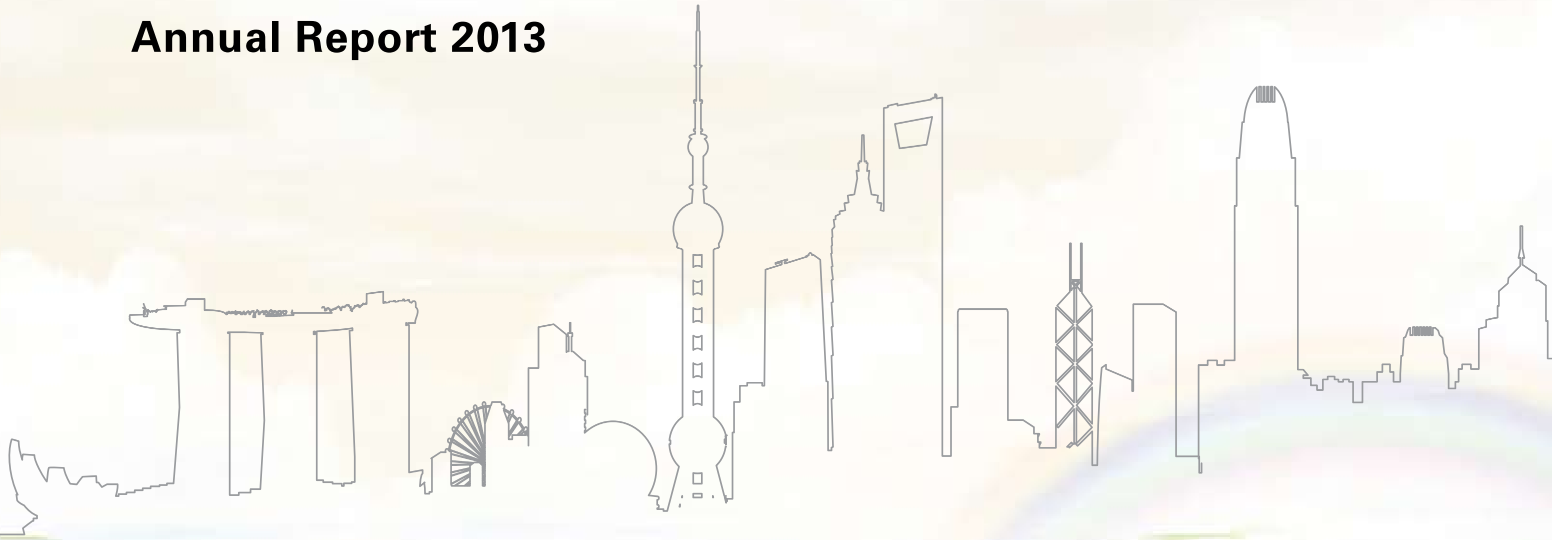
上海实业环境控股有限公司
SIIC ENVIRONMENT HOLDINGS LTD.

Keep Soaring

展翅高飞

Annual Report 2013



Contents

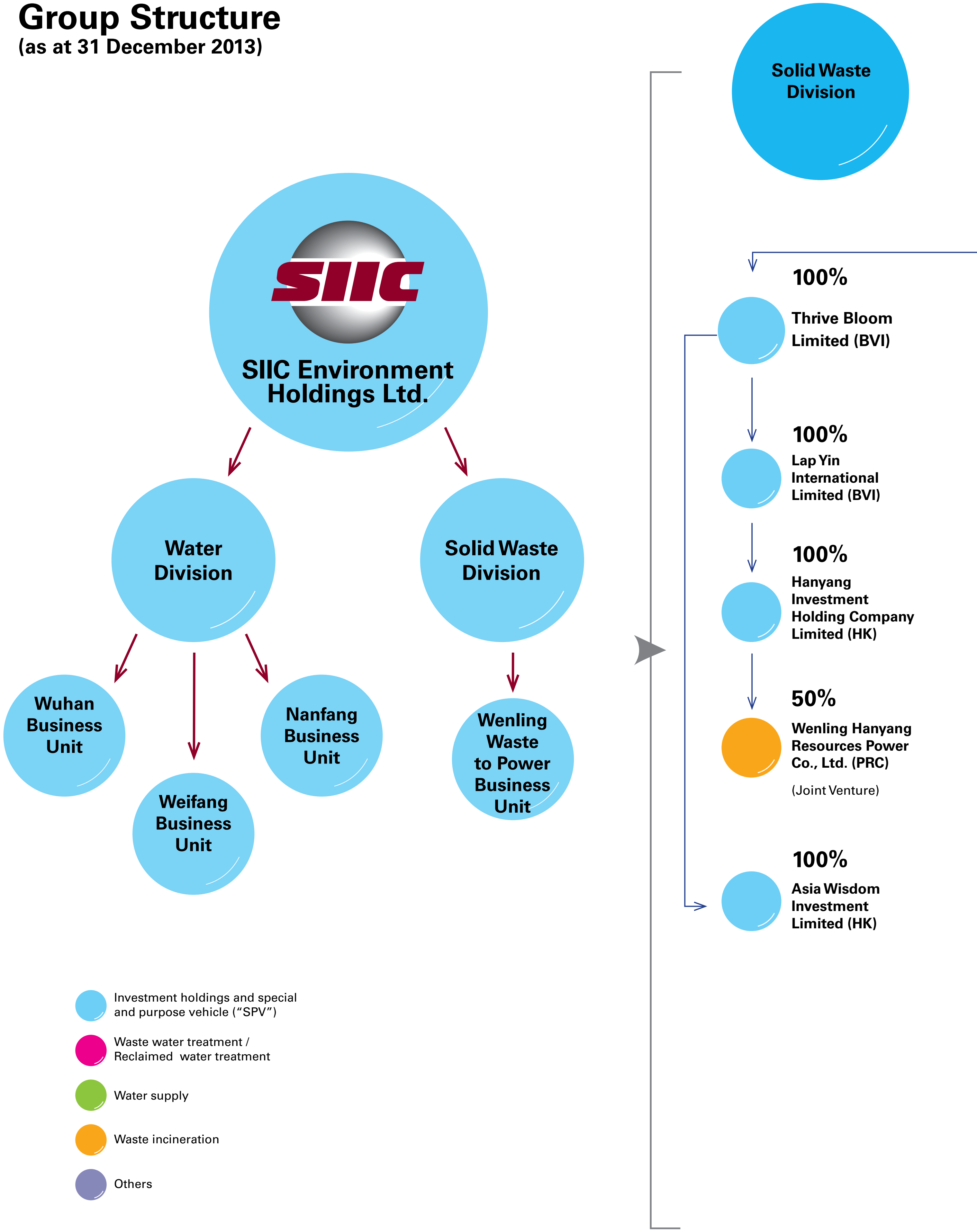
Corporate Mission

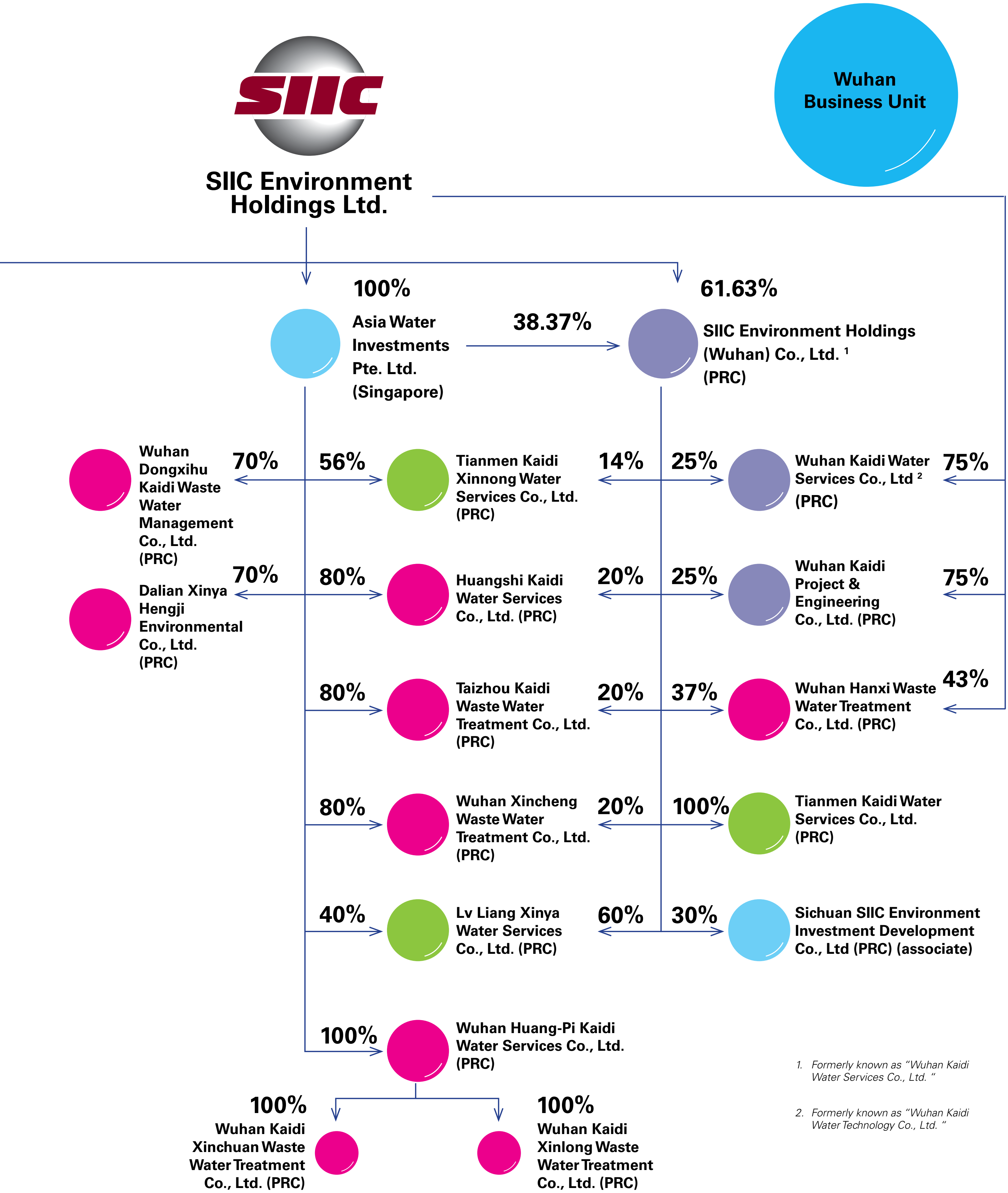
We envisage ourselves becoming a leading force in the environmental protection industry in the People's Republic of China, backed by an established track record and technological excellence. While pursuing growth, we remain committed to the protection of the environment and the preservation of the world's precious resources.

公司使命

我们致力于成为中国环保产业的领军企业，拥有一贯良好的经营业绩和出众的技术水平。在寻求企业增长的同时，我们也承诺保护环境，维护地球，珍惜自然资源的使命。

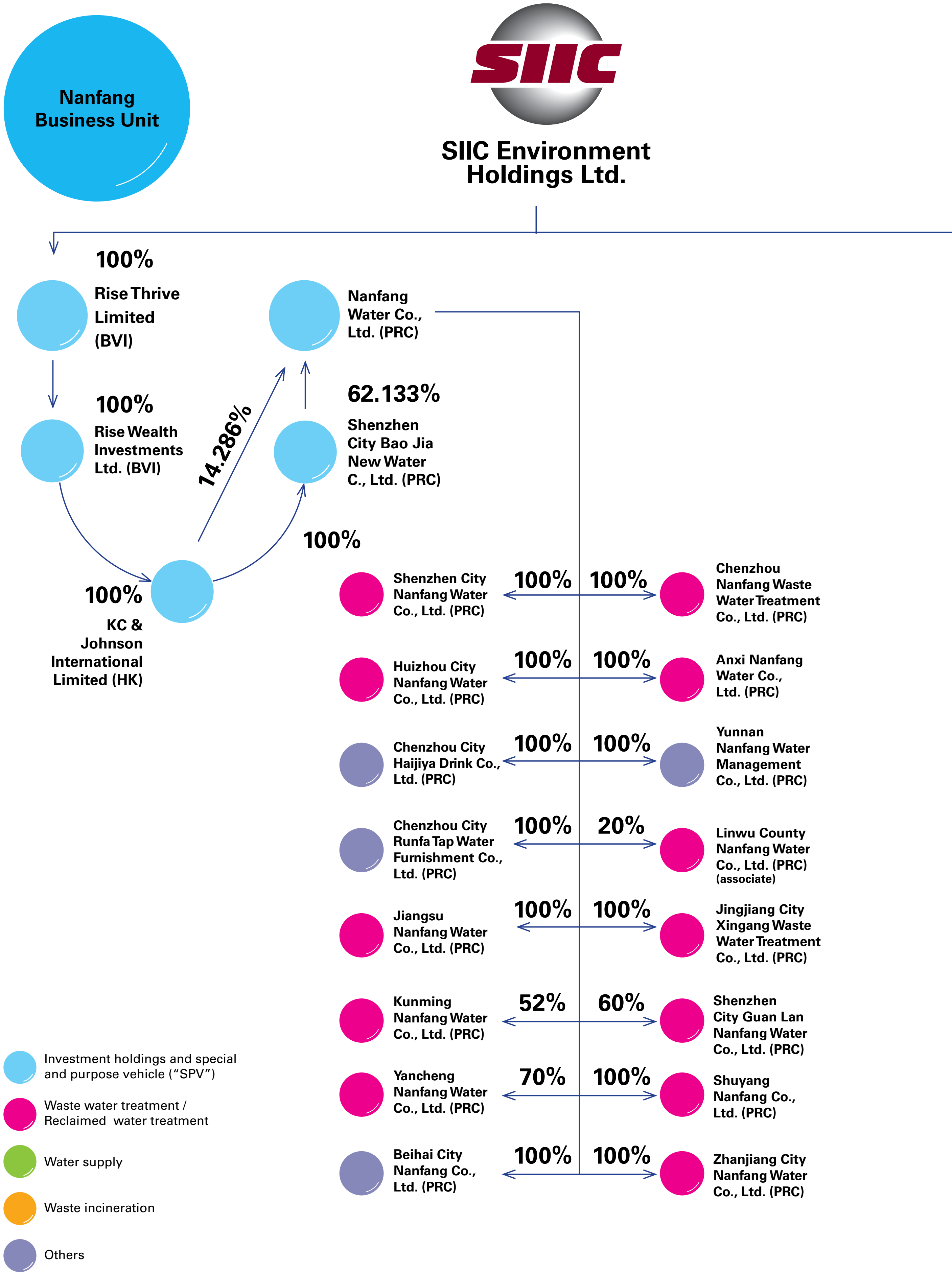
Group Structure
(as at 31 December 2013)





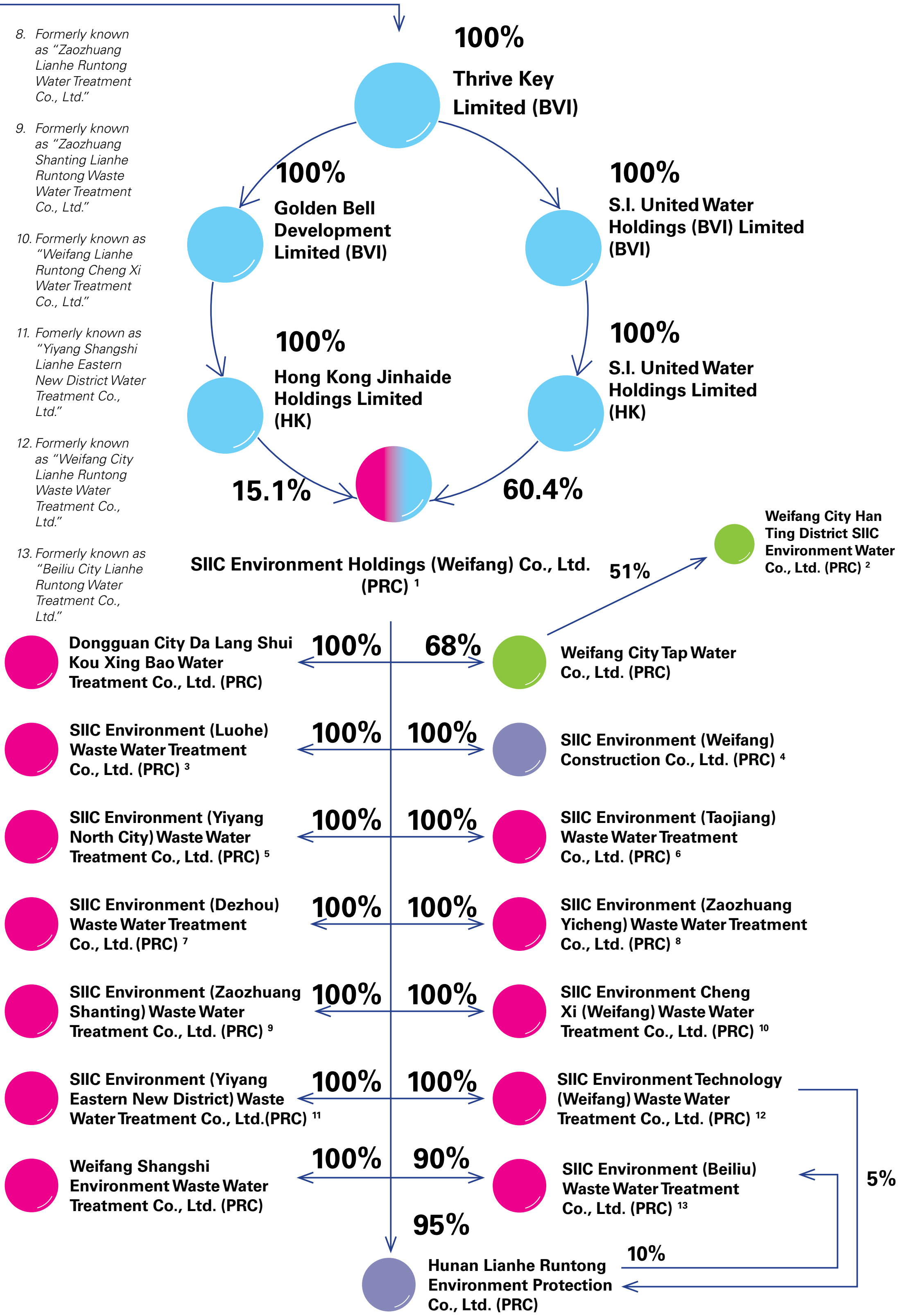
1. *Formerly known as "Wuhan Kaidi Water Services Co., Ltd."*

2. *Formerly known as "Wuhan Kaidi Water Technology Co., Ltd."*


Nanfang Business Unit
SIIC
SIIC Environment Holdings Ltd.
100%
Rise Thrive Limited (BVI)
Nanfang Water Co., Ltd. (PRC)
100%
Rise Wealth Investments Ltd. (BVI)
14.286%
62.133%
Shenzhen City Bao Jia New Water C., Ltd. (PRC)
100%
100%
KC & Johnson International Limited (HK)
Shenzhen City Nanfang Water Co., Ltd. (PRC)
100%
100%
Chenzhou Nanfang Waste Water Treatment Co., Ltd. (PRC)
Huizhou City Nanfang Water Co., Ltd. (PRC)
100%
100%
Anxi Nanfang Water Co., Ltd. (PRC)
Chenzhou City Haijiya Drink Co., Ltd. (PRC)
100%
100%
Yunnan Nanfang Water Management Co., Ltd. (PRC)
Chenzhou City Runfa Tap Water Furnishment Co., Ltd. (PRC)
100%
20%
Linwu County Nanfang Water Co., Ltd. (PRC) (associate)
Jiangsu Nanfang Water Co., Ltd. (PRC)
100%
100%
Jingjiang City Xingang Waste Water Treatment Co., Ltd. (PRC)
Kunming Nanfang Water Co., Ltd. (PRC)
52%
60%
Shenzhen City Guan Lan Nanfang Water Co., Ltd. (PRC)
Yancheng Nanfang Water Co., Ltd. (PRC)
70%
100%
Shuyang Nanfang Co., Ltd. (PRC)
Beihai City Nanfang Co., Ltd. (PRC)
100%
100%
Zhanjiang City Nanfang Water Co., Ltd. (PRC)
Investment holdings and special and purpose vehicle ("SPV")
Waste water treatment / Reclaimed water treatment
Water supply
Waste incineration
Others

Weifang Business Unit

1. Formerly known as "United Environment Co., Ltd."
2. Formerly known as "Weifang City Han Ting Lianhe Runtong Water Treatment Co., Ltd."
3. Formerly known as "Luohe Ge Wei Te Water Treatment Co., Ltd."
4. Formerly known as "Weifang City Lianhe Runtong Construction Co., Ltd."
5. Formerly known as "Yiyang Lianhe Runtong Water Treatment Co., Ltd."
6. Formerly known as "Taojiang Lianhe Runtong Water Treatment Co., Ltd."
7. Formerly known as "Dezhou City Lianhe Runtong Water Treatment Co., Ltd."
8. Formerly known as "Zaozhuang Lianhe Runtong Water Treatment Co., Ltd."
9. Formerly known as "Zaozhuang Shanting Lianhe Runtong Waste Water Treatment Co., Ltd."
10. Formerly known as "Weifang Lianhe Runtong Cheng Xi Water Treatment Co., Ltd."
11. Fomerly known as "Yiyang Shangshi Lianhe Eastern New District Water Treatment Co., Ltd."
12. Formerly known as "Weifang City Lianhe Runtong Waste Water Treatment Co., Ltd."
13. Formerly known as "Beiliu City Lianhe Runtong Water Treatment Co., Ltd."



Corporate Profile
公司简介

Listed on the SGX-ST Catalist in 2005 and subsequently transferred to the SGX-ST Mainboard in 2012, SIIC Environment Holdings Ltd. ("**SIIC Environment**"), a top-tier integrated player in the China's environmental investment industry, is committed to enlarging its market share in the water and environmental protection sector. In 2010, Shanghai Industrial Holdings Limited invested, restructured and gained control of the Group.

SIIC Environment is an active investor and operator of environmental related assets and has been operating in China's environmental protection sector for more than a decade. Currently, the Group boasts a portfolio of more than 40 water treatment and supply projects and 3 waste-to-power projects across 14 municipality and provinces, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Fujian, Guangxi, Henan, Liaoning, Shanxi, Sichuan and Yunnan.

Leveraging on the scalability of its technologies, SIIC Environment has expanded its competencies to include related sectors in the water and environmental protection industries such as industrial wastewater treatment, seawater desalination, waste-to-power and new energy resources, thereby strengthening its position in China's environmental investment industry.

上海实业环境控股有限公司("上实环境")自2005年在新交所凯利板上市，2010年上海实业控股有限公司注资、重组、控股上实环境。公司2012年转到新交所主板上市，成为中国环境投资业中的一线综合性环保企业，致力于扩大水务产业和环保相关产业的市场份额。

上实环境积极投资运营环保项目，在中国环保行业已有十多年的经营历史。上实环境目前在中国拥有超过40个水务项目及3个固废发电项目，地域涵盖中国的14个直辖市及省份，即山东、广东、湖北、湖南、江苏、上海、浙江、福建、广西、河南、辽宁、山西、四川和云南。

凭借技术的广泛适用性，上实环境的业务拓展至水务和环保的相关产业，如工业废水处理、海水淡化、固废发电和新能源，巩固了公司在中国环境投资业的地位。

Mr. Zhou Jun
Executive Chairman

Scaling New Heights in China's Environmental Protection Sector

Dear Valued Shareholders,

On behalf of the Board, it is my pleasure to present to you SIIC Environment's annual report for the financial year ended 31 December 2013 ("**FY2013**").

Business and Operations Overview - Scaling New Heights in China's Environmental Protection Sector

This year marked another prominent year for the Group as we witnessed significant growth in our financial performance and concerted our efforts to strengthen our capabilities in China's fast-growing environmental protection sector.

During the past year, we have enhanced our assets portfolio and achieved approximately three-fold increase in market capitalisation to approximately S$1.6 billion. Since our parent company, Shanghai Industrial Holdings Limited ("**SIHL**"), first invested in us in FY2010, we have also seen a compound annual growth rate ("**CAGR**") of 89.4% in our net income attributable to shareholders to RMB150.1 million for FY2013. Our profitability has been underpinned by robust revenue CAGR of 62.6% from RMB282.4 million for FY2010 to RMB1.2 billion for FY2013.

Presently, we boast a portfolio of more than 40 water treatment and supply projects with total design capacity in excess of 4 million tons/day and 3 waste incineration projects with total design waste treatment capacity of over 3,000 tons/day. The geographical presence of our assets is strategically located mainly in eastern coastal part of China, spanning across 14 municipality and provinces. This year, we made the much anticipated strategic move that signifies our return to Shanghai. Through the acquisition of a wastewater treatment plant and a waste incineration plant in Shanghai, we are confident that this will serve as a springboard for us to potentially secure more environmental projects in that region.

Aspiring to scale greater heights as a top-tier integrated player in the China's environmental investment industry, we have endeavored on several major corporate developments that we believe will help propel sustainable growth for the Group.

Chairman's Statement
主席致辞

Financial Scorecard FY2013

The Group recorded a 51.0% year-on-year ("**yoy**") increase in revenue to RMB1.2 billion for FY2013. This was mainly due to higher sales in the construction and recurring water treatment and supply business segments. Revenue from the recurring water treatment and supply business segment grew 27.9% yoy to RMB681.3 million.

Gross profit for FY2013 increased 30.3% to RMB361.5 million mainly due to full year contribution from the Nanfang Group and higher level of completion and margin achieved by certain projects during the year.

Finance income increased 56.3% to RMB194.4 million for FY2013 primarily due to contribution from the Nanfang Group in relation to financial income from service concession arrangements.

Overall, the Group saw a 15.0% yoy increase in net profit attributable to shareholder to RMB150.1 million for FY2013.

Costs and Expenses

In line with the higher revenue, administrative and other operating expenses increased 30.9% yoy to RMB166.5 million for FY2013, mainly due to full year contribution from the Nanfang Group, foreign exchange loss and lower reversal of allowance for doubtful receivables.

Finance expenses went up 22.2% to RMB125.7 million largely due to contribution from the Nanfang Group and higher bank and other borrowings drawn down in FY2013. Income tax expenses increased 168.6% to RMB74.2 million due to higher taxable profits, withholding taxes and lower write-back for over-provision of tax of prior years.

Earnings Per Share

Consequent to higher earnings and notwithstanding the enlarged share base as at the end of FY2013, we reported a 4.7% improvement in diluted earnings per share from 2.58 Renminbi cents for FY2012 to 2.70 Renminbi cents for FY2013.

