082)	4,562	(15,368)	-	228,437	3,350,767	5,090,620	87,847	5,178,467
Balance at 1 January 2017	1,720,304	(198,082)	4,562	(18,949)	-	265,815	3,412,982	5,186,632	233,031	5,419,663
Profit for the period	-	-	-	-	-	-	343,463	343,463	9,834	353,297
Other comprehensive expense for the period	-	-	-	2,373	-	-	-	2,373	-	2,373
Total comprehensive income for the period	-	-	-	2,373	-	-	343,463	345,836	9,834	355,670
Transfer to reserve fund	-	-	-	-	-	3,297	(3,297)	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	3,263	3,263
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	(6,500)	(6,500)
Contributions from non-controlling interest	-	-	-	-	-	-	-	-	69,636	69,636
Balance at 30 June 2017 (unaudited)	1,720,304	(198,082)	4,562	(16,576)	-	269,112	3,753,148	5,532,468	309,264	5,841,732

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Notes:

- (i) The merger reserve arose, (a) pursuant to the reorganisation in 2006, from the use of the whole proceeds of the interest-free loan granted by the Company's immediate holding company, Sound Water (BVI) Limited ("Sound Water"), a company incorporated in the British Virgin Islands (the "BVI"), to finance the acquisition of a subsidiary, Beijing Sound Environmental Engineering Co., Ltd. ("Beijing Sound"), which the amount was calculated as the difference between the loan amount of US\$18.8 million (equivalent to RMB150,896,000) and the issued capital of the subsidiary acquired of RMB62,600,000; and (b) pursuant to the acquisition of Tongliao Sound Water Co., Ltd. ("Tongliao") in 2014, from the difference between the consideration in relation to the acquisition of 97.8% interest in Tongliao 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 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 approximately RMB1,753,000.
- (iii) In accordance with the Articles of Association of certain subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up for previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2017

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(1,875,528)	(628,478)
INVESTING ACTIVITIES		
Interest received	8,915	5,591
Net cash inflow from acquisitions of a subsidiary	1,490	-
Purchases of property, plant and equipment	(45,574)	(49,982)
Proceeds from disposal of property, plant and equipment	145	23
Proceeds from disposal of available-for-sale investments	42,800	-
Placement in restricted bank balances	(459,981)	(430,930)
Withdrawal in restricted bank balances	1,121,543	591,691
NET CASH FROM INVESTING ACTIVITIES	669,338	116,393
FINANCING ACTIVITIES		
Interest paid	(64,127)	(67,954)
Capital contribution from non-controlling interest	69,636	33,750
Dividends paid to non-controlling shareholders	(6,500)	-
Borrowings raised	2,055,000	939,407
Repayment of borrowings	(642,297)	(1,207,516)
Repayments of obligation under finance lease	(121,149)	(5,566)
Proceeds from sales and finance lease back arrangements	233,000	550,000
NET CASH FROM FINANCING ACTIVITIES	1,523,563	242,121
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	317,373	(269,964)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	470,975	769,719
Effect of foreign exchange rate changes	(5,221)	4,924
CASH AND CASH EQUIVALENTS AT 30 JUNE		
REPRESENTED BY BANK BALANCES AND CASH	783,127	504,679

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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.

2. BASIS OF PREPARATION

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

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.

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 2017, 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

2. BASIS OF PREPARATION (CONTINUED)

On 1 February 2018, the Company 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.

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

On 7 May 2018, the Company announced that it has submitted a proposal to the Commission with a view to address its concerns on the Bank Balances Discrepancies. The Commission finds that the proposal does not satisfactorily address the Commission's concerns and has replied with comments. The Company is working closely with its professional advisors to address those comments.

The Company further announced on 7 May 2018 that (i) the Commission had not received from the Company any submission or representation which could satisfactorily explain the Bank Balances Discrepancies; (ii) is currently seeking professional advise in respect of the said findings and conclusion of the Reviewer with a view to addressing the Commission's concerns on the Bank Balances Discrepancies; and (iii) further announcement will be made by the Company as appropriate and when appropriate.