Key Milestones of the Year

During FY2013 and to date, the Group continued to reinforce its position as a top-tier integrated player in the People's Republic of China ("**PRC**") environmental investment industry by expanding its assets portfolio through merger and acquisition ("**M&A**") and organic growth. Several milestones were accomplished during the year, including:-

To pursue growth opportunities in Sichuan province, the Group has invested in Sichuan SIIC Environment Investment Development Co., Ltd. in November 2013. This is part of a joint venture to undertake investment in environmental protection and new energy projects there. We view that Sichuan, being a water scarce province in China, is an attractive market for the Group to reap steady income growth.

In November 2013, we were granted the opportunity to undertake the expansion and upgrading of Hanxi Wastewater Treatment Plant. Upon completion, it will raise the daily design treatment capacity of this plant from 400,000 tons/day to 600,000 tons/day. Currently, we are in the process of negotiating with the relevant authorities on the definitive agreement for this project.

The Group has also made its first move into the Shanghai environment market via the acquisition of Shanghai Pucheng Thermal Power Energy Co., Ltd. ("**Shanghai Pucheng**"), which was completed in January 2014. Shanghai Pucheng is involved in the business of waste incineration power generation in Pudong, Shanghai and is considered as a landmark project of its kind within the PRC. Currently, it undertakes a 30-year incineration service contract and boasts a design capacity of 1,050 tons/day of waste processing. Additionally, in December 2013, the Group's wholly-owned subsidiary Thrive Bloom Limited, entered into a share and purchase agreement to acquire Dazhou Jiajing Environment Renewable Resource Co., Ltd. ("**Dazhou Jiajing**"). The acquisition was completed in February 2014. Dazhou Jiajing currently undertakes a waste incineration power generation concessionary project with a total waste processing design capacity of 1,050 tons/day. The additions of Shanghai Pucheng and Dazhou Jiajing have increased our total solid waste treatment design capacity to over 3,000 tons/day.

Recently in February 2014, the Group has completed its acquisition of Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited with a total design wastewater treatment capacity of 120,000 tons/day. We believe this, together with the acquisition of Shanghai Pucheng, will further reinforce our expansion in Shanghai and serve as an effective stepping stone for us to venture into other untapped environmental business market in that region.

Another key development of the Group would be the completion of our placement of 3.1 billion new shares to strategic investors in December 2013. The net proceeds of S$260.2 million from the placement will be used to finance Group's business expansion and to enlarge the general working capital of the Group. The pool of investors consists of Triumph Power Limited ("**Triumph**"), China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited, Best Investment Corporation ("**Best Investment**"), Dalvey Asset Holding Ltd. ("**Dalvey Asset**"), CCBI Chengtou CleanTech Equity Investment Fund Co., Ltd. and Newyard Worldwide Holdings Ltd.. Notably, Triumph is a subsidiary of SIHL and Best Investment and Dalvey Asset are subsidiaries of Chinese sovereign wealth fund China Investment Corporation and private equity firm RRJ Capital Master Fund II, L.P. respectively.

Update on the Utilisation of Net Proceeds from Rights Issue and Share Placement

The Company raised approximately S$72.8 million and S$260.2 million of net proceeds from a Rights Issue exercise of 1,217,789,975 in March 2011 and Share Placement exercise of 3.1 billion placement shares in December 2013 respectively. The key utilisation of the net proceeds is summarised below and the Company will continue to update our shareholders as and when the net proceeds are being materially disbursed.

(a) The status on the use of net proceeds from Rights Issue is summarised as follows:-

	S$ 'million
Net proceeds raised from Rights Issue in March 2011	**72.8**
Less utilisation:	
- Payment of Tranche 1 Consideration in connection with the acquisition of Lap Yin International Limited ("**Lap Yin**")	(15.8)
- Payment of Transfer Consideration in connection with the transfer of Wuhan Huang-Pi Kaidi Water Services Co., Ltd. equity interest	(27.4)
- Payment for the initial capital injection into Dalian Xinya Hengji Environmental Co., Ltd. ("**Dalian Xinya**")	(0.4)
- Payment for Cash Consideration I in connection with the acquisition of Rise Wealth Investments Ltd.	(14.0)
- Payment for additional capital injection into Dalian Xinya	(2.8)
- Payment for Tranche 3 Consideration in connection with the acquisition of Lap Yin	(0.4)
- Payment for additional capital injection into Wenling Hanyang Resources Power Co., Ltd.	(2.4)
- General working capital uses**	(9.0)
Balance of net proceeds raised from Rights Issue	**0.6**
***Breakdown of general working capital uses:*	
- Payments for procurement of equipment	(1.6)
- Payments for various professional services	(1.4)
- Payments of interest expenses	(6.0)
Total	**(9.0)**

(b) The status on the use of net proceeds from Share Placement is summarised as follows:-

Part of the Group's S$260.2 million net proceeds from the 3.1 billion shares placement has been utilised. Of which, (i) S$109.5 million was used as payment for the purchase consideration of 50% equity interest in Shanghai Pucheng; (ii) S$5.8 million as additional capital injection in Dalian Xinya; (iii) S$17.4 million to partially fund the purchase consideration of 100% equity interest in Dazhou Jiajing; (iv) S$14.5 million of Shareholder's loan to Dazhou Jiajing; and (v) S$84.6 million for general working capital use (repayment of short-term shareholders' loan and interest payment). Unutilised Share Placement proceeds currently amounted to approximately S$28.4 million.

Two-pronged Approach of Organic Growth and Active Mergers & Acquisitions

As the backbone of SIHL's water and environment business arm, we are on accelerated pace to boost our growth via organic growth and active mergers and acquisitions. In terms of organic growth, we are looking into developing greenfield projects and expansion and upgrading of existing project phases. Specifically, our growth will be mainly focused on the water sector, complemented by the waste-to-power sector. Given the fragmented nature of both the water and waste-to-power markets in the PRC, we believe there are good opportunities for market consolidators like us to secure more quality environmental assets.

Given China's growing emphasis on creating a cleaner and more sustainable environment and the rising concerns of severe air and water pollutions present in China, we foresee extensive business opportunities in competing in this arena. In the longer term, we are exploring new growth drivers to move into other viable projects in the environmental sector such as soil treatment, renewable energy, air purification, etc.

In order to secure and fund more worthy projects that will enhance our assets portfolio and create long term shareholders' value, we are constantly looking for ways to optimise our capital and financing structure, including additional fund raising from the debt and/or equity markets as and when the need arises.

Capitalise on Growth Dynamics of China's Environmental Protection Sector

China's water treatment sector presents favorable dynamics buoyed by more stringent discharge standards, higher water tariffs and strong government support. In China's objective to beautify the nation, she has ploughed vast investments to facilitate rapid development in environmental protection sector. The stringent discharge standards coupled with the expected higher water fees augur well for the Group as it rides on these positive trends.

Moving on, we foresee more consolidation taking place in China's water treatment sector as the market still remains quite fragmented. Equipped with a dedicated management team, sound business model and strong shareholders' support, we are confident that we have the necessary qualities and resources to advance the Group to another stage of development.

I believe that in the near future, the top-tier Chinese water players will be top global enterprises given the market size and the pace of growth of the environmental protection industry in China.

Poised for further expansion and development in China's fast-growing environmental protection sector, we possess the ability to replicate sound business model of stable and recurring income streams in other untapped parts of China and penetrate new markets in other developing countries.

Presently one of the largest water players and China-based enterprises listed in Singapore, we have the potential to elevate our status as a fully-integrated water and environmental protection player to even greater heights.

Appreciation

I would like to take this opportunity to acknowledge the hard work and commitment of our management team and staff as we strive to deliver higher value for a cleaner and more sustainable environment.

I wish to also extend my thanks to our key stakeholders namely our customers, suppliers, business partners, investors and shareholders who have supported us in our swift expansion to emerge as a rising star in China's environmental protection sector.

Embarking on the next leg of our journey, I sincerely hope that you would continue to join us in our progress as a top-tier integrated environmental protection player.

Mr. Zhou Jun
Executive Chairman

各位尊敬的股东，

我谨代表董事会，荣幸地向大家报告集团截至2013年12月31日整个财年（“2013财年”）的年报。

业务及经营概述 – 在中国环保产业再创新高

今年，集团取得了突飞猛进的发展。集团财务业绩显著增长，我们在环保行业的地位进一步增强。

在过去的一年，我们加强了集团的资产组合，实现集团市值翻三番至约新币16亿元。自集团母公司上海实业控股有限公司（“上实控股”）在2010财年控股以来，集团2013财年的归属公司所有人的年度利润取得89.4％的复合年均增长，至人民币1.5亿元。盈利能力显著增长，集团收入从2010财年的人民币2.82亿元提升至2013财年的人民币12亿元，取得62.6％的复合年均增长率。

目前，我们拥有40多个水务项目，水处理设计能力超过400万吨/日。除此之外，我们还有3个固废发电项目，现有的固废处理设计能力超过3,000吨/日。集团的资产战略性地集中在中国东部沿海地区，覆盖中国14个省份和直辖市。今年，集团进军上海市场，实现了期待已久的战略性转移。通过在上海收购污水处理厂和固废发电厂，我们有信心扩大集团在该地区的市场份额，并以这些项目作为桥梁，争取在上海获得更多的环保项目。

身为中国环保投资行业的一线企业，集团将勇攀高峰，积极推动更多利于企业发展的项目，促进集团业务持续发展。

2013财年业绩

2013财年，集团营业额同比增长51.0%至人民币12.0亿元，主要来自建设收入、水处理和供水业务的较高收入。持续性水处理和供水业务收入同比增长27.9%至人民币6.81亿元。主要由于南方集团资产12个月的贡献以及其他项目阶段性完工，致使集团2013财年的毛利同比增长30.3%至人民币3.62亿元。

财务收入增长了56.3%至人民币1.94亿元，这主要来自南方集团特许服务安排的财务收入贡献。

整体而言，集团截至2013财年可归属股东之净利润提高了15.0％至人民币1.50亿元 。

成本及费用

与较高的经营收入相对应，集团2013财年的管理和其他费用同比增加30.9％至人民币1.67亿元，主要因为南方集团的相关费用的产生、外汇亏损和较低的坏账拨备转回。

财务费用同比增加22.2%至人民币1.26亿元，主要是在2013财年南方集团的合并，较多的银行贷款和其他借款。2013财年，集团所得税同比增加168.6%至人民币7,420万元，主要是较高的当期利润、预扣税和以往年度的税费超额拨备的回拨较少。

每股盈利

因盈利较高、2013财年末增发了的股本，致使每股稀释盈利同比增长了4.7%，从截至2012财年的人民币2.58分提高到2013财年的每股稀释盈利的人民币2.70分。

年度主要里程碑

从2013财年至今，集团通过并购及有机增长，扩大资产组合，不断巩固中国一线环保企业的市场地位。本年度，集团主要里程碑项目如下:–

为了在四川省寻求发展机遇，集团于2013年11月投资成立四川上实环境投资发展有限公司。该公司是一家从事投资环保和新能源项目的合资企业。我们认为，四川是个缺水省份，对集团而言是个有吸引力的市场。

2013年11月，我们获得参与汉西污水处理厂的扩建和升级改造项目的机会。该项目完工后，汉西污水处理厂的日设计处理能力将从目前的40万吨提高至60万吨。目前，该项目正在进行最终协议的谈判。

2014年1月，集团完成对上海浦城热电能源有限公司（“上海浦城”）的收购，首次成功进军上海环保市场。上海浦城主要在上海浦东从事固废发电业务，而且被视为中国固废发电行业具有代表性的项目。目前，上海浦城拥有30年的焚化服务合同，设计固废处理能力为1,050吨/日。此外，在2013年12月，集团之全资附属公司茂隆有限公司签署一份股权购买协议，收购达州佳境环保再生资源有限公司（“达州佳境”）。该项收购已于2014年2月完成。达州佳境目前有一个固废发电特许项目，设计固废处理能力为1,050吨/日。收购上海浦城和达州佳境项目后，集团的固废处理总设计能力超过3,000吨/日。

2014年2月，集团已完成了收购上海青浦第二污水处理厂有限公司。该项目具备12万吨/日的总设计污水处理能力。我们相信该项目和上海浦城项目将进一步加强集团在上海环保业务的市场占有率，并有效地推动集团开发上海的其他环保业务。

集团的另一个重要发展是在2013年12月完成了向战略投资人的31亿股新股的配售。股票发行募集所得2.60亿新币的净款项，将用于集团业务拓展和扩大集团营运资本。参与配售项目的投资人包括力胜有限公司（“力胜”），中国节能环保（香港）投资有限公司，百思德投资有限责任公司（“百思德投资”），Dalvey Asset Holding Ltd.（“**Dalvey Asset**”），建银城投（上海）绿色环保股权投资有限公司和 Newyard Worldwide Holdings Ltd.。力胜是上实控股的附属公司，百思德投资和 Dalvey Assets 分别为中国投资有限责任公司和私募股权公司 RRJ Capital Master Fund II, L.P 的子公司。

配股募集资金的使用情况

公司在2011年3月配发了1,217,789,975股新股，募集资金净额约7,280万新币。2013年12月，公司配售31亿股新股，募集资金净额2.60亿新币。募集资金净额的主要用途汇总如下，公司后续在使用大笔募集资金时，将持续向股东披露。

（a） 关于配发1,217,789,975股新股所得款项净额使用情况概述如下：–

	新币百万
2011年3月配股募集资金净额	72.8
减:	
– 因对立贤国际有限公司的收购而产生的第一笔代价支出	(15.8)
– 因武汉黄陂凯迪水务有限公司股权内部转让而产生的支出	(27.4)
– 因对大连新亚恒基环境有限公司（“大连新亚”）前期注资而产生的支出	(0.4)
– 因 Rise Wealth Investments Ltd. 的收购而产生的第一笔现金对价支出	(14.0)
– 因对大连新亚增资	(2.8)
– 因对立贤国际有限公司的收购而产生的第三笔代价支出	(0.4)
– 因对温岭瀚洋资源电力有限公司增资	(2.4)
– 一般营运资本用途**	(9.0)
配股筹集资金净额之余额	0.6
**一般营运资本用途明细:	
– 设备采购支出	(1.6)
– 各类专业服务费的支出	(1.4)
– 利息支出	(6.0)
合计	(9.0)

（b）关于配售31亿股新股所得净额使用情况如下：－
通过31亿股配售集团募集了2.60亿新币，其中：（i）1.10亿新币用于收购上海浦城50.0％的股权；（ii）580万新币为大连新亚增资；（iii）1,740万新币用于部份支付收购达州佳境100%股权；（iv）提供达州佳境1,450万新币股东贷款；和（v）8,460万新币为一般营运资本（偿还短期股东贷款本金及利息）。目前，股份配售所得剩余款项约为2,840万新币。

有机增长及积极并购双管齐下的策略

集团作为上实控股环保业务的主要平台，将采取有机增长和积极并购双管齐下的策略，提高增长率。在有机增长方面，我们将开发新建项目及扩建升级现有项目。具体来说，我们的增长主要集中在水处理业务，同时也关注固废发电行业。鉴于中国水务和固废发电的市场较为分散，我们相信身为市场整合者会有机遇，争取到更多优质的环保项目。

目前中国日益关注空气和水污染问题，努力创造更清洁和可持续发展的环境。我们预计环保企业会有更多的商业机会。从长远来看，我们正在探索环保行业其他可行的发展项目，如污泥处理、再生能源、空气净化等。

为了争取更多优质的环保项目以强化资产组合并创造长期股东价值，我们将不断寻找各种方式，优化我们的融资和资本结构，包括必要时通过债务/或权益性市场进行融资。

充分利用中国环保行业增长动力

中国水务行业呈现许多积极的发展趋势，例如更严格的排水标准、提高水价和中国政府的大力支持。在实现美丽中国的目标过程中，中国政府已投入庞大资金，促进环保产业的快速发展。再加上预期更高水费和更严格的排水标准，集团将利用这些积极因素，在环保行业保持持续增长的势头。

目前，中国的水务市场仍然相当分散，我们预计中国水处理行业将会出现更多的整合。集团有敬业的管理团队、良好的商业模式，再加股东的大力支持，我们坚信，集团的发展将会更上一层楼。

我相信，在不久的将来，凭借中国环保行业的规模和发展步伐，中国一线水务企业将有望成为世界顶级企业。

集团希望在中国环保行业取得进一步扩展，我们有能力通过良好的业务模式、稳定及经常性收入来源，在中国其他地区开发项目，并拓展到其他发展中国家的环保市场。

集团作为目前在新加坡上市最大的中国水务企业之一，我们深信我们有能力提高集团身为综合性水务和环保企业的市场地位。

致谢

我想借此机会感谢辛勤奉献的管理团队和员工，感谢他们为维护更洁净，可持续性发展的环境所做出的努力。

我也要感谢我们的主要权益方，即我们的客户、供应商、商业伙伴、投资者和股东。感谢他们在集团成长为中国环保企业一颗冉冉升起的星星的过程中，给予的大力支持。

展望未来，我真诚地希望，在集团成长为一线综合性环保企业过程中，将会得到您一如既往的支持。

周军

执行主席

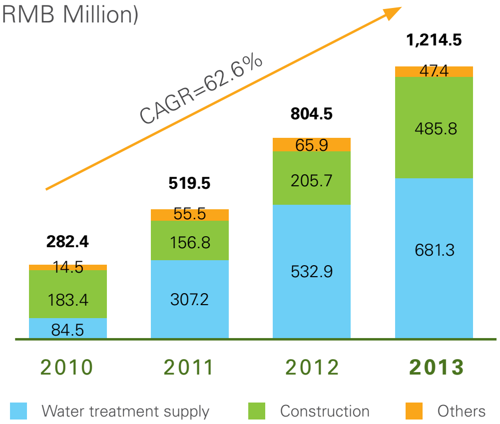
Financial Review
财务回顾

Financial Highlights

Since FY2010, the Group has seen a CAGR of 62.6%, 89.4% and 75.0% in our revenue, profits for the year attributable to owners of the Company and EBITDA to RMB1.2 billion, RMB150.1 million and RMB466.9 million for FY2013 respectively. In addition, assets base in terms of both total assets and net assets have also increased significantly over the years to RMB6.7 billion and RMB3.3 billion respectively. Rapid growth in the profitability and strengthening of balance sheet position were attributed mainly to the expansion achieved through M&A as well as organic growth, and the recently completed share placement exercise.

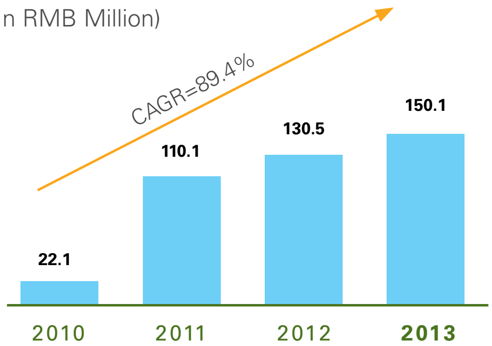
(A) Strong Revenue Growth

(In RMB Million)



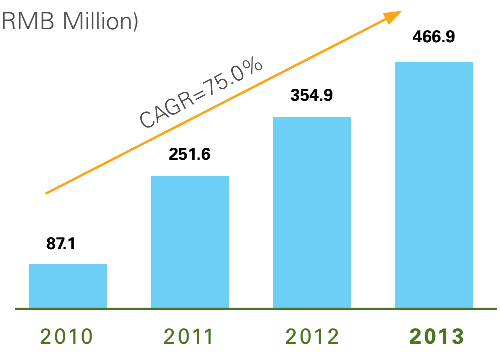
(B) Substantial Growth in Earnings (Profits for the Year Attributable to Owners of the Company)

(In RMB Million)



(C) Substantial Growth in Earnings (EBITDA[1])

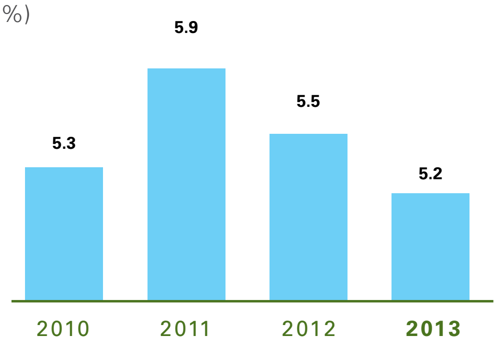
(In RMB Million)



(1) EBITDA = profit before tax + financial expenses – financial income + financial income from service concession arrangements + depreciation and amortisation

(D) In Control of Financing Costs (Effective Interest Rate [2])

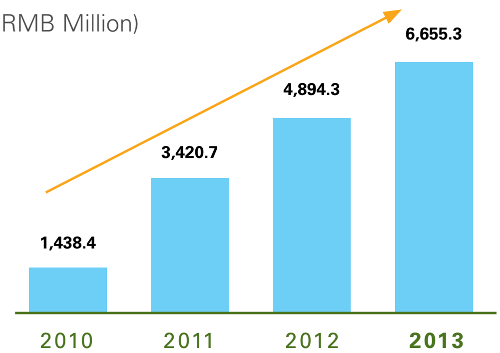
(%)



(2) Effective interest rate = interest expense of interest-bearing loans and borrowings / average total borrowings
Total borrowings = bank and other borrowings + finance lease

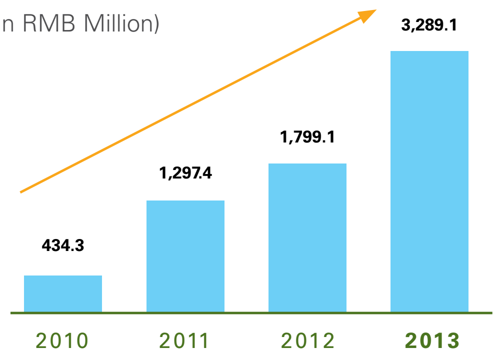
(E) Significant Growth in Size (Total Assets)

(In RMB Million)



(F) Significant Growth in Size (Net Assets)

(In RMB Million)



Key Financial Data For the Financial Year Ended 31 December

Results (RMB'000)	2013	2012	Change %
Revenue	1,214,474	804,479	51.0
Gross Profit	361,502	277,351	30.3
Profit from operations	207,062	158,063	31.0
Adjusted profit from operations[a]	397,118	278,779	42.4
Profit for the year	214,622	177,245	21.1
Profit for the year attributable to owners of the Company	150,095	130,516	15.0
Earnings per share (RMB cents)[b]			
- Basic	2.72	2.58	5.4
- Diluted	2.70	2.58	4.7

(a) Profit from operations + financial income from service concession arrangements
(b) Computed based on weighted average number of ordinary shares outstanding for the respective financial year ended

Financial Position (RMB'000)	2013	2012	Change %
Total assets	6,655,251	4,894,328	36.0
Net assets (Total equity)	3,289,116	1,799,100	82.8
Equity attributable to owners of the Company	2,729,577	1,312,635	107.9
Net assets per share[a] (RMB cents)	31.78	25.96	22.4
Market capitalisation[b] (S$'000)	1,571,840	404,453	288.6
Number of shares (excluding treasury shares)	8,589,292,132	5,055,665,517	69.9
Average return on equity ("ROE")[c]	8.4%[c]	11.4%	
Adjusted Average ROE[d]	11.2%[d]	11.4%	

(a) Equity attributable to owners of the Company divided by the outstanding number of ordinary shares (excluding treasury shares)
(b) Closing share price of the last trading day of the year times outstanding number of shares (excluding treasury shares)
(c) Profit for the year/ Average total equity. The lower ROE for year 2013 was mainly due to the enlarged share base towards the end of FY2013 as a result of the issuance of 3.1 billion new shares in December 2013.
(d) Assuming the placement of 3.1 billion new shares had not taken place as at 31 December 2013.

Overall:

The Group recorded an increase in revenue from RMB804.5 million in FY2012 to RMB1.2 billion in FY2013, representing an increase of 51.0%. Gross profit ("GP") has increased 30.3%, from RMB277.4 million in FY2012 to RMB361.5 million in FY2013.

Notwithstanding the (i) foreign exchange loss of RMB13.2 million in FY2013 (FY2012: foreign exchange gain of RMB10.7 million); (ii) impairment loss on goodwill on consolidation; (iii) higher interest expense; and (iv) higher income tax expense, the Group recorded an increase in profit after tax (attributable to owners of the Company) from RMB130.5 million in FY2012 to RMB150.1 million in FY2013, representing an increase of 15.0%.

The increase was due mainly to (i) contribution from Nanfang Group, which was acquired in 3QFY2012; and (ii) higher construction GP recognised in FY2013.

Equity:

The Group's total equity as at 31 December 2013 amounted to RMB3.3 billion, strengthened significantly from RMB1.8 billion as at 31 December 2012. The increase was due mainly to (i) net proceeds from Share Placement of RMB1.3 billion; and (ii) total comprehensive income of RMB224.2 million recorded for FY2013.

Cash Flow:

During the financial year ended 31 December 2013, the followings were being recorded:

(1) healthy net cash generated from the Group's operating activities amounted to RMB161.1 million;
(2) net cash used in the Group's investing activities amounted to RMB301.3 million due mainly to (i) purchase of intangibles; and (ii) prepayment made for acquisition in Shanghai Qingpu; and
(3) net cash generated from financing activities of RMB1.5 billion due mainly to (i) proceeds from share placement; (ii) net draw down of bank and other borrowings; and (iii) net proceeds from finance leaseback arrangement.

As at 31 December 2013, the Group's cash and cash equivalents stood at RMB1.9 billion (31 December 2012: RMB488.5 million).

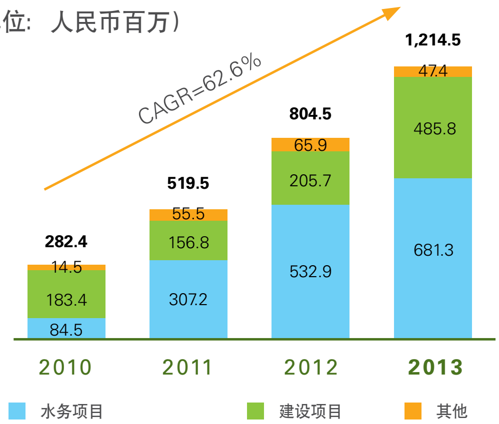
Financial Review
财务回顾

财务亮点

自2010年起，集团营业额、归属公司所有人的年度利润、息税折旧及摊销前利润（EBITDA）的复合年均增长率（CAGR）分别为62.6%、89.4%和75.0%；2013年分别为人民币12亿元、1.50亿元和4.67亿元。此外，资产总额和净资产都大幅增加，分别达人民币67亿元和人民币33亿元。集团盈利的快速增长和资产负债表状况的加强主要是因为并购和有机增长，以及完成了股票定向发行。

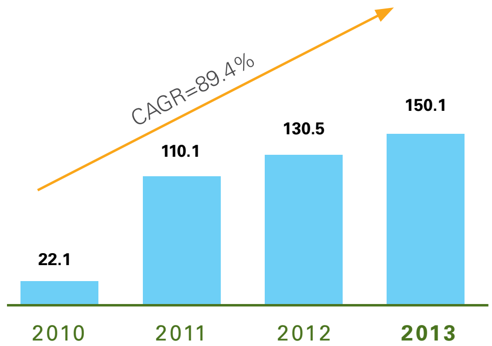
(A) 强劲的收入增长

(单位：人民币百万)



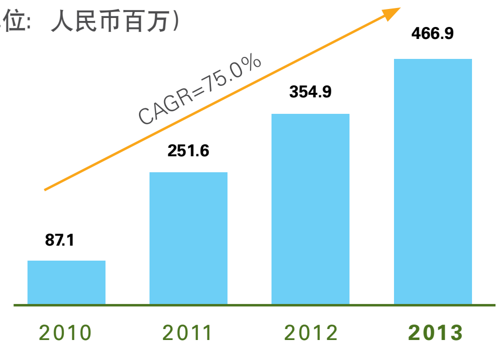
(B) 盈利大幅提升（可归属公司所有人的年度利润）

(单位：人民币百万)



(C) 盈利大幅提升（EBITDA[1]）

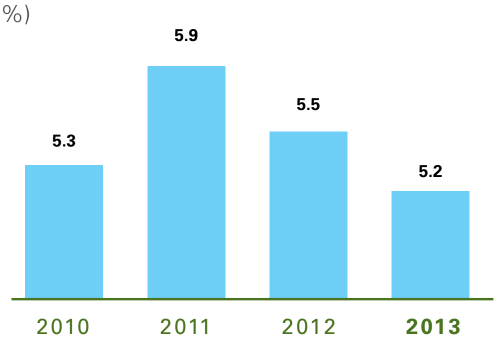
(单位：人民币百万)



(1) EBITDA = 税前盈利+财务费用-财务收入+特许经营服务协议之财务收入+折旧摊销

(D) 控制财务成本（有效利率[2]）

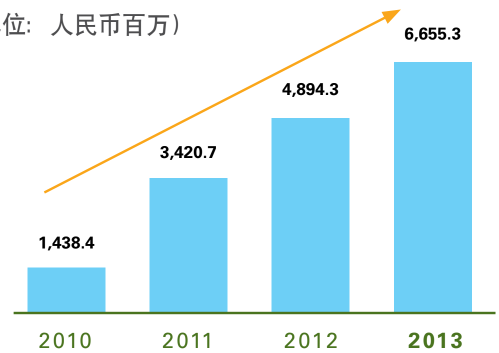
(%)



(2) 有效利率 = 带息贷款之利息费用/平均总贷款
总贷款 = 银行及其他贷款+金融租赁

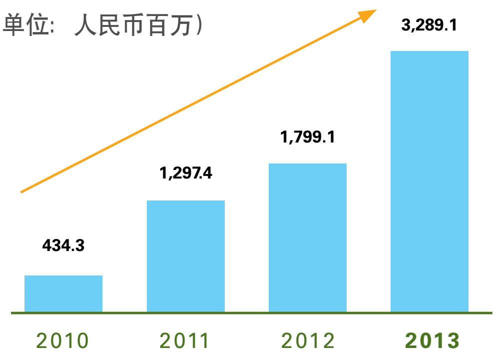
(E) 规模大幅增长（总资产）

(单位：人民币百万)



(F) 规模大幅增长（净资产）

(单位：人民币百万)



截至12月31日财年的主要财务数据

财务成果（人民币：千元）	2013	2012	变动 %
营业额	1,214,474	804,479	51.0
毛利	361,502	277,351	30.3
经营利润	207,062	158,063	31.0
经营利润调整[a]	397,118	278,779	42.4
年度利润	214,622	177,245	21.1
可归属公司所有人的年度利润	150,095	130,516	15.0
每股盈利（人民币分）[b]			
– 基本	2.72	2.58	5.4
– 稀释	2.70	2.58	4.7

(a) 经营利润+特许服务协议产生的财务收入
(b) 根据各财务年度加权平均股数计算

财务状况（人民币：千元）	2013	2012	变动 %
总资产	6,655,251	4,894,328	36.0
净资产（总权益）	3,289,116	1,799,100	82.8
可归属公司所有人的权益	2,729,577	1,312,635	107.9
每股净资产[a]（人民币分）	31.78	25.96	22.4
股本市值[b]（新币：千元）	1,571,840	404,453	288.6
股票数量（不包括库存股）	8,589,292,132	5,055,665,517	69.9
平均净资产收益率[c]	8.4%[c]	11.4%	
调整后的平均资产收益率[d]	11.2%[d]	11.4%	

(a) 可归属公司所有人权益除以已发行的普通股数量(不含库存股)
(b) 本年度最后一个交易日的收盘价乘已发行的普通股数量(不含库存股)
(c) 年度利润/平均总权益。2013年的净资产收益率较低主要因为在2013财年末发行了31亿股新股，股票基数扩大了。
(d) 假定在2013年12月31日，没有发行31亿股新股。

综述

集团的营业额增加了，2012财年为人民币8.04亿元，2013财年为人民币12亿元，年增长率为51.0%。毛利增加了30.3%，2012财年为人民币2.77亿元，2013财年为人民币3.62亿元。

虽然（i）2013财年外汇亏损人民币1,320万元（2012财年：外汇盈利人民币1,070万元）；（ii）合并商誉减值亏损；（iii）较高的利息费；和（iv）较高的所得税费，集团的税后利润（可归属公司所有人）仍有增加，2012财年为人民币1.31亿元，2013财年为人民币1.50亿元，增长率为15.0%。

增长的主要因素：（i）南方集团的贡献，上实环境于2012财年三季度收购了南方集团；和（ii）2013财年确认了较高的建设工程毛利。

权益:

截至2013年12月31日，集团总权益达人民币33亿元，与截至2012年12月31日的人民币18亿元相比有大幅提升，主要原因：（i）股票发行募集净资金人民币13亿元；和（ii）截至2013年12月31日年度总综合收益为人民币2.2亿元。

现金流:

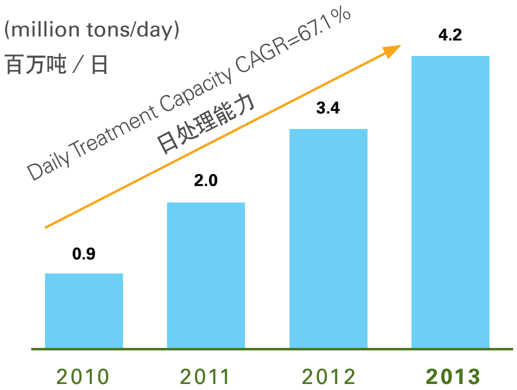
截至2013年12月31日财务年度，集团现金流情况如下:

(1) 集团经营活动产生净现金人民币1.61亿元;
(2) 集团投资活动使用的净现金人民币3.01亿元，主要用于：(i) 购买无形资产；(ii) 收购上海青浦预付款项；和
(3) 融资活动产生净现金人民币15亿元，主要因为：(i)发行股票募集的资金；(ii)净银行借款和其他借款的增加；和（iii）出售回租安排产生的净收益。

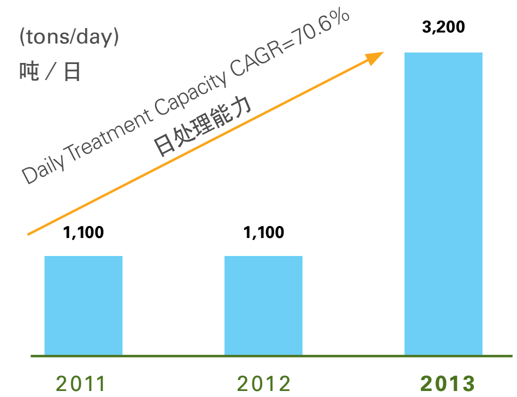
截至2013年12月31日，集团的现金和现金等价物为人民币19亿元（2012年12月31日：人民币4.89亿元）。

Project Overview
项目一览

■ Rapid expansion achieved through M&A as well as organic growth.
■ 通过兼并收购和有机增长快速实现规模扩张



Water Treatment and Supply Projects
水务项目



Waste Incineration Projects
固废发电项目

■ Currently, holds 42 water treatment and supply projects and 3 waste incineration projects.
■ 3 regional platforms to provide differentiated local services.
■ Assets are mainly located in eastern coastal region of China, which are more developed and have high population density and strong demand for water treatment services.

■ 42个水务项目以及3个固废发电项目
■ 通过3个分部进行差别化管理
■ 位于中国经济发达、人口稠密并对水务处理有较高需求的东部沿海地区

Geographic Breakdown (by number of projects)
地区性分类（按项目的数量）

45 projects
45个项目

20%	Shandong 山东
18%	Guangdong 广东
18%	Hubei 湖北
11%	Hunan 湖南
9%	Jiangsu 江苏
24%	Other 其他

(A) Wastewater Treatment / Reclaimed Water Treatment Projects

	Province/ Municipality	Project Type	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Fujian	Anxi County Longmen Town Waste Water Treatment ("Anxi Longmen")	25,000	76.419%	Construction of Phase 1 project has completed and is undergoing trial run. Construction of Phase 2 project has yet to commence.
02	Guangdong	Dongguan City Waste Water Treatment ("Dongguan Water Treatment")	100,000	75.5%	The project is in operation.
03	Guangdong	Huizhou City Meihu Water Treatment Center 1st and 2nd stage ("Huizhou Meihu Waste Water")	200,000	76.419%	The project is in operation.
04	Guangdong	Longgang Yibao Shenzhen City Waste Water Treatment ("Longgang Yibao")	280,000	76.419%	The project is in operation.
05	Guangdong	Shenzhen City Henggang Recycling Water ("Henggang Reclaimed Water")*	50,000	76.419%	Phase 1 project is in operation. Phase 2 project has yet to commence operation.
06	Guangdong	Shenzhen City Banxuegang Waste Water Treatment ("Banxuegang Waste Water")*	40,000	76.419%	The project is in operation.
07	Guangdong	Shenzhen City Guanlan Waste Water ("Guanlan Waste Water")*	260,000	45.851%	The project is in operation.
08	Guangdong	Shenzhen Guanlan River Pollution Emergency Operation and Management ("Guanlan Pollution Emergency")*	400,000	45.851%	The project is in operation.
09	Guangdong	Zhanjiang Wuchuan Waste Water ("Wuchuan Waste Water")	40,000	76.419%	The project is in operation.
10	Guangxi	Beiliu City Waste Water Treatment ("Beiliu Water")	40,000	75.5%	The project is in operation.
11	Hubei	Huangshi Kaidi Water Services ("Huangshi Kaidi")	125,000	100%	The project is in operation.
12	Hubei	Wuhan Hanxi Waste Water Treatment ("Wuhan Hanxi")	400,000	80%	The project is in operation.
13	Hubei	Wuhan Kaidi Xinchuan Waste Water Treatment ("Kaidi Xinchuan")	30,000	100%	The project is in operation.
14	Hubei	Wuhan Kaidi Xinlong Waste Water Treatment ("Kaidi Xinlong")	22,500	100%	The project is in operation.
15	Hubei	Wuhan Xincheng Waste Water Treatment ("Wuhan Xincheng")	60,000	100%	The project is in operation.
16	Henan	Luohe City Dong Cheng Waste Water Treatment ("Luohe Water")	20,000	75.5%	The project is in operation.
17	Hunan	Chenzhou City, Linwu County Waste Water Treatment ("Linwu Waste Water")	10,000	15.284%	The project is in operation.
18	Hunan	Chenzhou City Waste Water Treatment ("Chenzhou Waste Water")	120,000	76.419%	The project is in operation.
19	Hunan	Taojiang County Tao Hua Jiang Waste Water Treatment ("Taojiang Water")	20,000	75.5%	The project is in operation.
20	Hunan	Yiyang City Gaoxin District Waste Water Treatment ("Yiyang Shangshi")	30,000	75.5%	The project is in operation.

	Province/ Municipality	Project Type	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
21	Hunan	Yiyang City Waste Water Treatment ("Yiyang Water")	40,000	75.5%	The project is in operation.
22	Jiangsu	Jingjiang City, Xingang District Waste Water Treatment ("Jingjiang Xingang")	80,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
23	Jiangsu	Shuyang County Waste Water ("Shuyang Waste Water")	60,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
24	Jiangsu	Taixing City Huangqiao Waste Water Treatment ("Huangqiao Waste Water")	50,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
25	Jiangsu	Jiangsu Yancheng Environment Protection Industry Park Waste Water Treatment ("Yancheng Waste Water")	30,000	53.493%	Construction of the project has yet to commence.
26	Liaoning	Dalian Puwan New District Waste Water ("Dalian Waste Water")	50,000	70%	The project is under construction.
27	Shandong	Dezhou City Waste Water Treatment ("Dezhou Water")	100,000	75.5%	The project is in operation.
28	Shandong	Weifang City Chengxi Waste Water Treatment ("Chengxi Water")	40,000	75.5%	The project is in operation.
29	Shandong	Weifang City High Technology Industrial Development District Waste Water Treatment 1st Stage ("Weifang High-Tech District Waste Water")	50,000	75.5%	The project is in operation.
30	Shandong	Weifang City Reclaimed Water ("Weifang Reclaimed Waste Water")	35,000	75.5%	The project is in operation.
31	Shandong	Weifang City Waste Water Treatment ("Weifang Waste Water")	300,000	75.5%	Existing plant of 100,000 tons/day design capacity is in operation; new plant of 200,000 tons/day design capacity is currently under construction. Following the completion of the new plant, the existing plant will cease to operate.
32	Shandong	Zaozhuang City Shanting District Waste Water Treatment ("Zaozhuang Shanting")	20,000	75.5%	Phase 1 project is in operation. Phase 2 project is under construction.
33	Shandong	Zaozhuang City Yicheng District Water Waste Water Treatment ("Zaozhuang Water")	40,000	75.5%	The project is in operation.
34	Shanghai	Qingpu Second Waste Water Treatment ("Qingpu Second Waste Water")	120,000	100%	The project is in operation.
35	Yunnan	Kunming Economy Development Zone, Nijiaying Water Treatment ("Kunming Nijiaying")*	70,000	39.738%	Waste water treatment project is in operation. Construction for reclaimed water treatment project has yet to commence.
36	Zhejiang	Taizhou Kaidi Waste Water Treatment ("Taizhou Kaidi")	12,500	100%	The project is in operation.
Subtotal (Wastewater treatment/ reclaimed water treatment projects)			**3,370,000**		

* Refers to Operation and Management project

(B) Water Supply Projects

	Province/ Municipality	Project Type	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Hebei	Tianmen Kaidi Water Services ("Tianmen Kaidi")	150,000	100%	The project is in operation.
02	Hebei	Tianmen Kaidi Xinnong Water Services ("Tianmen Xinnong")	Not applicable	70%	The project is in operation.
03	Hebei	Wuhan Huang-Pi Kaidi Water Services ("Huang-Pi Kaidi")	260,000	100%	The project is in operation.
04	Shandong	Weifang City Hanting District Water Supply ("Weifang Hanting")	60,000	26.183%	The project is in operation.
05	Shandong	Weifang City Tap Water Supply ("Weifang Tap Water")	320,000	51.34%	The project is in operation.
06	Shanxi	Lv Liang Xinya Water Services ("Lv Liang Xinya")	55,000	100%	The project is in operation.
Subtotal (Water supply projects)			**845,000**		
Total (Water projects)			**4,215,000**		

Weifang City Tap Water Supply
潍坊自来水供水

(C) Waste Incineration Projects

	Province/ Municipality	Project Type	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Shanghai	Pucheng Waste Incineration Thermal Power Generation ("Pucheng Thermal Power")	1,050	50%	The project is in operation.
02	Sichuan	Dazhou Waste Incineration Power Generation ("Dazhou Jiajing")	1,050	100%	Existing plant of 700 tons/day design capacity is in operation. Construction of Phase 2 has yet to commence.
03	Zhejiang	Wenling Waste Incineration Power Generation ("Wenling Hanyang")	1,100	50%	Existing plant of 700 tons/day design capacity is in operation; expansion works is currently in construction. Following the completion of the expansion works, the project will have total operating design capacity of 1,100 tons/day.
Total (Waste incineration projects)			**3,200**		

Pucheng Waste Incineration Thermal Power Generation
浦城固废发电

（A）污水处理/中水回用项目

	省份/直辖市	项目名称	设计日产能（吨）	上实环境所占权益	项目进展
01	福建	安溪县龙门镇污水处理项目（“安溪龙门”）	25,000	76.419%	项目一期已竣工，进入试水调试阶段。二期待建。
02	广东	东莞市大朗污水处理项目（“东莞水务”）	100,000	75.5%	项目已投入营运。
03	广东	惠州市梅湖水处理项目一期及二期（“惠州梅湖污水”）	200,000	76.419%	项目已投入营运。
04	广东	深圳市龙岗一包污水处理（“龙岗一包”）	280,000	76.419%	项目已投入营运。
05	广东	深圳市横岗再生水项目（“横岗再生水”）*	50,000	76.419%	项目一期已投入运营。项目二期尚未投入运营。
06	广东	深圳市坂雪岗污水项目（“坂雪岗污水”）*	40,000	76.419%	项目已投入营运。
07	广东	深圳市观澜污水项目（“观澜污水”）*	260,000	45.851%	项目已投入营运。
08	广东	深圳市观澜应急工程项目（“观澜应急工程”）*	400,000	45.851%	项目已投入营运。
09	广东	湛江市吴川污水项目（“吴川污水”）*	40,000	76.419%	项目已投入营运。
10	广西	北流市污水处理项目（“北流水务”）	40,000	75.5%	项目已投入营运。
11	湖北	黄石市磁湖污水处理项目（“黄石凯迪”）	125,000	100%	项目已投入营运。
12	湖北	武汉汉西污水处理（“武汉汉西”）	400,000	80%	项目已投入营运。
13	湖北	武汉凯迪前川污水处理（“凯迪新川”）	30,000	100%	项目已投入营运。
14	湖北	武汉凯迪盘龙污水处理（“凯迪新龙”）	22,500	100%	项目已投入营运。
15	湖北	武汉新城污水处理（“武汉新城”）	60,000	100%	项目已投入营运。
16	河南	漯河市东城污水处理（“漯河水务”）	20,000	75.5%	项目已投入营运。
17	湖南	郴州市临武县污水处理（“临武污水”）	10,000	15.284%	项目已投入营运。
18	湖南	郴州市污水处理（“郴州污水”）	120,000	76.419%	项目已投入营运。
19	湖南	桃江县桃花江污水处理（“桃江水务”）	20,000	75.5%	项目已投入营运。
20	湖南	益阳市高新区污水处理（“益阳上实”）	30,000	75.5%	项目已投入营运。

	省份/直辖市	项目名称	设计日产能（吨）	上实环境所占权益	项目进展
21	湖南	益阳市污水处理（“益阳水务”）	40,000	75.5%	项目已投入营运。
22	江苏	靖江市新港污水处理（“靖江新港”）	80,000	76.419%	一期项目已投入营运，二期待建。
23	江苏	沭阳县污水处理（“沭阳污水”）	60,000	76.419%	一期项目已投入营运，二期待建。
24	江苏	泰兴市黄桥污水处理（“黄桥污水”）	50,000	76.419%	一期项目已投入营运，二期待建。
25	江苏	盐城市环保产业园区污水处理（“盐城污水”）	30,000	53.493%	项目待建。
26	辽宁	大连普湾新区污水处理（“大连污水”）	50,000	70%	项目正在建设中。
27	山东	德州市污水处理（“德州水务”）	100,000	75.5%	项目已投入营运。
28	山东	潍坊市城西污水处理（“城西水务”）	40,000	75.5%	项目已投入营运。
29	山东	潍坊市高新技术产业开发区污水处理一期（“潍坊高新技术区污水”）	50,000	75.5%	项目已投入营运。
30	山东	潍坊市中水回用（“潍坊中水回用”）	35,000	75.5%	项目已投入营运。
31	山东	潍坊市污水处理（“潍坊污水”）	300,000	75.5%	现已投入营运污水厂的设计产能为10万吨/日；现在正在建设中的新污水厂设计产能为20万吨/日。续新厂的完成，现在营运的水厂将停止运作。
32	山东	枣庄市山亭区污水处理（“枣庄山亭”）	20,000	75.5%	一期项目已投入营运，二期项目正在建设中。
33	山东	枣庄市峄城区污水处理（“枣庄水务”）	40,000	75.5%	项目已投入营运。
34	上海	青浦第二污水处理（“青浦第二污水“）	120,000	100%	项目已投入营运。
35	云南	昆明经济技术开发区倪家营水质净化（“昆明倪家营”）*	70,000	39.738%	污水处理项目已投入营运，中水回用项目待建。
36	浙江	浙江台州污水处理项目（“台州凯迪”）	12,500	100%	项目已投入营运。
小计（污水处理/中水回用项目）			**3,370,000**		

*委托运营项目

(B) 供水项目

	省份/直辖市	项目名称	设计日产能（吨）	上实环境所占权益	项目进展
01	湖北	天门市城区供水项目（"天门凯迪"）	150,000	100%	项目已投入营运。
02	湖北	天门市新农村供水项目（"天门新农"）	不适用	70%	项目已投入营运。
03	湖北	武汉市黄陂区供水项目（"黄陂凯迪"）	260,000	100%	项目已投入营运。
04	山东	潍坊市寒亭区供水（"潍坊寒亭"）	60,000	26.183%	项目已投入营运。
05	山东	潍坊市自来水供水（"潍坊自来水"）	320,000	51.34%	项目已投入营运。
06	山西	吕梁引文入川供水工程项目（"吕梁新亚"）	55,000	100%	项目已投入营运。
小计（供水项目）			**845,000**		
合计（水务项目）			**4,215,000**		

Weifang City Tap Water Supply
潍坊自来水供水

(C) 固废发电项目

	省份/直辖市	项目名称	设计日产能（吨）	上实环境所占权益	项目进展
01	上海	浦城固废发电（“浦城热电”）	1,050	50%	项目已投入营运。
02	四川	达州固废发电（“达州佳境”）	1,050	100%	现营运的厂为700吨/日设计产能；二期项目待建。
03	浙江	温岭固废发电（“温岭瀚洋”）	1,100	50%	现营运的厂为700吨/日设计产能；项目扩建正在建设中。续扩建完成，项目总运营设计产能将为1,100吨/日。
小计（固废发电项目）			**3,200**		

Wenling Waste Incineration Power Generation
温岭固废发电

Board of Directors
董事会

MR. ZHOU JUN
Executive Chairman

Mr. Zhou was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 27 April 2012. Mr. Zhou is the Executive Chairman of the Board, chairman of the Executive Committee and is a member of the Remuneration Committee.

Mr. Zhou has more than 20 years of experience in financial investment, mergers and acquisitions, real estate and general management. Mr. Zhou is the Executive Director & Vice President of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC Group") and the Executive Director and Deputy Chief Executive Officer of Shanghai Industrial Holdings Limited (HK: 0363). He is also the Chairman of SIIC Infrastructure Holdings and Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd., and Shanghai ShenYu Development Co. Ltd., Executive Director of Shanghai Industrial Urban Development Group Limited (HK: 0563), Director of Shanghai Urban Development (Holdings) Co. Ltd.. Currently, Mr. Zhou is the Chairman of SIIC Management Co. Ltd and Shanghai Galaxy Investment Co. Ltd. Joined SIIC Group in April 1996, the management positions he had held within the SIIC group of companies were Deputy General Manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., Deputy General Manager of Shanghai United Industrial Co.,Ltd., Director and General Manager of Shanghai Galaxy and General Manager of the strategic investment department of SIIC Group.

Mr. Zhou holds a Bachelor Degree from Nanjing University. He also holds a Masters Degree in Economics (International Finance) from Fudan University.

MR. FENG JUN
Executive Director

Mr. Feng was first appointed to the Board of Directors on 15 December 2009 and was last re-elected on 27 April 2011. Mr. Feng started his investment career more than 27 years ago when he was with Shanghai International Trust Company in 1987. Since then, he has taken on senior positions with major investment companies such as Shanghai SITICO Investment Co. Ltd. and SIIC Investment (Shanghai) Co., Ltd. Mr. Feng's experience and extensive knowledge in the capital markets will be of high value to the Group in its future developments. Mr. Feng has previously served as a board member of Shanghai SIIC Investment Co. Ltd., Tien Chu (Hong Kong) Co. Ltd., SIIC Investment (Shanghai) Co. Ltd., Shanghai SITICO International Consulting Co. Ltd., and Shanghai SITICO Enterprise Co. Ltd..

Mr. Feng is currently the Assistant Chief Executive Officer and Chief Investment Officer of Shanghai Industrial Holdings Limited.

Mr. Feng holds a Masters Degree in Economics from the Wuhan University School of Management, Enterprise Management.

MS. LIU YUJIE
Executive Director

Ms. Liu was first appointed to the Board of Directors on 19 November 2009 and was last re-elected on 23 April 2013.

Ms. Liu started her career in investment banking and progressed to specialise in corporate management in various industries such as petroleum chemicals, public utilities, infrastructural facilities, communication and multimedia. In 2003, she was the Executive Director and Deputy General Manager of a gas company listed on the Hong Kong Stock Exchange, where she was responsible for new project investment and financing. In 1993, as the Director and Deputy General Manager, Ms. Liu oversaw the operations of the joint venture between AIA Capital and Sinochem. Ms. Liu was the General Manager of General Water of China Technology Co., Ltd. Since 2009, she was the Chief Capital Operation Officer of General Water of China Co. Ltd., responsible for corporate strategy, finance and management such as mergers and acquisitions, initial public offerings and asset securitisation.

Ms. Liu is also a board member of several environmental resource management companies. Ms. Liu holds a Masters Degree in Business Administration from the University of International Business and Economic in Beijing, PRC.

MR. YANG CHANGMIN
Executive Director

Mr. Yang was first appointed to the Board of Directors on 17 February 2012 and was last elected on 27 April 2012

Mr. Yang was the General Manager of Shenzhen Longgang Baolong Industrial Co. and the Chairman and General Manager of Shenzhen Longgang Guotong Industrial Co., Ltd. Mr. Yang was the founder of SIIC Environment Holdings (Weifang) Co., Ltd (previously known as United Environment Co., Ltd.) in the year 2003 and had been the Chairman and General Manager for many years. He has over 20 years of experience in the operation and management of water and environmental protection investment as well as project and administrative management.

Mr. Yang graduated from Tongji University with a Bachelor Degree in Environmental Engineering and the Economic and Management College of Qinghua University with a Masters Degree in EMBA.

MR. ZHANG CHAO
Non-Executive Director

Mr. Zhang was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 27 April 2012.