On 3 August 2018, the Company announced that the Company had submitted a revised proposal to the Commission in late July 2018 in response to its comments on the Company's previous proposals with a view to address its concerns on the Discrepancies. Further announcement will be made by the Company as and when appropriate.

On 5 November 2018, the Company announced that on 1 November 2018, the Company received a reply from the Commission. The Company was seeking legal advice, and would endeavor to respond to the Commission as soon as possible. Further announcement would be made by the Company as and when appropriate.

On 30 November 2018, the Company announced that the Company was still in discussion with the Commission with a view to resolve the Commission's regulatory concerns regarding the Discrepancies and no agreement has been made. Further announcement will be made by the Company as and when appropriate.

In December 2017, the Group had commenced taking steps to further investigate the Bank Balances Discrepancies. As at the date of approval for issuance of these consolidated financial statements, these investigation works of the Group are still at in progress 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 2017, including the impact on the figures presented in these consolidated financial statements in respect of the previous financial year and the impact on the figures presented in previously issued consolidated financial statements for prior 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 to be taken in response to the investigation of the Bank Balances Discrepancies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2016.

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

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

4. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies described in the Group's annual consolidated financial statements for the year ended 31 December 2016. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, other income, other gains and losses and finance costs at corporate level.

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

	Turnkey projects and services RMB'000	Equipment Fabrications RMB'000	O&M RMB'000	Segment total RMB'000	Elimination RMB'000	Consolidated RMB'000
<u>For the six months ended 30 June 2017 (unaudited)</u>						
Revenue						
External sales	1,707,222	44,005	463,800	2,215,027	-	2,215,027
Inter-segment sales	-	60,517	-	60,517	(60,517)	-
Total revenue	1,707,222	104,522	463,800	2,275,544	(60,517)	2,215,027
Segment results	225,937	20,074	227,423	473,434	-	473,434
Unallocated income						19
Unallocated other gains and losses, net						2,830
Unallocated finance costs						(1,708)
Unallocated expenses						(7,816)
Profit before income tax						466,759
<u>For the six months ended 30 June 2016 (unaudited)</u>						
Revenue						
External sales	1,735,756	368	408,346	2,144,470	-	2,144,470
Inter-segment sales	-	159,403	-	159,403	(159,403)	-
Total revenue	1,735,756	159,771	408,346	2,303,873	(159,403)	2,144,470
Segment results	330,515	(23,513)	222,650	529,652	-	529,652
Unallocated income						44
Unallocated other gains and losses, net						(17,933)
Unallocated finance costs						(9,539)
Unallocated expenses						(13,044)
Profit before income tax						489,180

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

5. REVENUE

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from engineering, procurement and construction contracts		
- Design service	7,580	3,113
- Sales of equipments	246,386	328,938
- Turnkey services	1,409,267	1,384,010
Revenue from sale of goods	44,005	368
Operating and maintenance income	277,682	236,360
Design service	43,989	19,695
Imputed interest income on service concession receivables	186,118	171,986
	2,215,027	2,144,470

6. OTHER INCOME

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	8,868	5,591
Investment income on available-for-sale investment	47	-
Government grant	16,712	21,371
Sundry income	318	2,323
	25,945	29,285

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

7. OTHER GAINS AND LOSSES, NET

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Allowance for doubtful debts	(74,362)	(31,258)
Allowance for doubtful debts written back	250	6,804
Changes in fair value of a swap contract	6,144	(681)
Gain on bargain purchase of a subsidiary	3,397	-
Impairment losses recognised in respect of goodwill	-	(41,395)
Loss on disposal of property, plant and equipment	(35)	-
Net foreign exchange gains (losses), net	19,764	(14,569)
Others	(2,683)	(1,966)
	(47,525)	(83,065)

8. FINANCE COSTS

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on borrowings		
- wholly repayable within five years	54,361	43,926
- not wholly repayable within five years	26,314	23,700
Interest expenses on finance lease	18,358	1,972
	99,033	69,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

9. INCOME TAX EXPENSES

	Six months ended	
	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
The charge comprises:		
Current tax		
PRC income tax	63,300	70,450
Under/(Over) provision in prior year		
PRC income tax	3,403	(16,808)
Deferred tax	46,759	42,996
	113,462	96,638

The Singapore income tax represents income tax in Singapore which is calculated at the prevailing tax rate on the taxable income of companies established in Singapore. For current interim period, the tax rate was 17% (2016: 17%).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the PRC subsidiaries is 25%. For the six months ended 30 June 2017, certain PRC subsidiaries enjoy preferential income tax rates at 12.5% or tax exempted (2016: 12.5% or tax exempted).

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

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended	
	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Amortisation of intangible assets	4,366	1,648
Amortisation of land use rights	578	578
Depreciation for property, plant and equipment	6,340	6,114

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

11. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no interim dividend will be proposed in respect of the six months ended 30 June 2017 (2016: nil).

12. EARNINGS PER SHARE

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

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share	343,463	385,249
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,506,205	1,506,205
	RMB cents	RMB cents
	(unaudited)	(unaudited)
Earnings per share		
Basic and diluted	22.80	25.58

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The additions during the six months ended 30 June 2017 was approximately RMB45,574,000 (31 December 2016: RMB98,551,000).

As at 30 June 2017, the Group has pledged land and buildings and buildings under construction in progress with carrying amount of approximately RMB26,344,000 and RMB88,145,000 (31 December 2016: RMB25,576,000 and RMB56,526,000) respectively to secure banking facilities granted to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

14. INTANGIBLE ASSETS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Patents	-	-
Operating concessions	578,305	473,682
	578,305	473,682

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. All the patents were expired during the year 2016.

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 15.

At 30 June 2017, the Group has pledged operating concessions with carrying amount of approximately RMB170,351,000 (31 December 2016: RMB175,172,000) to secure general banking facilities granted to the Group.

The net carrying amounts of the Group's operating concessions held under finance leases as at 30 June 2017 was approximately RMB216,464,000 (31 December 2016: RMB296,941,000) .

15. SERVICE CONCESSION RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Service concession receivables	8,176,796	7,607,755
Less: Amounts due within one year shown in trade and other receivables	(396,286)	(361,894)
	7,780,510	7,245,861

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

At 30 June 2017, certain BOT projects' charging rights under the service concession contracts of the Group with an aggregate carrying amount of approximately RMB3,694,547,000 (31 December 2016: RMB3,216,243,000) were pledged to secure certain bank borrowings granted to the Group.

The net carrying amounts of the Group's service concession receivables held under finance leases as at 30 June 2017 was approximately RMB1,174,589,000 (31 December 2016: RMB1,430,755,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Financial liabilities (current)		
Fair value of a swap contract	3,918	20,380

17. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables:		
Within 90 days	930,271	174,599
91 to 180 days	159,538	96,561
181 days to 1 year	220,000	283,943
1 to 2 years	365,652	463,325
2 to 3 years	413,459	352,535
More than 3 years	136,107	18,290
	2,225,027	1,389,253
Bills receivables:		
Within 180 days	5,821	14,226

At 30 June 2017, trade receivables with carrying amount of approximately RMB124,506,000 (31 December 2016: RMB110,379,000) have been pledged as collateral for the obligation under finance lease.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

18. TRADE AND OTHER PAYABLES

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade payables:		
Within 90 days	1,196,955	930,250
91 to 180 days	510,776	260,735
181 days to 1 year	471,627	541,501
1 to 2 years	482,108	402,533
2 to 3 years	115,597	58,650
More than 3 years	121,118	103,493
	2,898,181	2,297,162
Bills payables:		
Within 180 days	127,740	158,050

19. BORROWINGS

During the current interim period, the Group obtained new borrowings amounting to approximately RMB2,055,000,000 (31 December 2016: RMB3,212,894,000) and repaid borrowings of approximately RMB642,297,000 (31 December 2016: RMB3,051,746,000).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets/ Financial liabilities	Fair value at (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2017 (unaudited)	31 December 2016 (audited)				
Swap contract classified as derivative financial instruments in the condensed consolidated statement of financial position	Liabilities 3,918	Liabilities 20,380	Level 2	(i) Discounted cash flow is used to determine the first year's payoff which is fixed. (ii) Black-Scholes pricing model and discounted cash flows are used to determine the fair value of the remaining term of the swap which can be seen as 7 separated index call options minus fixed cash flow payments. The key inputs are HSBC MacroEconomic Treasury Yield Spread Volatility Budgeted Index as mentioned in the swap contract, the expected volatility of the index, risk free rate and discount rate.	N/A	N/A