Mr. Zhang started his career as the clerk in the Cadres Office of the Beijing Bureau of Justice. He was a Trainee Solicitor with Beijing King & Wood Law firm from 1999 to 2000, before he practiced as a lawyer with Beijing Guo Lian Law Firm from 2000 to 2001. Mr. Zhang joined China Energy Conservation and Environmental Protection Group ("CECEP") at July 2001 and currently, he is the General Legal Counsel of CECEP as well as Chairman of CECEP Industry Development Co., Ltd..

Mr. Zhang is the Chairman of Suzhou National Environmental Protection Hi-tech Industry Development Co.,Ltd.. Mr. Zhang is also a Director of Suzhou Industry Park Co.,Ltd..

Mr. Zhang holds a Masters in Legal Studies from the Renmin University of China.

MR. ZOU JIEFU
Non-Executive Director

Mr. Zou was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 23 April 2013.

Mr. Zou has more than 25 years of experience in the operation and management of water resources development and utilisation projects. Currently, Mr. Zou is the Chief Technical Officer and Press Spokesman of CECEP.

Mr. Zou is Vice Chairman of General Water of China Co. Ltd.. He is the Chairman and legal representative of CECEP Central China Industry Development Co., Ltd. and Chairman of Hi-Tech Optoelectronics Co., Ltd. Mr. Zou is also a Director of China-UK Low Carbon Enterprise Co. Ltd.

Mr. Zou started his career as the Assistant Engineer of the Planning Department with the Northeast Investigation Design and Research Institute in 1984. In 1989, he transferred to the Songliao Water Resource Commission and finally was the Chief of Planning Department. He was the General Manager of Northeast Water Resources and Hydropower Development Corporation in 1995 and the Deputy General Manager of China Water Investment Group Corp in 1998. From 2003 to 2005, he was the General Manager of Beijing River Water Conservancy and of Hydropower Technology. From 2005 to 2008, he was the General Manager of Beijing Wah-fu Energy Investment.

Mr. Zou holds a Masters in Business Administration from the Beijing Institute of Technology.

MR. YEO GUAT KWANG
Independent Director

Mr. Yeo was first appointed to the Board of Directors on 23 September 2009 and was last re-elected on 27 April 2011. Mr. Yeo is the Lead Independent Director, a member of the Nominating Committee, Audit Committee and Remuneration Committee.

Mr. Yeo has been a Member of Parliament since January 1997. He is the Assistant Secretary-General of National Trades Union Congress (NTUC). Mr. Yeo is also a member of the Board of Directors of the Agri-Food & Veterinary Authority of Singapore and Workplace Safety and Health Council of Singapore.

MR. TAY AH KONG BERNARD
Independent Director

Mr. Tay was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 27 April 2012. Mr. Tay is the Chairman of the Audit Committee and is a member of the Nominating Committee and Remuneration Committee.

Mr. Tay is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Certified Public Accountants firm and Chairman of the Risk Committee of RHT Capital Pte Ltd (RHT). RHT is an approved SGX (Catalist) Continuing Sponsor's Company. Mr. Tay is an Independent Director of several public companies listed on the SGX Mainboard and Catalist, including a dual-listed company on SEHK Mainboard.

He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr. Tay is also the Vice-President of the Singapore Productivity Association and a Member of Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bingat Bakti Masyarakat (Public Service Star) and Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore. In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

Mr. Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia.

Mr. Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

MR. TAN CHONG HUAT
Independent Director

Mr. Tan was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 23 April 2013. Mr. Tan is the Chairman of the Remuneration Committee and is a member of the Audit Committee.

Mr. Tan is the Managing Partner and one of the founding members of RHTLaw Taylor Wessing LLP ("Firm"). He is the Head of the Firm's Banking and Finance Practice, and Capital Markets Practice. He also serves as a member of the International Management Board of Taylor Wessing.

Mr. Tan has extensive experience in corporate, banking and project finance law in Singapore and the region, and acted in numerous significant corporate transactions. He has been named a leading practitioner in many reputable professional publications, with a recent recognition by IFLR1000 as a "Leading Lawyer" and by Legal 500 Asia Pacific as a "Leading Individual" for Corporate and Mergers & Acquisitions.

Despite his active practice and management duties, Mr. Tan continues to serve as an adjunct faculty and lecture on a regular basis. He was Associate professor at the Law Faculty, National University of Singapore (AY 2007 – 2013), Business School, National University of Singapore (AY 2008/2009) and Nanyang Business School, Nanyang Technological University (AY 2008 – 2012). Besides authoring two leading literature on PRC Investment laws, he has co-authored a title on Corporate Governance of Listed Companies in Singapore and is a co-editor for new title on Corporate Governance: The Good, The Bad and The Ugly.

A Fellow with the Singapore Institute of Directors, Mr. Tan sits on the boards as an independent director of Ascendas Hospitality Fund Management Pte Ltd, Ascendas Hospitality Trust Management Pte Ltd and as a non-executive chairman of Ramba Energy Limited.

The Financial Planning Association of Singapore has also recently conferred an honorary membership on Mr. Tan.

Mr. Tan is also active in public service and charity work. He is currently a board member of World Wide Fund for Nature (WWF) Singapore, a council member of the Football Association of Singapore and the Singapore Road Safety Council. He also sits as a Lay Person on the Institute of Singapore Chartered Accountants' Investigation and Disciplinary Panel. He was until recently a council member of the Corporate Governance Council set up by the Monetary Authority of Singapore. He has also established a National University of Singapore Grant in favour of the Law Faculty under the name of his deceased father.

MR. TAN GIM SOO
Independent Director

Mr. Tan was first appointed to the Board of Directors on 14 March 2011 and was last re-elected on 27 April 2011. Mr. Tan is the Chairman of the Nominating Committee and is a member of the Audit Committee.

Mr. Tan has more than 40 years of experience in accounting, auditing and taxation work, and is the Senior Partner of G.S. Tan & Co., a public accounting firm which he set up in year 1976. Prior to setting up his practice, he was an Executive Director of a group of trading companies between years 1974 and 1976.

He is also an Independent Director of three other listed companies namely, China Yongsheng Limited, Enviro-Hub Holding Ltd and P99 Holdings Limited.

Mr. Tan is a Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

Board of Directors
董事会

周军先生
执行主席

周先生于2010年4月7日首次获任为董事会成员，并于2012年4月27日被重选为董事会成员。周先生是董事会执行主席，同时也是执行委员会主席和薪酬委员会成员。

周先生在金融投资，兼并收购，房地产及企业管理等方面有20多年的工作经验。周先生还担任上海实业（集团）有限公司的执行董事及副总裁，上海实业控股有限公司（HK:0363）的执行董事兼副行政总裁。他同时也担任上实基建控股有限公司及沪宁高速（上海段）公路发展有限公司，上海路桥发展有限公司，上海申渝公路建设发展有限公司的董事长，上海实业城市开发集团有限公司（HK:0563）的执行董事以及上海城开（集团）有限公司董事。同时，周先生是上实管理有限公司及星河数码投资有限公司的主席。彼于1996年4月加入上实集团，曾任上实置业集团（上海）有限公司副总经理、上海联合实业股份有限公司副总经理和星河数码董事兼总经理，和上实集团投资策划部总经理。

周先生毕业于南京大学，获学士学位。同时，他拥有上海复旦大学国际金融专业经济学硕士学位。

冯骏先生
执行董事

冯先生于2009年12月15日首次获任为董事会成员，并于2011年4月27日被重选为董事会成员。冯先生27年前于1987年在上海国际信托公司时已开始其投资职业生涯。自此后，他在多家主要投资公司担任高职，如上海实业集团投资有限公司和上实投资（上海）有限公司。冯先生在资本市场多年的经验和知识将助益于公司的未来发展。冯先生曾是上实投资，香港天厨有限公司，上实投资（上海）有限公司，上海上投国际咨询有限公司、上海市上投实业投资有限公司董事会成员。

冯先生现担任上海实业控股有限公司的助理行政总裁兼投资总监。

冯先生毕业于武汉大学经济与管理学院，获经济学硕士学位。

刘玉杰女士
执行董事

刘女士于2009年11月19日首次获任为董事会成员，并于2013年4月23日被重选为董事会成员。

刘女士的职业生涯开始自投行，随后专长于不同行业的企业管理，如石化行业，公用事业，基础设施，通讯和多媒体。在2003年，她曾是香港上市的一家天然气公司的执行董事和副总经理，负责新项目的投融资。在1993年，她担任一家 AIA capital 和 Sinochem 之合资公司的董事和副总经理，负责该公司的运营。刘女士也曾是元水科技（北京）有限公司的总经理。自2009年起，她担任中环保水务有限公司资本运作部总经理，负责公司战略，收购合并、上市及资产证券化等融资管理。

刘女士也是其它几家环保资源管理公司的董事。刘女士拥有北京对外经济贸易大学工商管理硕士学位。

杨长民先生

执行董事

杨先生于2012年2月17日首次获任为董事会成员，并于2012年4月27日被重选为董事会成员。

杨先生曾任深圳龙岗宝龙实业有限公司的总经理，深圳龙岗国通实业有限公司董事长及总经理。 杨先生于2003年创办上实环境水务股份有限公司（前称“联合润通水务有限公司”），并历任公司董事长及总经理。他拥有20多年的水务及环保投资运营及管理，项目及行政管理方面的经验。

杨先生毕业于同济大学环境工程专业，并拥有清华大学经济管理学院工商管理硕士学位。

张超先生

非执行董事

张先生于2010年4月7日首次获任为董事会成员，并于2012年4月27日被重选为董事会成员。

张超先生在北京市司法局参加工作，在干部处任科员、主任科员。1999至2000年，张先生在北京金杜律师事务所担当实习律师并在2000至2001年，在北京国联律师事务所任律师。2001年7月，他加入中国节能投资公司（中国节能环保集团的前身）工作，现任中国节能环保集团公司总法律顾问，中节能实业发展有限公司董事长。

张超先生兼任苏州国家环保高新技术产业园发展有限公司董事长，以及苏州工业园区股份有限公司董事。

张超先生毕业于人民大学，拥有法律硕士学位。

邹结富先生

非执行董事

邹先生于2010年4月7日首次获任为董事会成员，并于2013年4月23日被重选为董事会成员。

邹结富先生拥有超过25年的水资源开发利用项目管理经验。目前，他是中国节能环保集团公司的总工程师兼新闻发言人。

目前，邹结富先生兼任中环保水务投资有限公司副董事长、中节能华中实业发展有限公司董事长（法定代表人）和海特光电有限责任公司董事长。同时，他还是中英低碳创业投资有限公司的董事。

1984年，邹结富先生在东北勘测设计研究院参加工作，任规划处助理工程师。1989年调至水利部松辽水利委员会，历任计划处副主任科员、办公室副主任、水政水资源处处长和规划计划处处长。1995年任东北水利水电开发总公司总经理。1998年开始任中国水利投资公司副总经理。2003至2005年，任北京江河水利水电技术发展有限公司总经理。2005至2008年，任北京华富能源投资有限公司总经理。

邹结富先生获得北京理工大学的工商管理硕士学位。

杨木光先生

独立董事

杨先生于2009年9月23日首次获任为董事会成员，并于2011年4月27日被重选为董事会成员。杨先生是首席独立董事及提名委员会，审计委员会及薪酬委员会成员。

杨先生自1997年1月起成为新加坡国会议员。他是全国职工总会助理秘书长。杨先生也是新加坡农粮局的董事以及全国职业卫生与安全理事会理事。

郑桠光先生

独立董事

郑先生于2010年4月7日首次获任为董事会成员，并于2012年4月27日被重选为董事会成员。郑先生是审计委员会主席及提名委员会和薪酬委员会成员。

郑先生目前是国富浩华合信会计师事务所的非执行主席，瑞信德资本私人有限公司的风险委员会的主席。瑞信德是新交所（凯利板）批准的保监人公司之一。郑先生还担任其它几家新交所主板和凯利板（包括新加坡香港两地上市）公司的独立董事。

他是新加坡汽车协会总裁，新加坡道路安全理事会主席。郑先生也是新加坡生产力协会的副总裁，内政部属下的社区参与督导委员会成员。他是中国浙江省湖州市政府委任的高级顾问。

他是教育服务奖及社区服务奖章获得者，也被新加坡总统授予公共服务之星及公共服务奖章。除此之外，他曾是新加坡政府国会委员会内政及通讯资源小组的成员。他曾是商业注册局下属几个委员会的成员，包括会计师监督委员会下属的投诉和纪律小组，现行法律审视核心组及董事责任研究小组。他曾是新加坡企业大奖中“最佳年报奖”的评审委员会成员。

郑先生是英国注册会计师协会，新加坡注册会计师协会，新加坡董事协会的资深会员。他同时也是马来西亚注册会计师。

郑先生有超过30年的跨领域经验，包括英国及新加坡的会计师事务所，新加坡税务署及在商业、工业及管理咨询领域的公司。

陈聪发先生

独立董事

陈先生于2010年4月7日首次获任为董事会成员，并于2013年4月23日被重选为董事会成员。陈先生是薪酬委员会主席及审计委员会成员。

陈先生是瑞信德泰乐信律师事务所的常务合伙人，并且是创办人之一。他领导事务所的银行和金融业务，以及资本市场业务。他还担任了泰乐信的国际管理层委员会的委员。

陈先生在新加坡和区域拥有丰富的企业、银行和项目融资法律的经验，并且参与多个重大的企业交易。他先后在众多的著名专业刊物被评为领先的实践者，被IFLR1000授予“优秀律师”及亚太法律500授予企业和并购的“优秀个人”荣誉称号。

陈先生除了积极于实践和履行管理职责外，他还定期担任兼职教师并授课。他是新加坡国立大学（2007学年至2013学年）法学院，新加坡国立大学（2008学年/2009学年）商学院，南洋理工大学（2008学年至2012学年）南洋商学院的副教授。除了撰写两篇论中华人民共和国投资法的重要文献外，其曾合作撰写《论新加坡上市公司的企业治理》，并且是《企业治理：好的，坏的和丑陋的》书籍的联合主编。

作为新加坡董事协会的资深会员，陈先生也担任 Ascendas Hospitality Fund Management Pte Ltd 和 Ascendas Hospitality Trust Management Pte Ltd 的独立董事及 Ramba Energy Limited 的非执行主席。

新加坡财务策划协会近期授予陈先生名誉会员的称号。

陈先生还积极参与公共事务和公益活动。他目前是新加坡世界自然基金会的董事会委员，新加坡足球协会和新加坡道路安全理事会的理事会委员。他也担任新加坡特许会计调查协会和纪律小组的业外人士。他最近还被委任为新加坡金融管理局所成立的企业管理理事会的理事会委员。他还以他已故父亲的名义为新加坡国立大学法学院设立了教育基金。

陈锦书先生

独立董事

陈先生于2011年3月14日首次获任为董事会成员，并于2011年4月27日被重选为董事会成员。陈先生是提名委员会主席及审计委员会成员。

陈先生在会计、审计和税收领域有超过40年的经验,他是成立于1976年的陈锦书会计事务所的高级合伙人。设立公司前，于1974年至1976年，他曾是一家贸易集团的执行董事。

陈先生也是三家新交所上市公司的独立董事，这三家公司分别是 China Yongsheng Limited，Enviro-Hub Holding Ltd 和 P99 Holdings Limited。

陈先生是英国和威尔士女皇会计师协会的资深会员，新加坡注册会计师协会资深会员与新加坡董事协会会员。

Executive Officers
高级管理人员

MR. TAN KIM HAN RAYMOND
Chief Financial Officer cum Company Secretary

Mr. Tan joined the Company as its Chief Financial Officer and Company Secretary in April 2011.

Immediately prior to joining us, Mr. Tan was the Chief Financial Officer of Hecheng Technology Holdings Pte Ltd. Mr. Tan started his career with Deloitte & Touche (Singapore) in year 2003 and moved on to join Tyco International Asia Inc. (Corporate Audit) in year 2005. From November 2006 to April 2009, he was with the Company with his last position held as the Financial Controller. Mr. Tan was also the Group Financial Controller of Digital Technologies Corporation from April 2009 to September 2009.

Mr. Tan graduated from Nanyang Technological University with a Bachelor of Accountancy (2nd Upper Honours) in year 2003. Mr. Tan is a Chartered Accountant of Singapore and a non-practicing member of the Institute of Singapore Chartered Accountants (ISCA). He is also a Certified Internal Auditor and a member of the Institute of Internal Auditors.

MR. WANG PEIGANG
Deputy General Manager

Mr. Wang joined the Company as its Deputy General Manager in July 2010. He assists the Company's General Manager in managing the Group's businesses and operations in Wuhan, PRC. He sits on the Boards of the various subsidiaries of the Company.

Mr. Wang started his career at the Department of Energy of the Ministry of Water Resources and Electric Power of the PRC. During the period from year 1993 to early year 2007, he took on managerial roles at several energy resource management companies such as Beijing Geely Energy Co., Ltd., Ertan Hydropower Development Co., Ltd., Huaibei Guoan Power Co., Ltd., Tianjin SDIC Jinneng Electric Power Co., Ltd and SDIC Xuancheng Electric Power Co., Ltd. He was the Executive Director, President and Director for the reorganisation of the Company from years 2007 to 2009.

Mr. Wang holds a Bachelor Degree in Technology from Wuhan University and a Masters Degree in Management Science from Renmin University of China. He also holds a Senior Engineer Certification.

MR. HUANG HANGUANG
General Manager

Mr. Huang joined the Company as its General Manager in July 2010. He was responsible for the Group's businesses and operations in Wuhan, PRC. He sits on the Boards of the various subsidiaries of the Company. He is also the Managing Director of SIIC Environment Holdings (Wuhan) Co. Ltd..

Mr. Huang has more than 20 years of experience in the water treatment industry. From years 1984 to 1989, Mr. Huang was employed by the Ministry of Water Resources and Electric Power of the PRC as a specialist engineer in chemistry and environmental protection. From years 1990 to 1992, he joined the China Electricity Council as a specialist engineer in chemistry and environmental protection. He joined Wuhan Kaidi Electric Power Co., Ltd. as Vice-Chairman in year 1992 and he stepped down from this position in October 2004. For the period between years 1993 and 2002, Mr. Huang was also appointed as Director or General Manager of several other companies in the power generation industry. For the period from years 2003 to 2009, he was the Executive Director and Chief Executive Officer of the Company.

Mr. Huang has a Bachelor Degree in powerplant chemistry engineering from Wuhan University.

MR. WU BIN
Assistant to Chief Executive Officer & General Manager (Solid Waste Division)

Mr. Wu joined the Company as Assistant to Chief Executive Officer & General Manager (Solid Waste Division) in January 2013.

Mr. Wu started his career in year 1994 at China Shenzhen Construction Group and was appointed as a Civil Engineer and Project Manager. He joined China Shenzhen Special Zone Security Company as the Operation Manager in the Integrated Department in year 1997. He was the Deputy General Manager for Te Zheng Estate Management Company Limited which was under Shenzhen Special Zone Security Company. Mr. Wu entered into environmental protection industry in 2001 and was involved in setting up Shenzhen Hanyang Investment Holdings Ltd. and was appointed Assistant to President and Deputy President. He also co-founded Wenling Hanyang Resources Power Co., Ltd in 2006 and was appointed as the Director and General Manager.

Mr. Wu holds a Bachelor Degree in Engineering from Nanjing Dongnan University and a Masters Degree in MBA from Guang Hua Economic and Management College of Peking University.

陈金汉先生

首席财务官兼公司秘书

陈先生于2011年4月加入公司, 成为首席财务官兼公司秘书。

陈先生在加入本公司前, 是 Hecheng Technology Holdings Pte Ltd.首席财务官。陈先生于2003年在新加坡德勤会计师事务所开始职业生涯, 于2005年转到泰科国际（集团审计）。从2006年11月至2009年4月, 他在本公司就职, 职务至财务总监。从2009年4月到9月, 陈先生曾在 Digital Technologies Corporation 担任集团财务总监。

陈先生毕业于南洋理工大学,于2003年获会计学士学位（二级一等荣誉学位）。陈先生是新加坡注册会计师协会的非执业会员之一。 同时, 他也是注册内部审计师及内部审计师协会的会员。

黄汉光先生

总经理

黄先生从2010年7月起担任公司总经理, 负责集团在中国武汉的业务和运营, 担任多家子公司的董事, 并担任上实环境控股（武汉）有限公司的董事长。

黄先生在水处理行业有20多年的工作经验。1984年至1989年, 黄先生在中国水利电力部工作, 担任化学环境保护专业工程师; 1990年至1992年, 黄先生在中国电力协会工作, 担任化学环境保护专业工程师; 1992年至2004年10月, 担任武汉凯迪电力股份有限公司的副董事长; 在1993年至2002年期间, 黄先生还担任电力行业多家公司的董事或总经理职务。2003年至2009年, 黄先生担任本公司的执行董事和行政总裁。

黄先生毕业于武汉大学, 电厂化学工程专业, 获学士学位。

王培刚先生

副总经理

王先生从2010年7月开始担任公司副总经理, 主要是协助总经理负责中国武汉地区的业务和运营, 同时还担任公司多家子公司的董事。

王先生最初在中国水利电力部、能源部工作。1993年至2007年间, 曾担任北京三吉利能源有限公司部门经理、二滩水电开发有限公司总经理助理、淮北国安电力有限公司总经理、天津国投津能发电有限公司董事长、国投宣城发电有限公司董事长等职务。2007年至2009年, 他担任公司执行董事、重组总裁董事。

王先生持有武汉大学工学学士学位和中国人民大学企业管理硕士学位, 职称为高级工程师。

吴斌先生

行政总裁助理/总经理（固废发电业务部）

吴先生于2013年1月加入本公司, 担任 行政总裁助理/总经理（固废发电业务部）。

吴先生于1994年在深圳建设集团开始职业生涯, 历任土建工程师, 项目经理。他于1997年加入深圳特区证券公司综合管理部任经营经理; 特区证券下属企业深圳（珠海）特证物业有限公司任副总经理。吴先生在2001年进入环保业, 参与筹办深圳瀚洋投资控股有限公司, 历任该公司总裁助理, 副总裁。他于2006年创办温岭瀚洋资源电力有限公司, 任职位董事和总经理。

吴先生持有南京东南大学工学士学位及北京大学光华管理学院工商管理硕士学位。

Financial Contents

Corporate Governance Report

Good corporate governance ensures that the interests of shareholders are protected and enhances corporate performance and accountability.

SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") are committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2012 (the "Code") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met.

This report sets out the Group's main corporate governance practices that were in place throughout the financial year or which will be implemented and where appropriate, we have provided explanations for deviation from the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board of Directors (the "Board") oversees the business and corporate affairs of the Group. The principal duties of the Board include the following:

- Protecting and enhancing long-term value and return to its shareholders;
- Providing leadership and guidance on corporate strategy, business directions, risk management policy and implementation of corporate objectives;
- Establishing, reviewing and approving the annual budget, corporate policies, strategies and objectives for the Group;
- Ensuring the effectiveness and integrity of Management;
- Monitoring the Management's achievement of these goals;
- Conducting periodic reviews of the Group's financial performance, internal controls and reporting compliance;
- Approving nominations to the Board and appointment of key executives;
- Ensuring the Group's compliance with all relevant and applicable laws and regulations; and
- Assuming responsibility for the corporate governance of the Group.

To assist the Board in the execution of its responsibilities, the Board is supported by four committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Executive Committee ("EC") (collectively "Board Committees"). The Board Committees operate within clearly defined terms of reference or scope and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

Corporate Governance Report

Formal Board meetings are held at least four times a year to approve the quarterly and full year results announcements and to oversee the business affairs of the Group. The schedule of all the Board Committees meetings for the calendar year is usually given to all the Directors well in advance. The Board is free to seek clarification and information from Management on all matters within their purview. Ad-hoc meetings are convened at such other times as may be necessary to address any specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via telephone or video conference are permitted by the Company's Articles of Association.

The following table sets out the number of Board and Board Committees meetings held during the financial year ended 31 December 2013 ("FY2013") and the attendance of each Director at these meetings:

Name of Directors	Board		AC		NC		RC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Zhou Jun	6	6	5	5*	–	–	4	4
Feng Jun	6	6	5	5*	–	–	–	–
Liu Yujie	6	5	5	4*	–	–	–	–
Yang Changmin	6	5	5	4*	–	–	–	–
Zhang Chao	6	3	5	3*	–	–	–	–
Zou Jiefu	6	3	5	1*	–	–	–	–
Yeo Guat Kwang	6	3	5	3	1	0	4	2
Tay Ah Kong Bernard	6	6	5	5	1	1	4	4
Tan Chong Huat	6	4	5	4	1	1*	4	4
Tan Gim Soo	6	6	5	5	1	1	–	–

* By invitation

The Group had adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions and disposals. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

The Directors are also updated regularly with changes to the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Corporate Governance Report

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises four Executive Directors, two Non-Executive Directors and four Independent Directors:-

Name of Directors	Board	AC	NC	RC	EC
Zhou Jun	Executive Chairman	–	–	Member	Chairman
Feng Jun	Executive Director	–	–	–	Member
Liu Yujie	Executive Director	–	–	–	Member
Yang Changmin	Executive Director	–	–	–	Member
Zhang Chao	Non-Executive Director	–	–	–	–
Zou Jiefu	Non-Executive Director	–	–	–	–
Yeo Guat Kwang	Lead Independent Director	Member	Member	Member	–
Tay Ah Kong Bernard	Independent Director	Chairman	Member	Member	–
Tan Chong Huat	Independent Director	Member	–	Chairman	–
Tan Gim Soo	Independent Director	Member	Chairman	–	–

Corporate Governance Report

Executive Committee

The EC comprises the following members:

Mr. Zhou Jun (Chairman)
Mr. Feng Jun
Ms. Liu Yujie
Mr. Yang Changmin

The EC is primarily responsible for assisting the Board to manage and oversee the Group's operational and business expansion matters. To discharge its role and responsibility, the EC is supported by the head office, functional departments of the various business units and Senior Management of the Group.

The EC had adopted a set of delegation of authority ("DOA") setting forth financial authorisation and approval limits for investments, acquisitions and disposals. Transactions falling outside the scope of DOA and where the value of a transaction exceeds these limits have to be approved by the Board. All material and significant matters are reported to the Board by the EC.

Independent Directors

The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

As disclosed in Note 42 of the accompanying financial statements, the total amount of fees paid to professional firms for legal and corporate secretarial services where Mr. Tan Chong Huat holds and/or has held senior managerial position exceeded S$200,000.

Notwithstanding the above, our Board with the concurrence of the NC, is of the view that Mr. Tan Chong Huat is independent as he has shown that he has strong independent judgement in his deliberations in our interests notwithstanding the provision of services by the professional firms. Furthermore, the Board is of the view that he has exhibited professionalism and exercised a high standard of duty and care as required by his profession and that Mr. Tan Chong Huat's participation on the Board will benefit the Group given his expertise and standing in his profession.

Mr. Tan Chong Huat was not and will not be directly involved in the provision of such legal services or corporate secretarial services by such firms. He abstains from any voting on any resolution where it relates to the appointment of such firms. Furthermore, for as long as Mr. Tan Chong Huat is our Director, the Company will use market rates as benchmarks in respect of the provision of legal and corporate secretarial services to the Group.

The Non-Executive and Independent Directors participate actively during Board meetings. The Company has benefited from Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Non-Executive and Independent Directors communicate amongst themselves and with the Company's auditors and Senior Management. When necessary, the Company co-ordinates informal meetings for Non-Executive and Independent Directors to meet without the presence of the Executive Directors and/or Management.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The NC has reviewed the size and composition of the Board. While the Executive Chairman, Mr. Zhou Jun is part of the Management team and not considered an Independent Director, the NC is satisfied that after taking into account the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective. It is not necessary to have Independent Directors make up at least half of the Board at present. Nonetheless, the Company is constantly on the lookout for suitable candidates to join the Board as Independent Directors as part of its review process.

The Board comprises Directors who as a whole, have core competencies and diversity of experience to enable them to lead and control the Group effectively. Such competencies and experiences include industry knowledge, strategic planning, business and general management, legal and finance.

Non-Executive Directors and Independent Directors exercise no Management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its Non-Executive Directors and Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Zhou Jun is the Executive Chairman of the Company. He ensures effective and comprehensive Board discussion on matters brought to the Board including strategic issues as well as business planning and provides executive leadership and supervision to the Executive Directors and the Senior Management team of the Company and the Group.

The responsibilities of the Executive Chairman include:

(1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

(2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(3) Ensuring the Group's compliance with the Code; and

(4) Acting in the best interest of the Group and of the shareholders.

The Company Secretary may be called to assist the Executive Chairman in any of the above.

Corporate Governance Report

Although the Chief Executive Officer ("CEO") position is still vacant, the Board and EC are responsible for overseeing the overall management and strategic development of the Group.

The Board had appointed Mr. Yeo Guat Kwang as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman or Chief Financial Officer has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members:

Nominating Committee
Mr. Tan Gim Soo (Chairman)
Mr. Yeo Guat Kwang
Mr. Tay Ah Kong Bernard

The NC's role is to establish a formal and transparent process for:

(1) Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;

(2) Reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company;

(3) Procuring that at least one-third of the Board shall comprise of Independent Directors;

(4) Identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("AGM") of the Company, having regard to the Directors' contribution and performance, including the Independent Directors;

(5) Determining whether a Director is independent; and

(6) Proposing a set of objective performance criteria to the Board for approval and implementation, to evaluate the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities.

Corporate Governance Report

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next AGM.

The Company's Articles of Association requires one-third of the Board (except for the Managing Director) to retire by rotation at every AGM. Directors who retire are eligible to offer themselves for re-election.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The NC has recommended to the Board that Mr. Zhang Chao, Mr. Zou Jiefu and Mr. Tan Gim Soo, be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendations.

Mr. Tan Gim Soo, being the Chairman of the NC who is retiring at the AGM abstained from voting on the resolution in respect to his re-nomination as Director. Mr. Zhang Chao and Mr. Zou Jiefu have expressed to the Board that they will not be seeking re-election at this AGM due to their personal commitments and the Board noted their retirement and thank them for their past contributions to the Company.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

There is no alternate director being appointed to the Board.

The key information regarding the Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in pages 61 to 65 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC has established a formal process for assessing the effectiveness of the Board as a whole. During the financial year under review, the Directors were requested to complete evaluation forms to assess the overall effectiveness of the Board. The results of the evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focused on evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board's processes and accountability, communication with Senior Management and the Directors' standard of conduct.

Corporate Governance Report

The Board and the NC have endeavored to ensure that the Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for FY2013 are based on their attendance and contributions made at the Board and Board Committees meetings.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfill its responsibility, the Management strives to provide Board members with adequate and timely information for Board and Board Committees meetings on an on-going basis. The Board and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. Directors are given separate and independent access to the Group's Management and Company Secretary to address any enquiries.

The Company Secretary or his representative administers, attends and prepares minutes of Board and Board Committees meetings, and assists the Chairman of the Board and/or the Board Committees in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. Directors may seek professional advice in furtherance of their duties and the costs will be borne by the Company. The appointment and removal of the Company Secretary is subject to the approval of the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following members:

Remuneration Committee
Mr. Tan Chong Huat (Chairman)
Mr. Zhou Jun
Mr. Yeo Guat Kwang
Mr. Tay Ah Kong Bernard

Mr. Zhou Jun, being the Executive Chairman of the Company, shall remain as a member of the RC. The RC would comprise three Independent Directors besides Mr. Zhou Jun. Although the Code provides that the Board should set up the RC comprising entirely of Non-Executive Directors, the majority of whom, including the Chairman should be independent. The Board upon the recommendation of the NC, is satisfied with the independence of the RC notwithstanding the retention of Mr. Zhou Jun as a member of the RC. The Board is of the view that Mr. Zhou Jun would be able to contribute substantively to the function of the RC in particular, in determining the remuneration packages of the Senior Management of the Group, in view of his extensive knowledge and experience in the operation of the Group. Hence, the retention of Mr. Zhou Jun as a member of the RC would be beneficial to the Company as a whole.

The RC recommends to the Board a framework for the remuneration for the Board and key executives and to determine specific remuneration packages for each Executive Director, which is based on transparency and accountability.

The key duties of the RC, *inter alia*, are:

(1) To review and submit its recommendations for endorsement by the Board, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director (including CEO) and key executives;

(2) To review and approve annually the total remuneration of the Directors and key executives; and

(3) To review and submit its recommendations for endorsement by the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

No Director will be involved in determining his own remuneration.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

In reviewing the service agreements of the Executive Directors and key executives of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC will take into account the industry norms, the Group's performance as well as the contribution and performance of each Director when determining remuneration packages.

The remuneration for the Executive Directors and certain key executives comprise a fixed and variable component. The variable component is performance related and is linked to the Group's performance as well as the performance of each individual Executive Director and key executive.

The Company has adopted the Asia Water Share Option Scheme 2012 ("ESOS 2012") and Asia Water Share Award Scheme ("ESAS"). The Executive Directors, Independent Directors, Non-Executive Directors and key management personnel are eligible to participate in the ESOS 2012 and ESAS in accordance with the Rules for ESOS 2012 and ESAS. The Company is seeking the shareholders' approval for the change of name of the ESOS 2012 and ESAS to SIIC Environment Share Option Scheme 2012 and SIIC Environment Share Award Scheme respectively at the forthcoming AGM to be held on 29 April 2014. The change of name of the ESOS 2012 and ESAS is to be consistent with the name of the Company. The contents of the ESOS 2012 and ESAS remains unchanged.

The Independent Directors and Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the Directors and the need to pay competitive fees to attract, retain and motivate the Directors. The Independent Directors and Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Directors' fees are endorsed by the RC and recommended by the Board for shareholders' approval at the AGM of the Company.

Corporate Governance Report

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

(a) The details of the remuneration of the remuneration of Directors of the Company disclosed in bands for services rendered during the financial year ended 31 December 2013 are as follows:

Remuneration Band	Number of Directors of the Company
S$500,000 and above	–
Below S$500,000	10

Directors	Fees %	Salary %	FY2012 Bonus(1) %	FY2013 Bonus %	Benefits %	Total %
Below S$500,000						
Zhou Jun	100(2)	–	–	–	–	100
Feng Jun	60(2)	–	40	–	–	100
Liu Yujie	–	47	10	43	–	100
Yang Changmin	–	66	15	19	–	100
Zhang Chao	100(2)	–	–	–	–	100
Zou Jiefu	100(2)	–	–	–	–	100
Yeo Guat Kwang	100	–	–	–	–	100
Tay Ah Kong Bernard	100	–	–	–	–	100
Tan Chong Huat	100	–	–	–	–	100
Tan Gim Soo	100	–	–	–	–	100

(1) *FY2012 Bonus approved in FY2013, no relevant disclosure in FY2012 Annual Report.*

(2) *Fees approved by shareholders at the previous AGM but were not paid as at the date of this report*

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors in the Annual Report and that the disclosure based on the above remuneration bands is appropriate.

(b) The details of the remuneration of relevant key management personnel of the Company disclosed in bands for services rendered during the financial year ended 31 December 2013 are as follows:

Remuneration Band	Number of Relevant Key Management Personnel of the Company
S$500,000 and above	–
Below S$500,000	4

Relevant Key Management Personnel of the Company	Fees %	Salary %	FY2012 Bonus[1] %	FY2013 Bonus %	Benefits[2] %	Total %
Below S$500,000						
Tan Kim Han Raymond	–	55	10	32	3	100
Huang Hanguang	–	80	–	20	–	100
Wang Peigang	–	80	–	20	–	100
Wu Bin	–	75	6	19	–	100

(1) *FY2012 Bonus approved in FY2013, no relevant disclosure in FY2012 Annual Report.*

(2) *Includes transport benefits provided to employees.*

For FY2013 the aggregate total remuneration paid to the relevant key management personnel (who are not Directors or the CEO) amounted to S$921,000.

(c) For FY2013, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period termination payment in lieu of service.

(d) There were no employees who were immediate family members of a Director or CEO whose remuneration exceeds S$50,000 in the Group's employment during the financial year under review.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Accountability to our shareholders is demonstrated through the presentation of our annual financial statements, quarterly results announcements and all announcements on the Group's business and operations.

The Management provides the Board with appropriately detailed Management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

Corporate Governance Report

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the governance of risks and the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational and compliance risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information is reliable and assets are safeguarded.

As the Group does not have a risk management committee, the EC and Management assume the responsibility of the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems within the Group. Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Any significant matters are highlighted to the Board and the AC for their deliberation.

During the year under review, in addition to the work carried out by external auditors and internal auditors, the Group has updated the documentation supporting the framework that enables Management to address the financial, operational, compliance risks and information technology controls of the key business units. The process involves the identification of major risks through risk discussion forums conducted by the Group's major business units, whereby the business units' key financial, operational, compliance and information technology control risks, as well as the countermeasures in place or required to mitigate these risks, were summarised for review by the Management, the internal auditors and the Board. The conduct of risk discussion forums also serves to heighten the risk awareness for staff at the middle management level. The documentation provided an overview of the Group's key risks, how they are managed, and the key personnel responsible for each identified risk type and the various assurance mechanisms in place. In relation to the key risks being identified, the Company has taken steps to address and implement the relevant controls and mitigating measures where applicable and necessary to ensure that the Group's key risks are being managed adequately and effectively.

The Board engaged PricewaterhouseCoopers LLP in FY2012 to assist in the development of the Group's Enterprise Risk Management ("ERM") framework. The ERM framework includes continual risk profiling and discussion of mitigation measures, refinement of the risk governance and reporting structure, as well as enhancement of the relevant risk management policy and manual. Key initiatives are being progressively implemented.

Corporate Governance Report

To ensure that internal controls are adequate and effective, the AC is assisted by various independent professional service providers. The assistance of the internal auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal auditors and external auditors. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls are not satisfactory for the type and size of business conducted.

The Directors have received and considered the representation letters from the Executive Directors, Chief Financial Officer and Management of the key business units in relation to the financial information for the year. Associates and the joint venture which the Company does not control are not dealt with for the purposes of this statement. The Executive Directors and the Chief Financial Officer have assured the Board that:

(a) The financial records have been properly maintained and the financial statements for the FY2013 give a true and fair view in all material respects, of the Company's operations and finances; and

(b) The Group's internal control systems are operating effectively in all material aspects given its current business environment.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors, reviews performed by Management and the documentation on the Group's key risks referred to above, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate in addressing the financial, operational, compliance and information technology control risks of the Group as at 31 December 2013.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises the following members:

Audit Committee
Mr. Tay Ah Kong Bernard (Chairman)
Mr. Yeo Guat Kwang
Mr. Tan Chong Huat
Mr. Tan Gim Soo

The Company has adopted and has complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Directors and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements.

The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. The Management understands its role to provide all members of the Board with a balanced and understandable assessment of the Group's performance, position and prospects.

Corporate Governance Report

The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their responsibilities.

The AC, which has written terms of reference, performs the following delegated functions:

(1) To review with the external auditors:-

(a) the audit plan, including the nature and scope of the audit before the audit commences,

(b) their audit report,

(c) their management letters and the Management's response;

(2) To discuss with the external auditors any problems or concerns arising from their agreed-upon procedures, interim and final audits, and any other matters which the external auditors may wish to discuss;

(3) To ensure co-ordination where more than one audit firm is involved;

(4) To assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks;

(5) To monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors annually and give recommendations to the Board and the Company in general meeting regarding the appointment, re-appointment or removal of the external auditors;

(6) To review and ensure that the assurance has been received from the Executive Directors (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim/full year unaudited financial statement;

(7) To review the internal audit programme and ensure co-ordination between the internal auditors and external auditors and the Management;

(8) To review the quarterly, half-yearly and full year financial statements of the Company and of the Group, including announcements relating thereto, to shareholders and the SGX-ST, and thereafter to submit them to the Board for approval;

(9) To review interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) and report its findings to the Board;

(10) To undertake such other reviews and projects as may be requested by the Board or as the Committees may consider appropriate; and

(11) To undertake such other functions and duties as may be required by law or by the Listing Manual of the SGX-ST, as amended from time to time.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

Corporate Governance Report

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

The AC has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has full discretion to invite any Director or Executive Officer to attend its meetings.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approves the remuneration of the external auditors. The AC has recommended to the Board that Deloitte & Touche LLP be nominated for the re-appointment as external auditors of the Company at the forthcoming AGM.

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors.

Annually, the AC meets with the external auditors without the presence of the Management and conducts a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fees paid or payable by the Company to the external auditors of the Company for non-audit services and audit services for the financial year ended 31 December 2013 amounted to S$114,500 and S$670,000 respectively. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the engagement of its auditors.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(i) independent investigations are carried out in an appropriate and timely manner;

(ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle blowing in good faith and without malice.

As of to-date, there were no reports received through the whistle blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Corporate Governance Report

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company outsources its internal audit functions to Messrs PricewaterhouseCoopers LLP ("Internal Auditor"). In accordance with the annual internal audit plan approved by the AC, the Internal Auditor conducts internal audit reviews of the Group to assist the Board and AC to assess the effectiveness of key internal controls, including financial, operational and compliance controls, and risk management on an on-going basis. Procedures are in place for the Internal Auditor to report independently their findings and recommendations to the AC for review. Management will update the AC on the status of the remedial action plans.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal controls procedures in a timely and appropriate manner. The role of the Internal Auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function has adequate resources to perform its function effectively.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

The Internal Auditor is a member of the Institute of Internal Auditors Singapore ("IIA"), an internal professional association for internal auditors which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing ("IIA Standards") laid down in the International Professional Practices Framework issued by the IIA.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Company.

(D) COMMUNICATION WITH SHAREHOLDERS

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/ her behalf at the general meeting through proxy forms sent in advance. The Company's Articles of Association does not include the nominee or custodial services to appoint more than two proxies.

Corporate Governance Report

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure and is committed to disclose to its shareholders, the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is mainly made through:-

- Annual Report that are prepared and sent to all shareholders. The Board ensures that the Annual Report includes all relevant material information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;

- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and

- Notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("EGMs"). The notice of AGM and EGM are also advertised in a national newspaper.

The Company's website at www.siicenv.com at which our shareholders can access financial information, corporate announcements, press releases, Annual Reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility. The Company has a team of investor relations ("IR") personnel who focus on facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns as well as to keep the investors public apprised of the Group's corporate developments and financial performance.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Corporate Governance Report

CONDUCT OF SHAREHOLDER MEETING

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company had adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("IPTs"). All IPTs are subject to review by the AC to ensure that they were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Corporate Governance Report

There were no IPTs between the Group and any of its interested persons (namely, Directors, Executive Officers or controlling shareholders of the Group or the associates of such Directors, Executive Officers or controlling shareholders) subsisting for the financial year ended 31 December 2013, save for the following:

Name of interested person	**Name of entity at risk [5]**	**Nature of Transaction**	**Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) RMB'000**	**Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) RMB'000**
Shanghai Lu Qiao Development Co., Ltd. ("Shanghai Lu Qiao") [1]	Nanfang Water Co., Ltd ("Nanfang Water")	Loan to Nanfang Water	1,201 [6]	– [8]
SIIC Management (Shanghai) Ltd. ("SIIC Management") [2]	SIIC Environment Holdings (Weifang) Co., Ltd. ("SIIC Weifang")	Loan to SIIC Weifang	2,555 [6]	– [8]
SIHL Finance Limited ("SIHLFL") [3]	Rise Thrive Limited ("RTL")	Loan to RTL	8,700 [6]	– [8]
Shanghai Cyber Galaxy Investment Co., Ltd. ("Shanghai Galaxy") [4]	SIIC Environment Holdings (Wuhan) Co., Ltd.	Joint investment in Sichuan SIIC Environment Investment Development Co., Ltd.	60,000 [7]	– [8]
Total IPTs			**72,456**	– [8]

(1) Shanghai Lu Qiao is a wholly-owned subsidiary of the Company's intermediate holding company, Shanghai Industrial Holdings Limited ("SIHL"). The loan was entered into through an intermediary bank, China Guangfa Bank.

(2) SIIC Management is a wholly-owned subsidiary of SIHL. The loan was entered into through an intermediary bank, China Citic Bank.

(3) SIHLFL is a wholly-owned subsidiary of SIHL.

(4) SIIC Shanghai Holdings Company Limited ("SIIC Shanghai"), which is the wholly-owned subsidiary of the parent company of SIHL, and Shanghai Hu-Ning Expressway (Shanghai Section) Construction Development Co., Ltd ("SHNE"), which is a wholly-owned subsidiary of SIHL, in aggregate own the entire equity interest of Shanghai Galaxy.

(5) The entities listed are subsidiaries of the Company.

(6) Refer to the interest payable in relation to the loans.

(7) Refer to the committed capital contribution.

(8) There is no IPT mandate obtained from shareholders.

Corporate Governance Report

(G) RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The significant risk management policies are disclosed in the audited financial statements of this Annual Report.

(H) MATERIAL CONTRACTS

Except as disclosed in Note 42 of the accompanying financial statements, and the total amount of fees paid to the affiliates of Mr. Tan Chong Huat namely, RHTLaw Taylor Wessing LLP ("RHTLaw") and RHT Corporate Advisory Pte. Ltd. ("RHT Corporate Advisory") for legal and corporate secretarial work done respectively for the financial year ended 31 December 2013, there were no material contracts entered into by the Company or its subsidiaries during the financial year ended 31 December 2013, or still subsisting as at 31 December 2013, which involved the interests of any Director or controlling shareholders of the Company.

(I) NON-CONFLICT OF INTERESTS

Mr. Tay Ah Kong Bernard, AC Chairman of the Company, has declared to the Directors that he chairs the risk committee of RHT Capital Pte. Ltd. ("RHT Capital") from 26 August 2011. Mr. Tay is appointed as the independent Chairman and member of the risk committee of RHT Capital which, inter-alia, oversees and advises on all risk, independence and conflict of interest aspects of RHT Capital's activities. Mr. Tay is not a shareholder or Director of RHT Capital. The NC, with the concurrence of the Board, is of the view that there is no conflict of interest arising from his aforesaid roles. He abstains from any voting on any resolution where it relates to the appointment of RHTLaw or RHT Corporate Advisory which are related to RHT Capital.

(J) UTILISATION OF PROCEEDS

The Company has progressively announced via SGXNet on the utilisation of the net proceeds raised from the Rights Issue and Share Placement amounting to S$72.8 million and S$260.2 million in March 2011 and December 2013 respectively. The balances of the net proceeds raised from the Rights Issue and Share Placement as at 31 December 2013 is approximately S$0.6 million and S$260.2 million respectively. The Company will continue to provide periodic updates through SGXNet as and when the proceeds are being materially disbursed.

Corporate Governance Report

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Zhou Jun	Masters Degree in Economics (International Finance) from the Fudan University	Executive Chairman	Chairman of Board, Member of Remuneration Committee and Chairman of the Executive Committee	7 April 2010	27 April 2012	• Shanghai Industrial Investment (Holdings) Co., Ltd. • Shanghai Industrial Holdings Limited • Shanghai Industrial Urban Development Group Limited	Nil
Mr. Feng Jun	Masters Degree in Economics from the Wuhan University School of Management, Enterprise Management	Executive Director	Board Member and Member of the Executive Committee	15 December 2009	27 April 2011	• Shanghai Industrial Holdings Limited	Nil

Corporate Governance Report

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Ms. Liu Yujie	Masters Degree in Business Administration from the University of International Business and Economics in Beijing, PRC	Executive Director	Board Member and Member of the Executive Committee	19 November 2009	23 April 2013	Nil	Nil
Mr. Yang Changmin	Masters Degree in Executive MBA from Tsinghua University School of Economics and Management	Executive Director	Board Member and Member of the Executive Committee	17 February 2012	27 April 2012	Nil	Nil
Mr. Zhang Chao	Masters in Legal Studies from the Renmin University of China	Non-Executive Director	Board Member	7 April 2010	27 April 2012	Nil	• Liao Ning Guo Neng (Holdings) Group Co., Ltd
Mr. Zou Jiefu	Masters in Business Administration from the Beijing Institute of Technology	Non-Executive Director	Board Member	7 April 2010	23 April 2013	Nil	Nil

Corporate Governance Report

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Yeo Guat Kwang	Bachelor of Arts (2nd Upper Honours) from the National University of Singapore and Post graduate Diploma in Education (with Merit) from the National Institute of Education	Lead Independent Director	Board Member, Member of Nominating Committee, Member of Audit Committee and Member of Remuneration Committee	23 September 2009	27 April 2011	• Koyo International Limited • Neo Group Ltd • China Gaoxian Fibre Fabric Holdings Ltd	• Japan Foods Holding Ltd • United Envirotech Limited • HLH Group Ltd
Mr. Tay Ah Kong Bernard	Fellow of the Association of the Chartered Certified Accountants (U.K.) and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia and a Fellow of the Institute of Singapore Chartered Accountants.	Independent Director	Board Member, Chairman of Audit Committee, Member of Nominating Committee and Member of Remuneration Committee	7 April 2010	27 April 2012	• China Hongxing Sports Limited • China Yongsheng Limited • Hengxin Technology Ltd • Ramba Energy Limited • OEL (Holdings) Limited	• Juken Technology Limited (delisted on 3 December 2012)

Corporate Governance Report

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Tan Chong Huat	Bachelor of Law Degree from the National University of Singapore and Master of Law Degree from the University of London. He is an Advocate and Solicitor in Singapore, England and Wales, New South Wales, Australia, a Notary Public and a Commissioner for Oaths. Fellow of the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators and an accredited arbitrator with the China International Economic and Trade Arbitration Commission. A fellow with the Singapore Institute of Directors.	Independent Director	Board Member, Chairman of Remuneration Committee, and Member of Audit Committee	7 April 2010	23 April 2013	• Ramba Energy Limited	• Swissco Holdings Limited • P99 Holdings Limited (formerly known as China Fashion Holdings Limited) • Luye Pharma Group Limited

Corporate Governance Report

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Tan Gim Soo	Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Institute of Singapore Chartered Accountants and a member of Singapore Institute of Directors	Independent Director	Board Member, Chairman of Nominating Committee and Member of Audit Committee	14 March 2011	27 April 2011	• China Yongsheng Limited • Enviro-Hub Holdings Ltd • P99 Holdings Limited (formerly known as China Fashion Holdings Limited)	• Juken Technology Limited (delisted on 3 December 2012)

The details on shareholdings of the Directors are disclosed on page 67 of the Annual Report under Directors' Interest in Ordinary Shares, Share Options and Debentures section of the Report of the Directors.

Report of the Directors

The Directors present their report together with the audited consolidated financial statements of SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2013.

1 Directors

The Directors of the Company in office at the date of this report are:

Zhou Jun	– Executive Chairman
Feng Jun	– Executive Director
Liu Yujie	– Executive Director
Yang Changmin	– Executive Director
Zhang Chao	– Non-Executive Director
Zou Jiefu	– Non-Executive Director
Yeo Guat Kwang	– Independent Director (Lead)
Tay Ah Kong Bernard	– Independent Director
Tan Chong Huat	– Independent Director
Tan Gim Soo	– Independent Director

In accordance with Articles 91 and 97 of the Company's Articles of Association, all the Directors who retire and, being eligible, may offer themselves for re-election.

2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in Section 3 of the Report of the Directors.

Report of the Directors

3 Directors' Interests in Ordinary Shares, Share Options and Debentures

The Directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 ("Act"), except as follows:

Name of Directors and companies in which interests are held	Direct interest: At beginning of year	Direct interest: At end of year	Direct interest: At 21 January 2014	Deemed interest: At beginning of year	Deemed interest: At end of year
SIIC Environment Holdings Ltd.					
Ordinary shares					
Liu Yujie	–	–	–	750,000	750,000
Yang Changmin	165,418,474	165,418,474	125,418,474	–	–
Shanghai Industrial Holdings Limited					
Ordinary shares					
Zhou Jun	195,000	195,000	195,000	–	–
Options to subscribe for ordinary shares					
Zhou Jun	1,350,000	1,350,000	1,350,000	–	–
Feng Jun	648,000	648,000	648,000	–	–
Shanghai Industrial Urban Development Group Limited					
Options to subscribe for ordinary shares					
Zhou Jun	7,000,000	7,000,000	7,000,000	–	–

There were no changes in any of the above mentioned deemed interests between the end of the financial year and 21 January 2014.

4 Directors' Receipt and Entitlement to Contractual Benefits

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which the Director has a substantial financial interest, except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations. Significant transactions with the Directors and corporations/persons related to Directors are disclosed in the notes to the financial statements.

Report of the Directors

5 Equity Compensation Plans of the Company

The Company has in place, the Asia Water Share Option Scheme 2012 ("ESOS 2012") and Asia Water Share Award Scheme ("ESAS"), as approved by the shareholders of the Company at the extraordinary general meeting held on 27 April 2012. The ESOS 2012 and ESAS shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of ten years commencing 27 April 2012.

At the date of this report, the Remuneration Committee which administers the ESOS 2012 and ESAS comprises the following Directors:

(i) Tan Chong Huat – Chairman
(ii) Zhou Jun
(iii) Yeo Guat Kwang
(iv) Tay Ah Kong Bernard

The ESOS 2012 is a share incentive scheme. The ESOS 2012 is proposed on the basis that it is important to retain and to give recognition to the Group full time employees, Group Executive Directors and employees of the ultimate holding company and the holding company of the Company and their subsidiaries ("Parent Group"), and to give recognition to Group Non-Executive Directors and Parent Group Non-Executive Directors who have contributed to the success and development of the Company and/or the Group. The ESOS 2012 will give such persons an opportunity to have a real and personal direct interest in the Company and to align the interests of such persons with those of the shareholders of the Company.