21. CAPITAL COMMITMENT

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

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Construction of buildings: Contracted but not provided for	62,632	33,007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. 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
Target Group	Deconsolidated subsidiaries

During the year ended 31 December 2016, 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. Zhongye Zhengyi is an investment holding company and its subsidiaries were mainly engaged in industrial and civil construction, foundation, property management, rental service of construction machinery and equipment and equity investment management and consulting services 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).

Despite the facts that (i) the change in shareholders of registered capital of Zhongye Zhengyi under the name of a subsidiary of the Company; (ii) the change in three directors of Zhongye Zhengyi; (iii) the change of the company name of Zhongye Zhengyi; and (iv) the change in the legal representative of Zhongye Zhengyi to a key management personnel of the Group who subsequently resigned on 5 August 2016 was registered in the SAIC; the Group has been unable to gain access to the books and records of the Target Group subsequent to the completion of the acquisition of Zhongye Zhengyi. The existing management of the Target Group did not respond to the Group's requests and did not cooperate with the Group. The negotiation with the existing management of the Target Group was still in progress up to the date of the approval of the consolidated financial statements. Given these circumstances, the Group was 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 information about the nature and financial effects of the acquisition of the Target Group which is required to be disclosed by IFRS 3 "Business Combinations" have not been disclosed in the consolidated financial statements of the Group for the six months ended 30 June 2017.

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

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from engineering, procurement and construction contracts		
Sound Group and its subsidiaries	3,129	55,408
Tus-Sound and its subsidiaries	13,733	38,182
Target Group	164,736	-
	181,598	93,590

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (continued)

	Six months ended	
	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited)
Revenue from design service		
Sound Group and its subsidiaries	-	332
Equipment procurement		
Tus-Sound and its subsidiaries	10	7,165

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

(b) At the end of the reporting period, the Group had the following balances with related parties:

	As at	
	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables		
Sound Group and its subsidiaries	168,761	151,719
Tus-Sound and its subsidiaries	30,277	23,095
Target Group	182,857	-
	381,895	174,814
Advance to supplier and subcontractors		
Tus-Sound and its subsidiaries	-	4
Other receivables		
Director:		
Jiang Anping	-	-
Others:		
Target Group	70,306	-
Bid and compliance deposits:		
Target Group	1,200	-
	71,506	-

The maximum balance outstanding for amounts due from Jiang Anping during the six months ended 30 June 2017 was approximately RMB50,000 (31 December 2016: RMB48,000). Mr. Jiang Anping resigned as an executive director of the Company on 12 August 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) (continued)

	30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Advance from customers		
Tus-Sound and its subsidiaries	-	3,589
Trade payables		
Tus-Sound and its subsidiaries	36,098	33,706
Target Group	96,857	-
	132,955	33,706
Other payables		
Sound Group and its subsidiaries	168,678	9,225
Director:		
Luo Liyang	33	-
	168,711	9,225

The maximum balance outstanding for amount due to Luo Liyang during the six months ended 30 June 2017 was approximately RMB33,000 (31 December 2016: RMB121,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

22. RELATED PARTY TRANSACTIONS (CONTINUED)

- (c) Compensation of key management personnel

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

	Six months ended	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Wages and salaries	1,357	1,994
Performance related incentive payments	-	352
Contributions to defined contribution plan	119	130
	1,476	2,476

- (d) Guarantees

As at 30 June 2017, the borrowings amounting to approximately RMB991,702,000 (31 December 2016: RMB1,475,253,000) of the Group was guaranteed by Sound Group.

- (e) Licensing of trademarks

Since 2002, the Group (previously being registered owner of certain trademarks) uses its trademarks for its water and wastewater treatment business. These trademarks are also used by Beijing Sound for its investments in environmental protection and its subsidiary, by Beijing Sound Water Technology Co., Ltd. for the processing of purified drinking water at nil consideration before March 2006.