The ESAS is a performance incentive scheme which will form an integral part of the Group's incentive compensation program. The purpose of the ESAS is to provide an opportunity for Group full-time employees, Parent Group employees and Directors of the Group and Parent Group, who have met performance targets to be remunerated not just through cash bonuses but also an equity stake in the Company. The ESAS is also extended to the Group Non-Executive Directors and Parent Group Non-Executive Directors.

For purpose of ESOS 2012 and ESAS, Non-Executive Director refers to a Director other than an Executive Director, including an Independent Director.

No ESOS 2012 options or ESAS awards were granted since the commencement of the two schemes.

6 Audit Committee

The Audit Committee of the Company, consisting all independent Non-Executive Directors, is chaired by Mr. Tay Ah Kong Bernard, and includes Mr. Yeo Guat Kwang, Mr. Tan Chong Huat, and Mr. Tan Gim Soo. The Audit Committee has held five meetings during the financial year ended 31 December 2013 and has performed the following delegated functions:

(1) To review with the external auditors:-

(a) the audit plan, including the nature and scope of the audit before the audit commences;

(b) their audit report;

(c) their management letters and the Management's response;

Report of the Directors

6 Audit Committee (cont'd)

(2) To discuss with the external auditors any problems or concerns arising from their agreed-upon procedures, interim and final audits, and any other matters which the external auditors may wish to discuss;

(3) To ensure co-ordination where more than one audit firm is involved;

(4) To assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks;

(5) To monitor the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors annually and give recommendations to the Board and the Company in general meeting regarding the appointment, re-appointment or removal of the external auditors;

(6) To review and ensure that the assurance has been received from the Executive Directors (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim/full year unaudited financial statements;

(7) To review the internal audit programme and ensure co-ordination between the internal auditors, external auditors and Management;

(8) To review the quarterly, half-yearly and full year financial statements of the Company and of the Group, including announcements relating thereto, to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST"), and thereafter to submit them to the Board for approval;

(9) To review interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST) and report its findings to the Board;

(10) To undertake such other reviews and projects as may be requested by the Board or as the Committees may consider appropriate; and

(11) To undertake such other functions and duties as may be required by law or by the Listing Manual of the SGX-ST, as amended from time to time.

The Audit Committee has full access to and has the co-operation of Management, and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditors and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company.

Report of the Directors

7 Auditors

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

On Behalf of the Board of Directors:

ZHOU JUN
Executive Chairman

LIU YUJIE
Director

Singapore
28 March 2014

Statement of Directors

In the opinion of the Directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 74 to 172 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

On Behalf of the Board of Directors:

ZHOU JUN
Executive Chairman

LIU YUJIE
Director

Singapore
28 March 2014

Independent Auditors' Report

To the members of SIIC Environment Holdings Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2013, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 74 to 172.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Independent Auditors' Report

To the members of SIIC Environment Holdings Ltd.

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000
Revenue	4	1,214,474	804,479
Cost of sales		(852,972)	(527,128)
Gross profit		361,502	277,351
Other operating income	5	27,291	25,864
Selling and distribution costs		(15,192)	(17,911)
Administrative expenses		(153,319)	(127,241)
Other operating expenses	5	(13,220)	–
Profit from operations	6	207,062	158,063
Finance income	8	194,421	124,423
Finance expenses	8	(125,723)	(102,878)
Other income	9	12,299	12,721
Other expenses	9	(10,734)	(3,257)
Share of results of joint venture	26	11,087	15,633
Share of results of associates	27	452	177
Profit before tax		288,864	204,882
Income tax expense	10	(74,242)	(27,637)
Profit for the year		214,622	177,245
Profit for the year, attributable to:			
Owners of the Company		150,095	130,516
Non-controlling interests		64,527	46,729
Profit for the year		214,622	177,245
Earnings per share			
Basic (RMB cents per share)	11	2.72	2.58
Diluted (RMB cents per share)	11	2.70	2.58

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2013

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Profit for the year	214,622	177,245
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations representing other comprehensive income for the year, net of tax	9,620	4,970
Total comprehensive income for the year	224,242	182,215
Total comprehensive income attributable to:		
Owners of the Company	159,715	135,486
Non-controlling interests	64,527	46,729
Total comprehensive income for the year	224,242	182,215

See accompanying notes to financial statements.

Statements of Financial Position

31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Current assets					
Cash and cash equivalents	12	1,878,834	488,538	1,287,191	40,911
Pledged bank deposits	12	23,982	28,454	–	–
Trade receivables	13	368,762	318,375	265	9,023
Bills receivables	13	540	8,885	–	–
Other receivables	13	69,050	113,876	1,967	290
Prepayments	14	35,496	101,769	209	95
Inventories	15	17,745	16,284	–	–
Receivables under service concession arrangements – current portion	16	72,497	57,449	–	–
Amounts due from customers for contract work	17	73,616	82,083	–	–
Amounts due from subsidiaries	18	–	–	822,960	615,194
Amounts due from joint venture	19	–	10,450	–	–
Amounts due from associate	19	89	74	–	–
Total current assets		2,540,611	1,226,237	2,112,592	665,513
Non-current assets					
Available-for-sale financial instruments	20	2,394	5,394	–	–
Prepayments	14	4,634	–	–	–
Receivables under service concession arrangements – non-current portion	16	2,642,589	2,475,026	–	–
Property, plant and equipment	21	95,683	107,430	401	619
Investment property	22	4,409	4,598	–	–
Intangible assets	23	1,055,387	896,603	–	–
Land use rights	23	14,949	15,310	–	–
Retention monies	13	960	705	–	–
Deferred tax assets	24	15,919	24,669	–	–
Investment in subsidiaries	25	–	–	448,413	474,037
Interest in joint venture	26	131,485	115,990	–	–
Interest in associates	27	14,534	2,082	–	–
Goodwill on consolidation	28	9,550	20,284	–	–
Prepayment for investment in a subsidiary	14	122,147	–	–	–
Total non-current assets		4,114,640	3,668,091	448,814	474,656
Total assets		6,655,251	4,894,328	2,561,406	1,140,169

See accompanying notes to financial statements.

Statements of Financial Position

31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
Current liabilities					
Trade payables	29	228,958	247,562	–	–
Bills payable to banks	30	17,063	16,598	–	–
Other payables, accruals and provisions	29	372,883	359,410	27,857	8,008
Tax payable		19,694	23,547	–	–
Amounts due to customers for contract work	17	15,939	57,992	–	–
Amounts due to subsidiaries	18	–	–	4,020	15,509
Bank and other borrowings	31	1,408,462	653,559	–	–
Finance lease	32	34,330	–	–	–
Total current liabilities		2,097,329	1,358,668	31,877	23,517
Non-current liabilities					
Bank and other borrowings	31	980,546	1,515,007	–	–
Finance lease	32	50,000	–	–	–
Deferred tax liabilities	24	185,488	161,342	–	1,324
Other non-current liabilities	33	52,772	60,211	–	–
Total non-current liabilities		1,268,806	1,736,560	–	1,324
Capital, reserves and non-controlling interest					
Share capital	34	2,512,500	1,153,129	2,512,500	1,153,129
Treasury shares	35	(96)	(96)	(96)	(96)
Retained earnings (Accumulated losses)		315,724	189,877	55,229	(80,029)
Other reserves	36	(98,551)	(30,275)	(38,104)	42,324
Equity attributable to owners of the Company		2,729,577	1,312,635	2,529,529	1,115,328
Non-controlling interests	25	559,539	486,465	–	–
Total equity		3,289,116	1,799,100	2,529,529	1,115,328
Total liabilities and equity		6,655,251	4,894,328	2,561,406	1,140,169

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves, total RMB'000	Capital reserve RMB'000	General reserve RMB'000	Translation reserve RMB'000	Effects of changes in ownership interests in subsidiaries where there is no change in control RMB'000	Merger reserve RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group												
2013												
Balance at 1 January 2013	1,153,129	(96)	189,877	(30,275)	126,786	48,889	20,912	(26,547)	(200,315)	1,312,635	486,465	1,799,100
Profit for the year	–	–	150,095	–	–	–	–	–	–	150,095	64,527	214,622
Other comprehensive income												
Exchange differences arising on translation, net of tax	–	–	–	9,620	–	–	9,620	–	–	9,620	–	9,620
Other comprehensive income for the year, net of tax	–	–	–	9,620	–	–	9,620	–	–	9,620	–	9,620
Total comprehensive income for the year	–	–	150,095	9,620	–	–	9,620	–	–	159,715	64,527	224,242
Transactions with owners recognised directly in equity												
Share placement	1,272,330	–	–	–	–	–	–	–	–	1,272,330	–	1,272,330
Share issue costs	(15,280)	–	–	–	–	–	–	–	–	(15,280)	–	(15,280)
Settlement of consideration for acquisition of a subsidiary	102,321	–	–	(102,321)	(102,321)	–	–	–	–	–	–	–
Transfer to general reserve	–	–	(24,248)	24,248	–	24,248	–	–	–	–	–	–
Acquisition of non-controlling interests	–	–	–	1,091	–	–	–	1,091	–	1,091	(39,945)	(38,854)
Disposal of partial interest in a subsidiary	–	–	–	(914)	–	–	–	(914)	–	(914)	1,176	262
Total	1,359,371	–	(24,248)	(77,896)	(102,321)	24,248	–	177	–	1,257,227	(38,769)	1,218,458

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves, total RMB'000	Capital reserve RMB'000	General reserve RMB'000	Translation reserve RMB'000	Effects of changes in ownership interests in subsidiaries where there is no change in control RMB'000	Merger reserve RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group												
2013												
Others												
Non-controlling interest upon proportional capital injection in a subsidiary	–	–	–	–	–	–	–	–	–	–	64,900	64,900
Dividends declared to non-controlling interest	–	–	–	–	–	–	–	–	–	–	(17,584)	(17,584)
Total	–	–	–	–	–	–	–	–	–	–	47,316	47,316
Balance at 31 December 2013	2,512,500	(96)	315,724	(98,551)	24,465	73,137	30,532	(26,370)	(200,315)	2,729,577	559,539	3,289,116

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves, total RMB'000	Capital reserve RMB'000	General reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Effects of changes in ownership interests in subsidiaries where there is no change in control RMB'000	Merger reserve RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Group													
2012													
Balance at 1 January 2012	1,136,949	–	53,569	(146,298)	–	42,693	25,883	11,988	(26,547)	(200,315)	1,044,220	253,188	1,297,408
Profit for the year	–	–	130,516	–	–	–	–	–	–	–	130,516	46,729	177,245
Other comprehensive income													
Exchange differences arising on translation, net of tax	–	–	–	4,970	–	–	4,970	–	–	–	4,970	–	4,970
Other comprehensive income for the year, net of tax	–	–	–	4,970	–	–	4,970	–	–	–	4,970	–	4,970
Total comprehensive income for the year	–	–	130,516	4,970	–	–	4,970	–	–	–	135,486	46,729	182,215
Transactions with owners recognised directly in equity													
Conversion of bonds	16,180	–	–	–	–	–	–	–	–	–	16,180	–	16,180
Expiry of unexercised employee share options	–	–	11,988	(11,988)	–	–	–	(11,988)	–	–	–	–	–
Purchase of treasury shares	–	(96)	–	–	–	–	–	–	–	–	(96)	–	(96)
Transfer to general reserve	–	–	(6,196)	6,196	–	6,196	–	–	–	–	–	–	–
Acquisition of a subsidiary (Note 38)	–	–	–	116,845	126,786	–	(9,941)	–	–	–	116,845	209,099	325,944
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	6,900	6,900
Total	16,180	(96)	5,792	111,053	126,786	6,196	(9,941)	(11,988)	–	–	132,929	215,999	348,928

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves, total RMB'000	Capital reserve RMB'000	General reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Effects of changes in ownership interests in subsidiaries where there is no change in control RMB'000	Merger reserve RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Attributable to owners of the Company												
Group													
2012													
Others													
Capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(27,000)	(27,000)
Dividends paid to previous shareholders	–	–	–	–	–	–	–	–	–	–	–	(2,451)	(2,451)
Total	–	–	–	–	–	–	–	–	–	–	–	(29,451)	(29,451)
Balance at 31 December 2012	1,153,129	(96)	189,877	(30,275)	126,786	48,889	20,912	–	(26,547)	(200,315)	1,312,635	486,465	1,799,100

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company					
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings (Accumulated losses) RMB'000	Other reserves, total RMB'000	Translation reserve RMB'000	Total equity RMB'000
Company						
2013						
Balance at 1 January 2013	1,153,129	(96)	(80,029)	42,324	42,324	1,115,328
Profit for the year	–	–	135,258	–	–	135,258
Other comprehensive income						
Exchange differences arising on translation, net of tax	–	–	–	(80,428)	(80,428)	(80,428)
Other comprehensive income for the year, net of tax	–	–	–	(80,428)	(80,428)	(80,428)
Total comprehensive income for the year	–	–	135,258	(80,428)	(80,428)	54,830
Transactions with owners recognised directly in equity						
Share placement	1,272,330	–	–	–	–	1,272,330
Share issue costs	(15,280)	–	–	–	–	(15,280)
Settlement of consideration for acquisition of a subsidiary	102,321	–	–	–	–	102,321
Total	1,359,371	–	–	–	–	1,359,371
Balance at 31 December 2013	2,512,500	(96)	55,229	(38,104)	(38,104)	2,529,529

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2013

	Attributable to owners of the Company						
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings (Accumulated losses) RMB'000	Other reserves, total RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Total equity RMB'000
Company							
2012							
Balance at 1 January 2012	1,136,949	–	(57,993)	12,175	187	11,988	1,091,131
Loss for the year	–	–	(34,024)	–	–	–	(34,024)
Other comprehensive income							
Exchange differences arising on translation, net of tax	–	–	–	42,137	42,137	–	42,137
Other comprehensive income for the year, net of tax	–	–	–	42,137	42,137	–	42,137
Total comprehensive income for the year	–	–	(34,024)	42,137	42,137	–	8,113
Transactions with owners recognised directly in equity							
Conversion of bonds	16,180	–	–	–	–	–	16,180
Expiry of unexercised employee share options	–	–	11,988	(11,988)	–	(11,988)	–
Purchase of treasury shares	–	(96)	–	–	–	–	(96)
Total	16,180	(96)	11,988	(11,988)	–	(11,988)	16,084
Balance at 31 December 2012	1,153,129	(96)	(80,029)	42,324	42,324	–	1,115,328

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Group	
	2013	2012
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before tax	288,864	204,882
Adjustments:		
Reversal of allowance for doubtful receivables, net (trade)	(13,940)	(22,389)
Reversal of allowance for doubtful receivables, net (non-trade)	(7,479)	(3,613)
Bad debts written off (trade)	390	1,250
Bad debts written off (non-trade)	1	69
Reversal of provision for foreseeable loss	(127)	(553)
Depreciation of property, plant and equipment	10,729	11,829
Amortisation of intangible assets	45,409	38,236
Amortisation of land use rights	361	583
Depreciation of investment property	189	190
Loss (Gain) on disposal of property, plant and equipment	9	(1,259)
Loss on disposal of intangible assets	–	1,008
Gain on disposal of land use rights	–	(128)
Gain on disposal of investment property	–	(1,495)
Gain on disposal of available-for-sale financial instrument	(289)	–
Provision of warranty expenses	18	618
Property, plant and equipment written off	48	683
Impairment loss on goodwill on consolidation	10,734	–
Finance income	(194,421)	(124,423)
Finance expenses	125,723	102,878
Fair value loss on derivative financial instrument	–	2,975
Share of results of joint venture	(11,087)	(15,633)
Share of results of associates	(452)	(177)
Foreign exchange loss (gain)	10,707	(7,145)
Operating cash flows before working capital changes	265,387	188,386
(Increase) Decrease in:		
Inventories	(7,842)	580
Amounts due from (to) customers for contract work, net	(118,902)	(30,503)
Trade receivables	(54,665)	(18,927)
Bills receivables	7,745	1,632
Other receivables and prepayments	81,583	110,831
Receivables under service concession arrangements	12,079	48,452
Amounts due from associates	(15)	–
Amounts due from joint venture	–	(10,878)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Increase (Decrease) in:		
Trade payables	(47,233)	36,854
Other payables, accruals and provisions	51,038	(29,269)
Bills payable to banks	465	(22,195)
Cash generated from operating activities	189,640	274,963
Interest received	4,614	2,764
Income tax paid	(33,144)	(17,339)
Net cash from operating activities	161,110	260,388
Cash flows from investing activities:		
Purchase of property, plant and equipment	(3,791)	(6,371)
Purchase of intangible assets land use rights, net of amount on credit terms	(209,516)	(96,972)
Proceeds from grants	39,526	12,128
(Increase) Decrease in prepayment for property, plant and equipment and intangible assets	(953)	32,495
Proceeds from disposal of property, plant and equipment	5,257	4,229
Proceeds from disposal of land use rights	–	895
Proceeds from disposal of investment property	–	1,849
Net cash outflow on acquisition of subsidiaries	–	(174,772)
Proceeds from disposal of available-for-sale financial instrument	3,289	–
Prepayment for investment in a subsidiary	(126,049)	–
Incorporation of an associate	(12,000)	–
Disposal of partial interest in a subsidiary	250	–
Capital injection into joint venture (Note A)	(11,550)	–
Dividend declared by joint venture	14,250	11,000
Net cash used in investing activities	(301,287)	(215,519)

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Group	
	2013	2012
	RMB'000	RMB'000
Cash flows from financing activities:		
Proceeds from bank and other borrowings	918,333	742,097
Repayment of bank and other borrowings	(675,168)	(661,579)
Proceeds from finance leaseback arrangement	100,000	–
Repayment under finance leaseback arrangement	(16,667)	–
Interest paid	(123,167)	(97,196)
Purchase of treasury shares	–	(96)
Settlement of dividend payables due to former shareholder	–	(7,887)
Contribution from non-controlling interests upon additional capital injection of a subsidiary	64,900	–
Acquisition of non-controlling interests in subsidiaries	(6,008)	–
Contribution from non-controlling interests upon incorporation of a subsidiary	–	6,900
Return of capital to non-controlling interests upon capital reduction of a subsidiary	–	(27,000)
Dividend paid to non-controlling interest in a subsidiary (Note B)	(3,200)	–
Proceeds from share placement	1,272,330	–
Decrease in pledged bank deposits	4,472	31,673
Net cash from (used in) financing activities	1,535,825	(13,088)
Net increase in cash and cash equivalents	1,395,648	31,781
Cash and cash equivalents at beginning of year	488,538	458,452
Effects of exchange rate changes on the balance of cash held in foreign currencies	(5,352)	(1,695)
Cash and cash equivalents at end of year	1,878,834	488,538

Note A:
During the financial year ended 31 December 2013, the Group has injected additional capital of RMB22,000,000 into Wenling Hanyang Resources Power Co., Ltd ("Wenling Hanyang"), of which RMB10,450,000 was offset against the dividend receivables from Wenling Hanyang from prior year.

Note B:
During the financial year ended 31 December 2013, the Group's subsidiaries have declared RMB17,584,000 of dividend to non-controlling interests, of which RMB3,200,000 has been paid, RMB9,484,000 was offset against amounts due from non-controlling shareholders of the subsidiaries, and remaining RMB4,900,000 is unsettled as at year end.

See accompanying notes to financial statements.

Notes to the Financial Statements

31 December 2013

1. General

SIIC Environment Holdings Ltd. (the "Company") is a public limited company, incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Group's immediate and ultimate holding companies are S.I. Infrastructure Holdings Limited ("SII") incorporated in British Virgin Islands ("BVI") and Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC") incorporated in Hong Kong respectively. The registered office and principal place of business of the Company is located at One Temasek Avenue, #37-03 Millenia Tower, Singapore 039192. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

The principal activity of the Company is that of investment holding. The principal activities of its principal subsidiaries, joint venture and associates are set out in Notes 25, 26 and 27 to the financial statements respectively.

The presentation currency of the financial statements is Renminbi ("RMB") as the Group's operations are substantially based in the People's Republic of China ("PRC").

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 28 March 2014.

2. Summary of significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.1 Basis of accounting (cont'd)

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

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

2.2 Adoption of new and revised standards

On 1 January 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. In addition, the Group early adopted the following new standards on consolidation, joint arrangements, associate and disclosure, which are effective for annual periods beginning on or after 1 January 2014:

FRS 27 (Revised)	*Separate Financial Statements*
FRS 28 (Revised)	*Investments in Associates and Joint Ventures*
FRS 110	*Consolidated Financial Statements*
FRS 111	*Joint Arrangements*
FRS 112	*Disclosure of Interests in Other Entities*

Except as described below, the adoption of these new/revised FRSs and INT FRSs in the current year has no material impact on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Except for additional disclosures as disclosed in Note 25, 26 and 27 to the financial statements, the adoption of FRS 112 in the current year has no impact to the Group's financial performance and position.

FRS 113 *Fair Value Measurement*

The scope of FRS 113 is broad, and applies to both financial instrument items and non-financial instrument items for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. FRS 113 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under FRS 113 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, FRS 113 includes extensive disclosure requirements.

In accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.2 Adoption of new and revised standards (cont'd)

FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

FRS 107 Disclosures – *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to FRS 107 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Group does not have such offsetting arrangements.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company and its subsidiaries. Control is achieved where the Company has (i) power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power over the investee to affect the amount of the returns.

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

(i) the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

(ii) potential voting rights held by the Company, other vote holders or other parties;

(iii) rights arising from other contractual arrangements; and

(iv) any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation (cont'd)

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

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

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

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.3.1 Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.4 Business combinations

(a) Business combinations for entities under common control

Business combinations involving entities or businesses under common control are excluded from FRS 103 *Business Combinations*, and are accounted for in the following manner:

- recording of assets and liabilities at previous carrying values; and
- recognition of the difference between purchase consideration and net assets transferred as an adjustment to equity via merger reserve.

(b) Business combinations for entities not under common control

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquired entity prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.4 Business combinations (cont'd)

(b) Business combinations for entities not under common control (cont'd)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

2.5 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as "negative goodwill" in profit or loss on the acquisition date.

2. Summary of significant accounting policies (cont'd)

2.5 Goodwill (cont'd)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating unit ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU *pro-rata* on the basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2.6 Investment in subsidiaries

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

2.7 Interest in associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets, relating to the arrangement. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associate or joint venture are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.7 Interest in associate and joint venture (cont'd)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from the disposal of a part interest in the associate or joint venture is included in the determination of the gain and loss on disposal of the associate or joint venture. In addition, the Group accounts of all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets and liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets and liabilities, the Group reclassifies the gain or loss from the equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use equity method when an investment in an associate becomes an investment in joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.7 Interest in associate and joint venture (cont'd)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with its associate or joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.8 Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and or the consideration paid and payable by the Group for the right to manage and operate the infrastructure for public service. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible assets (operating concession) are stated at cost less accumulated amortisation and any accumulated impairment loss and are amortised on a straight-line basis over the operation phase of the concession periods.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is recognised initially at the fair value of the consideration.

Construction of service concession related infrastructure

Revenue and costs relating to construction phase of a concession arrangement is accounted for in accordance to FRS 11 *Construction Contracts*. The Group recognised the construction revenue with reference to the fair value of the construction service delivered in the construction phase. The fair value of such service is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. Consequently, the Group recognised a profit margin on the construction work by reference to the stage of completion and in accordance with the policy for "Construction contracts" below.

Notes to the Financial Statements
31 December 2013

2. Summary of significant accounting policies (cont'd)

2.8 Service concession arrangements (cont'd)

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition (operating and maintenance income)" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability

When the Group has contractual obligations that it must fulfil as a condition of its licence for operating concessions under the "Intangible Asset" model, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore the infrastructure are recognised and measured in accordance with the policy set out for "Provisions" below.

Repair and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

2.9 Construction contracts

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

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

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

2. Summary of significant accounting policies (cont'd)

2.10 Revenue recognition

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

(a) Sale of goods

Revenue from the sale of goods (including water supplied under service concession arrangements) is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

(b) Construction revenue

Income from construction contracts is recognised as set out in the accounting policy for "Construction contracts" and "Service concession arrangements" above.

(c) Operating and maintenance income/ Service income

Operating and maintenance income relates to the income derived from managing and operation of infrastructure under service concession arrangements. All other income derived from the managing and operation of infrastructure under non-service concession arrangements is classified as service income.

Both operating and maintenance income and service income are recognised when services are rendered.

(d) Other revenue

Other revenue is accounted for on a straight-line basis over the service period as services are rendered.

Revenue from the installation of water meters is recognised to the extent of the expenses recognised that are recoverable or when the service is completed.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.10 Revenue recognition (cont'd)

(e) Financial income

Financial income from service concession arrangement is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Financial income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.11 Investment property

Investment property is property held to earn rentals and/or for capital appreciation, including properties under construction for such purpose. Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent expenditures (including refurbishment and decoration) incurred for investment property is capitalised as part of the carrying amount of the investment property.

The Group has adopted the cost model which is to measure investment property at cost less accumulated depreciation and any accumulated impairment loss. Investment property has a useful life of 30 years. Depreciation is computed on a straight-line basis over the estimated useful life. The carrying values of investment property is reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the asset is derecognised.

2.12 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (cont'd)

2.12 Property, plant and equipment (cont'd)

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis to write off the cost of property, plant and equipment less estimated residual value over their estimated useful lives. Assets under construction included in property, plant and equipment are not depreciated as these assets are not available for use.

The estimated useful lives of the assets are as follows:

Plants and machinery	–	5 to 25 years
Furniture, fittings and equipment	–	4 to 8 years
Motor vehicles	–	5 to 10 years
Leasehold buildings and improvement	–	5 to 35 years

Fully depreciated assets still in use are retained in the financial statements.

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.13 Leasing

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

Operating Lease - The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Operating Lease - The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.13 Leasing (cont'd)

Finance Lease – The Group as lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

2.14 Foreign currencies

The Group's consolidated financial statements are presented in RMB as the Group's operations are substantially based in the PRC. The functional currency of the Company is S$. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items, or on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated under "translation reserve" in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

(b) ***Consolidated financial statements***

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of "translation reserve".

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.14 Foreign currencies (cont'd)

(b) ***Consolidated financial statements (cont'd)***

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint venture that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of "translation reserve". Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.15 Borrowing costs

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

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

2.16 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants for the purchase of assets are taken to the grants received in advance in the first instance. They are deducted against the carrying amount of the assets upon utilisation of the grants for the purchase of assets which are capitalised.

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

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.17 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.18 Intangible assets (except for Goodwill)

Intangible assets acquired separately excluding operating concessions

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each financial year end, with the effects of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of "Impairment of non-financial assets" below).

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of "Impairment of non-financial assets" below).

Research expenditure

Expenditure on research activities (where no internally-generated intangible asset can be recognised) is recognised as an expense in the period in which it is incurred.

The following useful lives are used in the calculation of amortisation:

Operating concessions	–	7 to 50 years
Patent & licensing rights	–	10 years
Computer software	–	3 to 10 years

2.19 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. They are amortised on a straight-line basis over the lease terms of 20 to 50 years.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for using the weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying values of inventories to the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for the inventories, less all estimated costs of completion and the estimated costs necessary to make the sale.

2.21 Cash and cash equivalents in the statement of cash flows

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

2.22 Financial instruments

(a) Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified at fair value through profit or loss ("FVTPL").

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest is immaterial. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.22 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Loans and receivables (cont'd)

The Group classifies the following financial assets as loans and receivables:

(i) cash and cash equivalents, including pledged bank deposits

(ii) bills receivables

(iii) receivables under service concession arrangements

(iv) trade and other receivables, including retention monies

(v) amounts due from customers for contract work

(vi) balances due from subsidiaries, joint venture and associates

They are included in current assets, except those with maturities later than 12 months after the end of the reporting date which are classified as non-current assets (such as non-current retention monies and receivables under service concession arrangements).

Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.22 Financial instruments (cont'd)

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities as "FVTPL" or "other financial liabilities"

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Other financial liabilities

Other financial liabilities (including borrowings, trade payables and other payables) are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

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

(c) Derecognition

The Group derecognises a financial asset when the Group's contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The Group derecognises a financial liability when the Group's obligation under the liability is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.23 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 Treasury shares

When shares are reacquired by the Company, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

Where the treasury shares are cancelled, a reduction by the total amount of the purchase price paid by the Company for the treasury shares cancelled will be made to the "share capital" or "retained earnings" of the Company where the treasury shares, depending if the treasury shares are purchase out of "capital" or "profits" respectively.

When treasury shares are subsequently sold or reissued pursuant to equity compensation plans, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs, is recognised in the capital reserve.

2.25 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.26 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

In particular, Singapore companies make contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Contributions to pension schemes are recognised as an expense in the period in which the related service is performed.

Certain of the Group's subsidiaries outside Singapore make contributions to their respective countries' pension schemes. Such contributions are recognised as an expense in the period in which the related service is performed.

Benefits to ex-employees

The benefits are payable to certain categories of ex-employees up till their retirement age or death as provided for in the financial statements based on the requirement under the PRC regulations. The obligation is calculated using the staff entitlements at point of termination and is discounted to its present value.

Equity-settled share-based payment transactions

Employees of the Group are entitled to receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions.

This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2. Summary of significant accounting policies (cont'd)

2.27 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated.

Any impairment losses of continuing operations are recognised in profit or loss through the "Other expenses" line item.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment loss may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.28 Impairment of financial assets

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

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

For all other financial assets, objective evidence of impairment may include:

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

Notes to the Financial Statements

31 December 2013

2. Summary of significant accounting policies (cont'd)

2.28 Impairment of financial assets (cont'd)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. The following are the key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(i) Critical judgement in applying the Group's accounting policies

Judgement made by management in the application of FRSs that has a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the next financial year is discussed below.

(a) Determination of functional currency of the entities in the Group

FRS 21 *The effects of Changes in Foreign Exchange Rates* requires the Company and the entities in the Group to determine its functional currency to prepare the financial statements. When determining its functional currency, the Company and the entities in the Group consider the primary economic environment in which it operates, i.e. the one in which it primarily generates and expends cash. The Company and the entities in the Group may also consider the funding sources. Management applied its judgement and determined that the functional currency of the Company and subsidiary incorporated in Singapore is Singapore dollars.

3. Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty

(a) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Significant assumptions are required in determining the stage of completion, the extent of the contract costs incurred, the estimated total revenue and estimated total contract cost, as well as the recoverability of the contract costs incurred. Total contract revenue may include an estimation of the variation works recoverable from the customers. In making these estimates, management has relied on past experience and knowledge of project engineers.

The stage of completion of each construction contract is assessed on a cumulative basis in each accounting year. Changes in estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract could impact the amount of revenue and expense recognised in profit or loss in the year in which the change is made and in subsequent years. Such impact could potentially be significant.

The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 17 to the financial statements.

The Group has recognised revenue amounting to RMB485,740,000 (2012 : RMB205,711,000) from construction contracts. The gross profit margin for construction contracts is at 12.3% (2012 : 8.3%).

(b) Service concession arrangements

Where the Group performs more than one service under the concession arrangements, the consideration for the services provided under the concession arrangements is allocated to the components by reference to their relative fair values.

Estimation is exercised in determining the fair values of the receivables under service concession arrangements as well as impairment of the receivables under service concession arrangements and intangible assets subsequent to initial recognition. Discount rates, estimates of future cash flows and other factors are used in the determination of the amortised cost of financial asset and corresponding finance income.

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's intangible assets and receivables arising from service concession arrangements at the end of the reporting period is disclosed in Notes 23 and 16 to the financial statements respectively.

During the financial year, the Group has also recognised operating and maintenance revenue from service concession arrangements amounting to RMB600,362,000 (2012 : RMB467,040,000).

Notes to the Financial Statements

31 December 2013

3. Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(c) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water and water treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste water and water treatment plants, except for any upgrade element, are recognised and measured in accordance with FRS 37 *Provision, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

As at 31 December 2013, the provision for major overhauls amounted to RMB7,026,000 (2012 : RMB7,026,000) (Note 33).

(d) Provision for foreseeable loss

Foreseeable loss is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. An assessment is made at the end of each reporting period whether any major contracts are deemed onerous and provisions are made accordingly. Provision for foreseeable loss represent the estimated losses arising from the difference between the committed contract sum and estimated cost of sales for the unfulfilled performance of services committed. As at 31 December 2013, the provision for foreseeable loss amounted to RMB594,000 (2012 : RMB721,000).

(e) Impairment of loans and receivables

During the financial year, the Group has written back allowance for doubtful receivables (net of allowance during the year) amounting to RMB21,419,000 (2012 : Net write-back of RMB26,002,000).

The Group assesses at the end of each reporting period whether there is objective evidence of impairment. To determine whether there is objective evidence of impairment, the Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, management makes an assessment as to whether any impairment loss should be recorded. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. Where the expectation is different from the original estimate, such difference will impact the carrying amount loans and receivables.

The carrying amount of the Group's loan and receivables at the end of each reporting period is disclosed in Notes 12, 13, 16, 17, 18 and 19 to the financial statements.

Notes to the Financial Statements

31 December 2013

3. Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(f) Impairment of non-financial assets

The Group assesses whether there is any indicator of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment at least annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the asset or cash generating unit for 5 years or for the remaining concession period, whichever applicable, and do not include restructuring activities that the Group has yet to commit or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of goodwill, are given in Note 28 to the financial statements.

(g) Deferred tax

The Group reviews the carrying amount of deferred tax at the end of each reporting period. Deferred tax is recognised to the extent that it is probable that the temporary differences can be utilised or there is future taxable profit available against which the temporary differences can be utilised. This involves judgement regarding the future performance and tax laws. The carrying amounts of the deferred tax assets and liabilities are disclosed in Note 24.

(h) Income tax

The Group is subjected to income taxes in Singapore and PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provision in the period in which such determination is made. The carrying amount of the Group's income tax payable at 31 December 2013 is RMB19,694,000 (2012 : RMB23,547,000).

Notes to the Financial Statements

31 December 2013

3. Significant accounting judgements and estimates (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(i) Purchase price allocation

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities (including contingent liabilities) is recorded as goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The determination of the identifiable assets and liabilities (including contingent liabilities) fair value is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the consideration transferred for business combination. Where the contingent consideration meets the definition of a derivative and thus financial liability, it is subsequently remeasured to fair value at each reporting date.

The carrying amount of the contingent consideration on business combination at the end of the reporting period is disclosed in Note 36 to the financial statements.

The determination of the contingent consideration at fair value is estimated at the completion date using a Black-Scholes pricing model. The key assumptions take into consideration (i) historical dividends; (ii) share price fluctuation covariance of the Company; (iii) the probability of meeting certain profit targets. The dividend yield and probability of achieving profit targets are based on historical data and are not necessarily indicative of the actual outcome. The expected volatility reflects the assumption that the historical volatility over a period similar to the valuation date and the expected award date is indicative of future trends, which may not necessary be the actual outcome.

4. REVENUE

	Group	
	2013	2012
	RMB'000	RMB'000
Construction revenue	485,740	205,711
Operating and maintenance income from service concession arrangements	600,362	467,040
Service income	80,987	65,855
Others	47,385	65,873
	1,214,474	804,479

5. OTHER OPERATING INCOME (EXPENSES)

	Group	
	2013	2012
	RMB'000	RMB'000
Other operating income		
Installation of water meters	20,828	11,565
Foreign exchange gain	–	10,702
Others	6,463	3,597
	27,291	25,864
Other operating expenses	(13,220)	–
Foreign exchange loss	(13,220)	–

Notes to the Financial Statements
31 December 2013

6. PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following items:

	Note	Group 2013 RMB'000	Group 2012 RMB'000
Allowance for doubtful receivables (trade)	13	5,474	761
Reversal of allowance for doubtful receivables (trade)	13	(19,414)	(23,150)
Allowance for doubtful receivables (non-trade)	13	47	52
Reversal of allowance for doubtful receivables (non-trade)	13	(7,526)	(3,665)
Bad debts written off (trade)		390	1,250
Bad debts written off (non-trade)		1	69
Reversal of provision for foreseeable loss		(127)	(553)
Depreciation of property, plant and equipment	21	10,729	11,829
Amortisation of intangible assets	23	45,409	38,236
Amortisation of land use rights	23	361	583
Depreciation of investment property	22	189	190
Loss (Gain) on disposal of property, plant and equipment		9	(1,259)
Loss on disposal of intangible assets		–	1,008
Gain on disposal of land use rights		–	(128)
Gain on disposal of investment property		–	(1,495)
Gain on disposal of available-for-sale financial instrument		(289)	–
Provision of warranty expenses	29	18	618
Property, plant and equipment written off		48	683
Impairment loss on goodwill on consolidation		10,734	–
Operating lease expense		3,523	9,782
Foreign exchange loss (gain), net		13,220	(10,702)
Research costs		9,248	9,119
Cost of inventories recognised as expense		170,159	148,905
Transaction costs incurred in acquisition of subsidiaries		4,485	4,004
Audit fees:			
- paid to auditors of the Company		3,313	3,261
- paid to other auditors		1,897	1,200
Total audit fees		5,210	4,461
Non-audit fees:			
- paid to auditors of the Company		321	396
- paid to other auditors		492	680
Total non-audit fees (*)		813	1,076

(*) Total non-audit fees include agreed-upon assurance services and review of selected financial information. The amount excludes fees of RMB1,432,000 (2012 : RMB1,220,000) paid to other auditors which has been included under "Transaction costs incurred in acquisition of subsidiaries".

7. PERSONNEL EXPENSES

	Group	
	2013	2012
	RMB'000	RMB'000
Wages, salaries and bonuses	134,795	103,473
Defined benefit contribution	29,476	29,151
Others	22,127	10,305
	186,398	142,929

This includes amounts shown as Directors' remuneration and remuneration of key management personnel in Note 42.

8. FINANCE INCOME (EXPENSES)

	Group	
	2013	2012
	RMB'000	RMB'000
Finance income		
Interest income from bank balances	2,397	2,409
Financial income from service concession arrangements	190,056	120,716
Financial income from amortisation of retention monies	42	454
Others	1,926	844
	194,421	124,423
Finance expenses		
Interest expense on interest-bearing loans and borrowings	(123,999)	(99,698)
Financial expense on amortisation of bonds	–	(1,434)
Financial expense on amortisation of retention monies	(443)	(461)
Financial expense on amortisation of benefits to ex-employees	(1,281)	(1,279)
Others	–	(6)
	(125,723)	(102,878)

Notes to the Financial Statements

31 December 2013

9. OTHER INCOME (EXPENSES)

	Group	
	2013	2012
	RMB'000	RMB'000
Other income		
Compensation income	–	1,245
Government subsidies	7,411	10,931
Others	4,888	545
	12,299	12,721
Other expenses		
Fair value loss on derivative instrument	–	(2,975)
Impairment of goodwill (Note 28)	(10,734)	–
Others	–	(282)
	(10,734)	(3,257)

10. INCOME TAX EXPENSE

	Group	
	2013	2012
	RMB'000	RMB'000
Current tax		
- Current year	47,081	26,753
- Overprovision in respect of prior years	(5,771)	(6,140)
Deferred tax		
- Current year	32,003	15,038
- Under (Over) provision in respect of prior years	929	(8,014)
	74,242	27,637

The corporate income tax applicable to the Singapore companies of the Group is 17% (2012 : 17%).

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax ("EIT") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. In accordance with the "Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises", certain subsidiaries, engaging in public infrastructure projects, are entitled to full exemption from EIT for the first three years and a 50% reduction in EIT for the next three years from the first year of generating operating income. In addition, certain subsidiaries have obtained the High New Technology Status and are entitled a reduced tax rate of 15%. Furthermore, a subsidiary has obtained approval from local tax authority, under West Area Development Scheme and is entitled a 50% reduction in EIT for eight years starting from year of approval.

10. INCOME TAX EXPENSE (cont'd)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	Group 2013 RMB'000	Group 2012 RMB'000
Profit before tax	288,864	204,882
Tax at the domestic rates applicable to in the countries where the Group operates [(a)]	67,840	42,353
Adjustments:		
Non-deductible expenses	9,338	6,502
Income not subject to tax	(6,988)	(5,515)
Benefits from previously unrecognised tax losses	(1,057)	(1,120)
Overprovision in respect of prior years	(4,842)	(14,154)
Share of results of associates and joint venture	(2,885)	(3,908)
Deferred tax asset not recognised	7,873	6,837
Utilisation of previously unrecognised deferred tax assets	(7,195)	(11,751)
Deferred tax recognised in current year arising from temporary differences associated with undistributed earnings of PRC entities	12,874	7,426
Withholding tax charged on dividend declared	–	543
Others	(716)	424
	74,242	27,637

[(a)] The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Notes to the Financial Statements
31 December 2013

11. EARNINGS PER SHARE

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

	Group	
	2013 RMB'000	2012 RMB'000
Earnings figures are calculated as follows:		
Earnings for the purpose of basic and diluted EPS (profit for the year attributable to owners of the Company)	150,095	130,516
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of basic EPS	5,512,270	5,050,186
Effects of dilutive potential ordinary shares:		
- Consideration shares in relation to the acquisition of Rise Wealth Group	–	1,184
- Contingent "earn-out" consideration in relation to the acquisition of Rise Wealth Group	42,475	–
Weighted average number of ordinary share for the purpose of diluted EPS	5,554,745	5,051,370

12. CASH AND CASH EQUIVALENTS/ PLEDGED BANK DEPOSITS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Cash and bank balances	1,902,816	516,992	1,287,191	40,911
Pledged bank deposits (Note 41)	(23,982)	(28,454)	–	–
Cash and cash equivalents	1,878,834	488,538	1,287,191	40,911

Cash and cash equivalents include short-term deposits of RMB90 million (2012 : Nil) as at year end with guaranteed principal placed with banks for earning of short-term interest. Cash and cash equivalents have maturity period of less than three months and carry interest at market rate, ranging from 0.01% to 5.0% (2012 : 0.1% to 0.35%) per annum.

The pledged bank deposits are pledged to banks for bankers' guarantees provided to customers for the performance of contracts granted to the Group. The pledged bank deposits will be released upon the completion of relevant contracts. The pledged bank deposits have maturity period of less than six months and carry interest at fixed interest rates ranging from 0.35% to 3.5% (2012 : 0.35% to 3.75%) per annum.

RMB480 million (2012: RMB292 million) of the Group's cash and cash equivalents are held with PRC banks and are subject to certain restrictions based on rules and regulations issued by State Administration of Foreign Exchange in PRC.

13. TRADE RECEIVABLES/ BILLS RECEIVABLES/ OTHER RECEIVABLES/ RETENTION MONIES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Trade receivables	374,130	330,198	265	9,023
Retention monies	10,563	17,793	–	–
	384,693	347,991	265	9,023
Less: Allowance for doubtful receivables	(14,971)	(28,911)	–	–
	369,722	319,080	265	9,023
Retention monies (non-current)	(960)	(705)	–	–
Trade receivables, inclusive of retention monies (current)	368,762	318,375	265	9,023
Bills receivables (current)	540	8,885	–	–
Other receivables	69,050	113,876	1,967	290

Notes to the Financial Statements

31 December 2013

13. TRADE RECEIVABLES/ BILLS RECEIVABLES/ OTHER RECEIVABLES/ RETENTION MONIES (cont'd)

(i) Trade receivables are non-interest bearing with credit periods generally ranging from 0 to 180 (2012 : 0 to 180) days.

(ii) Bills receivables are non-interest bearing with credit periods generally ranging from 90 to 180 (2012 : 30 to 180) days.

(iii) The following is an aged analysis of trade receivables, net of allowance for doubtful receivables, presented based on the invoice date at the end of the reporting period:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 30 days	88,948	83,741	–	–
Within 31-60 days	40,930	41,211	–	–
Within 61-90 days	37,526	36,221	–	8,752
Within 91-180 days	47,188	48,145	–	–
Within 181-365 days	74,009	67,271	–	271
Over 365 days	80,161	41,786	265	–
	368,762	318,375	265	9,023

(iv) Retention monies relate mainly to the construction contracts. The non-current portion of retention sums are carried at amortised cost using a weighted average effective interest rate of 6.55% (2012 : 6.65%) per annum.

(v) Trade receivables pledged by the Group is disclosed in Note 41 to the financial statements.

(vi) Trade receivables that are past due but not impaired

The Group and the Company have trade receivables amounting to RMB225,024,000 and RMB265,000 (2012 : RMB83,924,000 and RMB9,023,000) that are past due at the end of the reporting period but not impaired. The Group has not recognised an allowance for doubtful receivables because management is of the opinion that the amounts will be fully recoverable as there has not been a significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these receivables and the analysis of their aging (based on invoice date) at the end of the reporting period is as follows:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Within 30 days	1,301	18,237	–	–
Within 31-60 days	15,952	20,753	–	–
Within 61-90 days	25,907	15,396	–	8,752
Within 91-180 days	40,607	8,993	–	–
Within 181-365 days	66,905	12,544	–	271
Over 365 days	74,352	8,001	265	–
	225,024	83,924	265	9,023

13. TRADE RECEIVABLES/ BILLS RECEIVABLES/ OTHER RECEIVABLES RETENTION MONIES (cont'd)

(vii) Trade receivables past due and impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Trade receivables	35,677	170,153
Less: Allowance for doubtful receivables	(14,971)	(28,911)
	20,706	141,242

Movements in the allowance of doubtful receivables (trade)

	Group	
	2013 RMB'000	2012 RMB'000
At beginning of the year	28,911	47,254
Allowance made during the year (Note 6)	5,474	761
Reversal of allowance during the year (Note 6)	(19,414)	(23,150)
Acquisition of a subsidiary	–	4,046
At end of the year	14,971	28,911

(viii) Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are slow in making payments or are in significant financial difficulties and have defaulted on payments. The Company has no trade receivable amounts that are past due and impaired as at 31 December 2013 and 2012.

The Group and the Company have trade receivables amounting to RMB123,032,000 and RMB Nil (2012: RMB93,209,000 and RMB Nil) respectively that that are not past due and not impaired at the end of the reporting period.

(ix) Other receivables

Other receivables mainly comprise (i) deposits of RMB7,078,000 (2012 : RMB9,678,000); (ii) non-interest bearing loan to non-controlling shareholders of the subsidiaries of RMB2,028,000 (2012 : RMB22,893,000) and is repayable on demand; (iii) interest-bearing amount due from third party of RMB38,000,000 (2012 : RMB10,000,000) with interest rate ranging between 7.35% to 21.6% (2012 : 20.0%) per annum; (iv) interest receivable on amount due from third party of RMB1,089,000 (2012 : RMB4,855,000); (v) receivables for litigation of RMB Nil (2012 : RMB7,497,000); and (vi) proceeds receivable for sale of assets of RMB Nil (2012 : RMB5,170,000). These amounts are non-trade and unsecured. The carrying amount of other receivables approximate their fair values.

Notes to the Financial Statements

31 December 2013

13. TRADE RECEIVABLES/ BILLS RECEIVABLES/ OTHER RECEIVABLES RETENTION MONIES (cont'd)

(ix) Other receivables (cont'd)

Movements in the allowance of doubtful receivables (non-trade):

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
At beginning of the year	22,317	1,093
Allowance made during the year (Note 6)	47	52
Reversal of allowance during the year (Note 6)	(7,526)	(3,665)
Acquisition of a subsidiary	–	24,837
Exchange differences	1	–
At end of the year	14,839	22,317

14. PREPAYMENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Prepayments for property, plant and equipment	–	220	–	–
Prepayments to suppliers	34,537	97,705	–	–
Others	959	3,844	209	95
Total prepayment, current	35,496	101,769	209	95
Prepayments for property, plant and equipment	4,634	–	–	–
Prepayment for investment in subsidiary[a]	122,147	–	–	–
Total prepayment, non-current	126,781	–	–	–

[a] A prepayment is made with regards to the purchase consideration for acquisition of 70% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited (Note 46).

15. INVENTORIES

	Group 2013 RMB'000	Group 2012 RMB'000
Inventories	17,745	16,284

Inventories comprise consumable supplies held for internal use.

16. SERVICE CONCESSION ARRANGEMENTS

The Group through its subsidiaries engages in the businesses of waste water treatment and water supply in the PRC (the "operator") and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment and water supply plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; or (iii) operate and maintain the waste water treatment and water supply plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 33 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment and water supply plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group provides to the waste water treatment and water supply plants, and retain the beneficial entitlement to any residual interest in the waste water treatment and water supply plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, *inter alia*, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment and water supply plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31 December 2013, the Group had 30 (2012 : 28) service concession arrangements on waste water treatment, 4 (2012 : 4) service concession arrangement on water treatment and distribution and 1 (2012 : 1) service concession arrangement on waste incineration. A summary of the major terms of the principal service concession arrangements with a contracted design capacity of 100,000/ tons day or more is set out below:

Notes to the Financial Statements

31 December 2013

16. SERVICE CONCESSION ARRANGEMENTS (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
Chenzhou Nanfang Waste Water Treatment Co., Ltd.	郴州市污水处理	Chenzhou, Hunan Province	郴州市城市管理局	BOT (Financial assets)	120,000	25 years from 2003
Dongguan City DaLang Shui Kou Xing Bao Water Treatment Co., Ltd.	东莞市大朗污水处理项目	Dongguan, Guangdong Province	东莞市大朗镇人民政府	BOT (Financial assets)	100,000	25 years from 2009
Huangshi Kaidi Water Services Co., Ltd.	黄石市磁湖污水处理项目	Huangshi, Hubei Province	黄石市市政公用局	BOT (Financial assets)	125,000	27 years from 2008
Huizhou City Nanfang Water Co., Ltd.	惠州市梅湖水处理项目一期及二期	Huizhou, Guangdong Province	惠州市环保局	BOT and TOT (Financial assets)	200,000	25 years from 2005
Shenzhen City Nanfang Water Co., Ltd.	深圳市龙岗一包污水处理	Shenzhen, Guangdong Province	深圳市水务局	BOT (Financial assets)	280,000	22 years from 2009
SIIC Environment Holdings (Dezhou) Co., Ltd. (formerly known as "Dezhou City Lianhe Runtong Water Treatment Co., Ltd.")	德州市污水处理	Dezhou, Shandong Province	德州市人民政府	TOT (Financial assets)	100,000	20 years from 2006
SIIC Environment Holdings (Weifang) Co., Ltd. (formerly known as "United Environment Co., Ltd.")	潍坊市污水处理	Weifang, Shandong Province	潍坊市人民政府	TOT (Financial assets)	100,000	20 years from 2004
Tianmen Kaidi Water Services Co., Ltd.	天门市城区供水项目	Tianmen, Hubei Province	天门市建设委员会	BOT and TOT (Intangible assets)	150,000	25 years from 2005
Weifang City Tap Water Co., Ltd.	潍坊市自来水供水	Weifang, Shandong Province	潍坊市人民政府	BOT (Intangible assets)	320,000	25 years from 2007
Weifang Shangshi Environment Waste Water Treatment Co., Ltd	潍坊市污水处理厂迁扩建项目	Weifang, Shandong Province	潍坊市人民政府	BOT (Financial assets)	200,000	30 years from 2014[(a)]
Wuhan Hanxi Waste Water Treatment Co., Ltd.	武汉汉西污水处理	Dongxihu, Hubei Province	武汉市人民政府	BOT (Financial assets)	400,000	25 years from 2004
Wuhan Huang-Pi Kaidi Water Services Co., Ltd.	武汉市黄陂区供水项目	Huang-Pi, Hubei Province	武汉市黄陂区政府	BOT (Intangible assets)	150,000	30 years from 2008

(a) The service concession arrangement agreement was signed during 2013. The plant is currently under construction and is expected to be completed in 2014.

16. SERVICE CONCESSION ARRANGEMENTS (cont'd)

Receivables under service concession arrangements

As described in the accounting policy for "Service concession arrangements" set out in Note 2.8, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concessions) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in Note 23, and the financial asset component is as follows:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Receivables under service concession arrangements	2,715,086	2,532,475
Less: current portion classified as current assets	(72,497)	(57,449)
Non-current portion	2,642,589	2,475,026

During the current financial year, the Group recognised financial income of RMB190,056,000 (2012 : RMB120,716,000) and construction revenue of RMB394,681,000 (2012 : RMB107,247,000) as revenue from service concession arrangements. The effective interest applied ranges from 5.76% to 7.83% (2012 : 5.76% to 7.83%) per annum.

The relevant assets pledged by the Group are disclosed in Note 41 to the financial statements.

Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water treatment and water supply plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste water treatment and water supply plants, except for any upgrade element, are recognised and measured in accordance with FRS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

Movements in provision for major overhauls are as follows:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
At beginning of the year	7,026	–
Provision made during the year	–	7,026
At end of the year (Note 33)	7,026	7,026

Notes to the Financial Statements

31 December 2013

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

	Group	
	2013 RMB'000	2012 RMB'000
Contract costs incurred plus recognised profits less recognised losses	441,803	760,979
Less: Progress billings	(384,126)	(736,888)
	57,677	24,091
Analysed for reporting purposes as:		
Amounts due from customers for contract work	73,616	82,083
Amounts due to customers for contract work	(15,939)	(57,992)
	57,677	24,091

Advances received from customers for contract work amounted to RMB82,751,000 classified under other payables (2012 : RMB40,443,000 classified under amounts due from customers for contract work).