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

23. EVENTS AFTER THE REPORTING PERIOD

- (a) 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(a) (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(a) (continued)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(a) (continued)

The 1 February 2018 announcement (continued)

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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(a) (continued)

The 1 February 2018 announcement (continued)

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.

The 1 March and 9 April 2018 announcements

On 1 March and 9 April 2018, the Company announced that as at the dates of these announcements, the Commission has not received from the Company any submission or representation which can satisfactorily explain such material discrepancies in its bank balances. Based on the Investigation Report, the Reviewer was unable to identify the reason for and particulars of the Discrepancies due to the limited information made available to the Reviewer. The Company was currently seeking professional advice in respect of the said findings and conclusion of the Reviewer with a view to addressing the Commission's concerns on the Discrepancies. Further announcement will be made by the Company as and when appropriate.

The 7 May, 6 June and 4 July 2018 announcements

On 7 May, 6 June and 4 July 2018, the Company announced that the Company had submitted a proposal to the Commission with a view to address its concerns on the Discrepancies. The Commission finds that the proposal does not satisfactorily address the Commission's concerns and has replied with comments. The Company was working closely with its professional advisors to address those comments. Further announcement will be made by the Company as and when appropriate.

The 3 August, 3 September and 4 October 2018 announcements

On 3 August, 3 September and 4 October 2018, the Company announced that the Company had submitted a revised proposal to the Commission in late July 2018 in response to its comments on the Company's previous proposals with a view to address its concerns on the Discrepancies. Further announcement will be made by the Company as and when appropriate.

The 5 November 2018 announcement

On 5 November 2018, the Company announced that on 1 November 2018, the Company received a reply from the Commission. The Company was seeking legal advice, and would endeavor to respond to the Commission as soon as possible. Further announcement would be made by the Company as and when appropriate.

The 30 November 2018 announcement

On 30 November 2018, the Company announced that the Company was still in discussion with the Commission with a view to resolve the Commission's regulatory concerns regarding the Discrepancies and no agreement has been made. Further announcement will be made by the Company as and when appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

23. EVENT AFTER THE REPORTING PERIOD (CONTINUED)

(b) On 3 May 2018, the Company disclosed two letters from the Listing Committee regarding failure by Mr. Jiang An Ping and Mr. Zhang Jing Zhi, former directors of the Company, respectively 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.

(c) Disposal of subsidiaries

(i) Fujian Ronghai

In 2018, the directors of the Company asserted that the Group disposed 51% of the entire issued share capital of Fujian Ronghai. Upon completion of the Disposal, Fujian Ronghai ceased to be a subsidiary of the Company. However, up to the date of this report, as per the records in the SAIC, Beijing Sound remained as the registered shareholder of 51% equity interest in Fujian Ronghai.

(ii) Fuzhou City Dongxiang District Sound

In January 2018, the Group disposed of 51% equity interest of Fuzhou City Dongxiang District Sound at zero consideration. Upon completion of the Disposal, Fuzhou City Dongxiang District Sound ceased to be a subsidiary of the Company.

(d) Acquisition of subsidiaries

In October 2018, the Group acquired the entire equity interest of Yunxiao Changye Water Co., Ltd. (雲霄長業水務有限公司), Ping Changye Water Co., Ltd. (平和長業水務有限公司) and Changtai Changye Water Co., Ltd. (長泰長業水務有限公司) (collectively the "**Changye Group**") and the related shareholders' loans for a total consideration of RMB136,400,000. The Changye Group is mainly engaged in construction, management and operation of the municipal wastewater projects in the PRC.

The directors of the Company have been unable to gain access to the books and records of the Changye Group. Given these circumstances, the directors of the Company have been unable to consolidate the financial statements of the Changye Group into the consolidated financial statements or accounts of the Group since the date of acquisition or to determine whether the acquisition has given rise to a loss to be recognised by the Group in its consolidated financial statements. Because of the insufficient financial information of the Target Group, the information about the nature and financial effects of the acquisition of the Changye Group which is required to be disclosed by the applicable IFRSs, including IAS 10 and IFRS 3, are not disclosed in these consolidated financial statements of the Group. Further, given the lack of financial information available, the directors of the Company consider that they cannot determine whether the acquisition of the Changye 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.