The gross retentions held by customers for contract works are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Current (included in trade receivables)	9,603	17,088

Amounts due from customers for contract work included provision for foreseeable losses of RMB594,000 (2012 : RMB721,000) as at year end.

18. AMOUNTS DUE FROM (TO) SUBSIDIARIES

Amounts due from (to) subsidiaries are non-trade, unsecured and non-interest bearing and repayable on demand.

19. AMOUNTS DUE FROM JOINT VENTURE/ AMOUNTS DUE FROM ASSOCIATE

The amounts due from joint venture and associate are non-trade, unsecured, non-interest bearing and repayable on demand.

Notes to the Financial Statements

31 December 2013

20. AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Unquoted equity shares, at cost	2,394	5,394

These equity instruments represent ordinary shares in one (2012: two) PRC incorporated private company. Management is of the view that the fair value of unquoted shares cannot be measured reliably as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be assessed. Accordingly, the investment is stated at cost.

21. PROPERTY, PLANT AND EQUIPMENT

	Group					
	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Leasehold buildings and improvement RMB'000	Construction in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2012	44,602	8,363	14,529	65,176	–	132,670
Additions	740	981	2,478	53	2,117	6,369
Disposals	(9,934)	(421)	(1,811)	(902)	–	(13,068)
Acquisition of a subsidiary (Note 38)	2,328	1,545	7,434	751	–	12,058
Reclassification	16,410	(83)	(163)	(15,884)	(280)	–
Exchange differences	–	5	–	34	–	39
At 31 December 2012	54,146	10,390	22,467	49,228	1,837	138,068
Additions	404	537	2,156	–	696	3,793
Disposals	(542)	(697)	(1,259)	–	–	(2,498)
Reclassification/transfers	(2,350)	(329)	(682)	(193)	(2,533)	(6,087)
Exchange differences	–	(9)	–	(53)	–	(62)
At 31 December 2013	51,658	9,892	22,682	48,982	–	133,214

Notes to the Financial Statements

31 December 2013

21. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Group					
	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Leasehold buildings and improvement RMB'000	Construction in-progress RMB'000	Total RMB'000
Accumulated depreciation						
At 1 January 2012	4,894	4,372	5,924	7,856	–	23,046
Depreciation charge for the year	3,856	1,551	3,471	2,951	–	11,829
Disposals	(2,690)	(239)	(1,024)	(297)	–	(4,250)
Reclassification	(84)	46	38	–	–	–
Exchange differences	–	2	–	11	–	13
At 31 December 2012	5,976	5,732	8,409	10,521	–	30,638
Depreciation charge for the year	3,774	1,227	2,785	2,943	–	10,729
Disposals	(540)	(653)	(1,159)	–	–	(2,352)
Reclassification/transfers	(779)	(154)	(476)	(42)	–	(1,451)
Exchange differences	–	(5)	–	(28)	–	(33)
At 31 December 2013	8,431	6,147	9,559	13,394	–	37,531
Carrying amount						
At 31 December 2013	43,227	3,745	13,123	35,588	–	95,683
At 31 December 2012	48,170	4,658	14,058	38,707	1,837	107,430

Notes to the Financial Statements

31 December 2013

21. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Company		
	Furniture, fittings and equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost			
At 1 January 2012	124	907	1,031
Additions	20	–	20
Exchange difference	5	34	39
At 31 December 2012	149	941	1,090
Additions	19	–	19
Exchange difference	(9)	(53)	(62)
At 31 December 2013	159	888	1,047
Accumulated depreciation			
At 1 January 2012	49	198	247
Depreciation charge for the year	27	186	213
Exchange difference	2	9	11
At 31 December 2012	78	393	471
Depreciation charge for the year	25	183	208
Exchange difference	(5)	(28)	(33)
At 31 December 2013	98	548	646
Carrying amount			
At 31 December 2013	61	340	401
At 31 December 2012	71	548	619

Notes to the Financial Statements

31 December 2013

22. INVESTMENT PROPERTY

	Group	
	2013	2012
	RMB'000	RMB'000
Cost		
At 1 January	4,928	5,188
Disposals	–	(260)
At 31 December	4,928	4,928
Accumulated depreciation		
At 1 January	330	150
Depreciation charge for the year	189	190
Disposals	–	(10)
At 31 December	519	330
Carrying amount		
At 31 December	4,409	4,598

The Group has no restriction on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

The property rental income earned by the Group from its investment property, situated in the PRC, amounted to RMB550,000 (2012 : RMB550,000) with negligible direct operating expenses. During the year ended 31 December 2012, the Group disposed of an investment property, for cash proceeds of RMB1,849,000.

The latest independent valuation was conducted on 5 January 2014 for the investment property as at 31 December 2013. The valuation was based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market. The fair value of the property as at 31 December 2013 was approximately RMB7,700,000.

Notes to the Financial Statements

31 December 2013

23. INTANGIBLE ASSETS/ LAND USE RIGHTS

	Group				
	Operating concessions RMB'000	Patent & licensing rights RMB'000	Computer software RMB'000	Total intangible assets RMB'000	Land use rights RMB'000
Cost					
At 1 January 2012	929,425	4,781	3,736	937,942	21,395
Additions	113,875	–	1,256	115,131	140
Government grant utilised	(131,041)	–	–	(131,041)	–
Disposals	(15,502)	–	(273)	(15,775)	(897)
Acquisition of a subsidiary (Note 38)	124,715	–	22	124,737	–
Transfers[(a)]	4,131	–	–	4,131	(4,131)
At 31 December 2012	1,025,603	4,781	4,741	1,035,125	16,507
Additions	360,865	–	519	361,384	–
Government grant utilised	(53,526)	–	–	(53,526)	–
Disposals[(b)]	(144,025)	–	–	(144,025)	–
At 31 December 2013	1,188,917	4,781	5,260	1,198,958	16,507
Accumulated amortisation					
At 1 January 2012	71,337	2,426	1,998	75,761	1,966
Amortisation for the year	36,810	773	653	38,236	583
Disposals	(472)	–	(54)	(526)	(301)
Transfers	1,051	–	–	1,051	(1,051)
At 31 December 2012	108,726	3,199	2,597	114,522	1,197
Amortisation for the year	44,363	538	508	45,409	361
Disposals[(b)]	(40,360)	–	–	(40,360)	–
At 31 December 2013	112,729	3,737	3,105	119,571	1,558

(a) The transfers relate to assets classified as operating concessions related assets upon signing of service concession arrangement contracts or reassessment of service concession arrangements.

(b) Disposals during the year relate to assets disposed under finance leaseback arrangement (Note 32).

Notes to the Financial Statements

31 December 2013

23. INTANGIBLE ASSETS/ LAND USE RIGHTS (cont'd)

	Group				
	Operating concessions RMB'000	Patent & licensing rights RMB'000	Computer software RMB'000	Total intangible assets RMB'000	Land use rights RMB'000
Accumulated impairment loss					
At 1 January 2012	30,794	–	–	30,794	–
Reversal of impairment loss upon disposal	(6,794)	–	–	(6,794)	–
At 31 December 2012 and 31 December 2013	24,000	–	–	24,000	–
Carrying amount					
At 31 December 2013	1,052,188	1,044	2,155	1,055,387	14,949
At 31 December 2012	892,877	1,582	2,144	896,603	15,310
Average remaining useful lives (years)					
At 31 December 2013	6 – 43	2 - 3	1 - 9		14 - 47
At 31 December 2012	7 – 44	3 - 4	1 - 10		15 - 48

The relevant assets pledged by the Group including those under finance leaseback arrangements, are disclosed in Note 41 to the financial statements.

Operating concessions

Operating concessions represent the rights to charge users of the public service for the water supply contracts. Such operating concession rights fall within the scope of INT FRS 112 *Service Concession Arrangements*. The operating concessions are stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group. Details of these operating concessions are set out in Note 16.

Land use rights

The Group has land use rights over state-owned land in the PRC where the subsidiaries' operations reside. The land use rights are not transferable.

Capitalisation of borrowing costs

Borrowing costs of RMB3,856,000 (2012 : RMB Nil) were capitalised.

23. INTANGIBLE ASSETS/ LAND USE RIGHTS (cont'd)

Amortisation expense

The amortisation of intangible assets and land use rights relating to operating concessions is included in the "Cost of sales", the remaining is included in "Selling and distribution expenses" and "Administrative expenses" line item in the consolidated statement of profit or loss.

Impairment testing

Management assessed for indicators of impairment annually and is of the view that there is no further impairment on any intangible assets during the financial year ended 31 December 2013.

Impairment loss reversed

During the financial year ended 31 December 2012, the Group recognised a reversal of impairment loss of RMB6,794,000 in respect of a water plant which was disposed.

No such reversal of impairment loss was taken up during the financial year ended 31 December 2013.

24. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised by the Group and movement thereon during the current and prior years:

	Arising from service concession arrangements RMB'000	Undistributed earnings of PRC entities RMB'000	Fair value adjustments on business combinations RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2012	44,361	8,172	–	–	(7,313)	45,220
Charged (Credited) to profit or loss	7,486	7,426	(1,359)	(1,203)	(5,326)	7,024
Acquisition of a subsidiary (Note 38)	8,862	–	82,465	–	(6,945)	84,382
Exchange difference	–	47	–	–	–	47
At 31 December 2012	60,709	15,645	81,106	(1,203)	(19,584)	136,673
Charged (Credited) to profit or loss	33,953	390	(3,777)	(2,245)	4,611	32,932
Exchange difference	–	(36)	–	–	–	(36)
At 31 December 2013	94,662	15,999	77,329	(3,448)	(14,973)	169,569

Notes to the Financial Statements

31 December 2013

24. DEFERRED TAX (cont'd)

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	185,488	161,342	–	1,324
Deferred tax assets	(15,919)	(24,669)	–	–
	169,569	136,673	–	1,324

At the end of the reporting period, the Group have unused tax losses of approximately RMB25,905,000 (2012 : RMB42,472,000) available for offset against future assessable profits.

As at 31 December 2013, certain subsidiaries have unused tax losses of approximately RMB5,826,000, RMB14,501,000, RMB2,768,000, RMB1,462,000 and RMB1,348,000 (2012 : RMB4,558,000, RMB12,794,000, RMB16,011,000, RMB3,215,000 and RMB5,894,000) expiring 2014, 2015, 2016, 2017 and 2018 (2012 : 2013, 2014, 2015, 2016, and 2017) respectively.

A deferred tax asset amounting to approximately RMB3,448,000 (2012 : RMB1,203,000) in respect of tax losses amounting to approximately RMB13,792,000 (2012 : RMB4,811,000) has been recognised for the Group. No deferred tax asset was recognised in respect of the remaining tax losses of the Group of RMB12,113,000 (2012 : RMB37,661,000) due to the unpredictability of future profit streams.

The use of these tax losses is subjected to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The use of PRC tax losses will expire within the next five years.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. As at end of the reporting period, the Group has recognised deferred tax liability of RMB15,999,000 (2012: RMB15,645,000) in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

25. INVESTMENT IN SUBSIDIARIES

	Company	
	2013	2012
	RMB'000	RMB'000
Unquoted equity shares, at cost	518,693	525,698
Less: Impairment loss	(14,011)	(21,016)
	504,682	504,682
Exchange differences	(56,269)	(30,645)
	448,413	474,037

In prior years, the Company recognised an impairment loss of RMB21,016,000 in respect of the cost of investment in Wuhan Kaidi Management & Operation Co., Ltd. ("Wuhan M&O") and Wuhan Kaidi Water Services Co., Ltd. (formerly known as "Wuhan Kaidi Technology Co., Ltd.") which mainly arose from Group's expectations that the margins would be deteriorated in view of the challenging market conditions and stiff competition.

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Management assessed for indicators of impairment annually and is of view that there is no further impairment loss is required. With the deregistration of Wuhan M&O during the year, impairment of RMB7,005,000 is written-back for the year ended 31 December 2013 (2012: Nil).

Particulars of the Group's significant subsidiaries as at 31 December are as follows:

Name of subsidiaries	Place of incorporation and operation	Principal activities	Percentage of effective equity interest and voting power held by the Group	
			2013 %	2012 %
Dongguan City Da Lang Shui Kou Xing Bao Water Treatment Co., Ltd.	PRC	Waste water treatment	75.5[1]	75.5[1]
Huizhou City Nanfang Water Co., Ltd.	PRC	Waste water treatment	76.419[2]	69.378[2]
Shenzhen City Nanfang Water Co., Ltd.	PRC	Waste water treatment	76.419[2]	69.378[2]
SIIC Environment Holdings (Weifang) Co., Ltd. (formerly known as "United Environment Co., Ltd.") ("SIIC Weifang")	PRC	Investment holding, waste water treatment and reclaimed water treatment	75.5[3]	75.5[3]
Weifang City Tap Water Co., Ltd.	PRC	Treatment and supply of potable water	51.3[4]	51.3[4]
Wuhan Hanxi Waste Water Treatment Co., Ltd.	PRC	Waste water treatment	80[5]	80[5]
Wuhan Huang-Pi Kaidi Water Services Co., Ltd.	PRC	Treatment and supply of potable water	100[6]	100[6]

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

The above subsidiaries are audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

All the above subsidiaries are indirectly held by the Company or jointly by the Company and its subsidiaries.

[1] 100% held by SIIC Weifang.

[2] 100% held by Nanfang Water Co., Ltd. ("Nanfang Water"). On Nanfang Water's equity interest, 62.133% is held by Shenzhen City Bao Jia New Water Co., Ltd. ("SZBJX") and 14.286% is held by KC & Johnson International Limited ("KC&J") (2012 : 69.378% held by SZBJX). Both SZBJX and KC&J are wholly owned subsidiaries of the Group.

[3] 60.4% held by S.I. United Water Holdings Limited ("SIHK") and 15.1% held by Hong Kong Jinhaide Holdings Limited ("JHDHK"). Both SIHK and JHDHK are wholly owned subsidiaries of the Group.

[4] 68% held by SIIC Weifang. The percentage of effective equity interest held by the Group in SIIC Weifang is denoted under footnote 3 above.

[5] 43% held by the Company and 37% held by SIIC Environment Holdings (Wuhan) Co., Ltd. ("SIIC Wuhan").

[6] 100% held by Asia Water Investments Pte. Ltd. ("AWI"), a wholly owned subsidiary of the Company.

Composition of the Group

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	**Place of incorporation and operation**	**Number of wholly-owned subsidiaries**	
		2013	**2012**
Investment holding	Singapore	1	1
	Hong Kong	5	4
	BVI	7	7
	PRC	1	1
Waste water treatment	PRC	5	5
Water supply	PRC	3	3
Others	PRC	3	5
		25	26
Investment holding	PRC	1	1
Waste water treatment	PRC	26	25
Water supply	PRC	3	3
Others	PRC	7	8
		37	37

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests

Information about the composition of the Group at the end of the reporting period is as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of effective equity interest and voting rights held by non-controlling interests 2013 %	2012 %	Profit allocated to non-controlling interests 2013 RMB'000	2012 RMB'000	Accumulated non-controlling interests 2013 RMB'000	2012 RMB'000
SIIC Weifang	PRC	24.5	24.5	38,649	1,954	165,317	66,925
Subsidiaries with individually immaterial non-controlling interests				25,878	44,775	394,222	419,540
				64,527	46,729	559,539	486,465

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SIIC Weifang	
	2013	2012
	RMB'000	RMB'000
Current assets	354,756	154,739
Non-current assets	520,753	466,637
Current liabilities	(197,285)	(342,768)
Non-current liabilities	(3,461)	(5,445)
Equity attributable to owners of the Company	509,446	206,238
Non-controlling interests	165,317	66,925
Revenue	37,004	40,400
Profit for the year	157,750	7,976
Profit attributable to owners of the Company	119,101	6,022
Profit attributable to non-controlling interests	38,649	1,954
Profit for the year, representing total comprehensive income for the year	157,750	7,976
Dividends declared to non-controlling interests	4,900	–
Net cash (outflow) inflow from operating activities	(9,662)	64,894
Net cash (outflow) inflow from investing activities	(129,920)	9
Net cash inflow (outflow) from financing activities	273,749	(100,281)
Net cash inflow (outflow)	134,167	(35,378)

Change in the Group's ownership interest in subsidiaries

During the financial year ended 31 December 2013, the Group's ownership interests in the following subsidiaries were changed without a change in control.

(i) **Nanfang Water**

The Group acquired additional 3.11% effective interest in Nanfang Water from its non-controlling interests for total consideration of RMB18,330,000 and injected additional capital amounting to RMB94,000,000, increasing its continuing effective interest from 69.378% as at 31 December 2012 to 76.419% as at 31 December 2013.

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

(ii) **Jingjiang City Xingang Waste Water Treatment Co., Ltd. ("Jingjiang Nanfang") and Jiangsu Nanfang Water Co., Ltd. ("Jiangsu Nanfang")**

The Group's 76.419% subsidiary, Nanfang Water, acquired the remaining 30% equity interests in its 70% owned subsidiaries, Jingjiang Nanfang and Jiangsu Nanfang for a consideration of RMB15,088,000 and RMB5,424,000 respectively. Following the acquisitions, Nanfang Water now holds 100% equity interest in both Jingjiang Nanfang and Jiangsu Nanfang. The effective interests held by the Group in Jingjiang Nanfang and Jiangsu Nanfang increased from 48.565% as at 31 December 2012 to 76.419% as at 31 December 2013.

(iii) **Shenzhen City Guan Lan Nanfang Water Co., Ltd. ("Guan Lan Nanfang")**

The Group's 76.419% subsidiary, Nanfang Water, disposed of 5% of its direct interest in Guan Lan Nanfang for a consideration of RMB250,000. Following the disposal, Nanfang Water now holds 60% equity interest in Guan Lan Nanfang. The effective interest held by the Group in Guan Lan Nanfang increased from 45.096% as at 31 December 2012 to 45.851% as at 31 December 2013.

(iv) **SIIC Weifang**

The Group injected additional share capital of RMB200,000,000 into SIIC Weifang. The injection is a proportionate share injection with no change in the Group's continuing effective interests of 75.5% as at 31 December 2012 and 31 December 2013.

(v) **SIIC Wuhan**

The Group injected additional share capital of RMB74,710,000 into SIIC Wuhan via AWI during the year. After the capital injection, the Company and AWI hold 61.63% and 38.37% interest in SIIC Wuhan respectively. The Group's effective interest in SIIC Wuhan remains unchanged at 100%.

The relevant proceeds for the interests acquired and disposed for the above entities is as shown below.

2013	**Nanfang Water RMB'000**	**Jingjiang Nanfang RMB'000**	**Jiangsu Nanfang RMB'000**	**Guan Lan Nanfang RMB'000**	**Total RMB'000**
Proceeds received (amounts paid) on changes in ownership interest in subsidiary	(112,330)	(15,088)	(5,424)	250	(132,592)
Non-controlling interest acquired (Interest disposed)	110,635	12,555	10,743	(1,164)	132,769
Difference recognised in equity	(1,695)	(2,533)	5,319	(914)	177

Notes to the Financial Statements

31 December 2013

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Deregistration of subsidiaries

During the year ended 31 December 2013, wholly-owned subsidiaries Bengbu Xinya Water Services Co., Ltd. and Wuhan M&O and non-wholly owned subsidiary Zunyi Lianhe Runtong Water Treatment Co., Ltd. have been deregistered.

Financial support

The Company has agreed to provide adequate funds to enable several of its wholly-owned subsidiaries to meet in full its financial obligations as and when they fall due for a period of twelve months from their issuance of their financial statements. These subsidiaries are investment holding entities with minimal income and expenses. The Company deemed minimal risk in, and is not contractually obliged to provide the financial support.

26. INTEREST IN JOINT VENTURE

	Group	
	2013 RMB'000	2012 RMB'000
Investment in unquoted shares, at cost	127,840	105,840
Share of post-acquisition reserves, net of dividend received	3,645	10,150
	131,485	115,990

Details of the joint venture as at 31 December are as follows:

Name of joint venture	Place of incorporation and operations	Principal activities	Percentage of effective equity interest and voting power held by the Group	
			2013 %	2012 %
Held through subsidiary:				
Wenling Hanyang Resources Power Co., Ltd [(a)]	PRC	Waste incineration power generation	50	50

(a) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

The above joint venture is accounted for using the equity method in these consolidated financial statements.

26. INTEREST IN JOINT VENTURE (cont'd)

	Group 2013 RMB'000	Group 2012 RMB'000
Information of joint venture that is not material to the Group		
Assets and liabilities:		
Total assets	372,602	346,084
Total liabilities	(175,685)	(186,867)
Purchase price allocation adjustment	69,399	70,925
Translation difference	(3,346)	1,838
Net assets	262,970	231,980
Aggregate carrying amount of the Group's interest in the joint venture	131,485	115,990
Group's share of profit	11,087	15,633
Group's share of total comprehensive income	11,087	15,633
Dividend declared by joint venture	15,000	11,000

During the year, the Group injected additional share capital of RMB22,000,000 (2012: Nil) into Wenling Hanyang. The injection is a proportionate share injection with no change in the Group's continuing effective interests of 50% as at 31 December 2012 and 31 December 2013.

Notes to the Financial Statements
31 December 2013

27. INTEREST IN ASSOCIATES

	Group	
	2013 RMB'000	2012 RMB'000
Unquoted shares, at cost	13,905	1,905
Share of post-acquisition profits	629	177
	14,534	2,082

Details of the associates as at 31 December are as follows:

Name of associate	Place of incorporation and operations	Principal activities	Percentage of effective equity interest and voting power held by the Group 2013 %	2012 %
Held through subsidiary:				
Linwu County Nanfang Water Co., Ltd. ("Linwu Nanfang") [a]	PRC	Waste water treatment	15.3	13.9
Sichuan SIIC Environment Investment Development Co., Ltd. ("Sichuan SIIC") [a]	PRC	Investment holding	30	–

[a] Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

27. INTEREST IN ASSOCIATES (cont'd)

Aggregate information of associates that are not individually material

The aggregate information of associates that are not individually material is as follows:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Assets and liabilities:		
Total assets	57,910	18,045
Total liabilities	(4,846)	(7,281)
Purchase price allocation adjustments	(354)	(354)
Net assets	52,710	10,410
Aggregate carrying amount of the Group's interests in these associates	14,534	2,082
Group's share of profit	452	177
Group's share of total comprehensive income	452	177

Change in the Group's ownership interest in associates

(i) Linwu Nanfang

Linwu Nanfang's 20% interest is held by Nanfang Water. During the year, the Group's effective interest in Nanfang Water increased by 7.04%, from 69.378% to 76.419% (Note 25). With the increase in continuing interest in Nanfang Water, the effective interest held by the Group in Linwu Nanfang has increased from 13.9% to 15.3%.

Although the Group holds less than 20% of the effective equity interest of Linwu Nanfang, the Group exercises significant influence via direct controlling interest in its immediate holding company, Nanfang Water.

(ii) Sichuan SIIC

Sichuan SIIC's 30% interest is held by SIIC Wuhan. Sichuan SIIC was incorporated during the financial year ended 31 December 2013.

The Group exercises significant influence via direct controlling interest in its immediate holding company, SIIC Wuhan.

Notes to the Financial Statements

31 December 2013

28. GOODWILL ON CONSOLIDATION

	Group 2013 RMB'000	Group 2012 RMB'000
Cost		
- Acquisition of additional 9.6% interests in SIIC Wuhan	36,358	36,358
- Acquisition of additional 20% interests in Taizhou Kaidi Waste Water Treatment Co., Ltd. ("Taizhou Kaidi")	2,858	2,858
- Acquisition of Lap Yin International Limited ("Lap Yin")	6,692	6,692
At beginning and end of the year	45,908	45,908
Accumulated impairment losses		
At beginning of the year	25,624	25,624
Impairment loss during the year	10,734	–
At end of the year	36,358	25,624
Carrying amount	9,550	20,284

Impairment testing of goodwill

The discount rates applied to the cash flow projections and the forecasted growth rates used in the impairment testing of goodwill are as follows:

Name of subsidiaries	CGU	Carrying amount of goodwill 2013 RMB'000	Carrying amount of goodwill 2012 RMB'000	Growth rates 2013 %	Growth rates 2012 %	Discount rates 2013 %	Discount rates 2012 %
SIIC Wuhan	Municipal EPC	–	10,734	–	5.0	–	10.3
Lap Yin	Waste incineration power generation	6,692	6,692	–	–	9.5	10.3
Taizhou Kaidi	Waste water treatment	2,858	2,858	–	–	9.5	10.3
		9,550	20,284				

As at 31 December 2013, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amounts of the CGU.

Notes to the Financial Statements

31 December 2013

28. GOODWILL ON CONSOLIDATION (cont'd)

Taizhou Kaidi and Lap Yin

Value in use was determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plant/ waste incineration power generation over the service concession period ranging from 20 to 25 years. Management believes that this forecast period is justifiable due to the long term nature of the projects. Changes to the assumptions used by the management to determine the impairment required, particularly the discount rate, can significantly affect the results.

SIIC Wuhan

The recoverable amounts of the CGU, which is classified under Construction segment, has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. Management has considered and determined the factors applied in the financial budgeted gross margins and average growth rates. The budgeted gross margins are based on past performances and its expectation of market developments for the segment.

An impairment loss of RMB10,734,000 has been included in the statement of profit or loss during the financial year ended 31 December 2013. The impairment loss arises from the Group's expectations that the expected returns from the municipal EPC will not be sufficient to substantiate the original carrying amount of goodwill. The Group is evaluating options for future plans of the municipal EPC CGU.

29. TRADE PAYABLES/ OTHER PAYABLES, ACCRUALS AND PROVISIONS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	228,958	247,562	–	–
Other payables, accruals and provisions	372,883	359,410	27,857	8,008

Trade payables are non-interest bearing and are normally settled on 30 to 90 (2012 : 30 to 90) day terms.

Notes to the Financial Statements

31 December 2013

29. TRADE PAYABLES/ OTHER PAYABLES, ACCRUALS AND PROVISIONS (cont'd)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Group	
	2013	2012
	RMB'000	RMB'000
Within 30 days	69,469	50,427
Within 31-60 days	17,935	9,464
Within 61-90 days	12,713	10,901
Within 91-180 days	20,518	21,052
Within 181-365 days	24,998	30,059
Over 365 days	83,325	125,659
	228,958	247,562

Other payables are non-interest bearing, unsecured and normally settled on 30 to 90 day terms. Included in other payables as at 31 December 2013 were (i) customer advances of RMB110,340,000 (2012 : RMB127,256,000); (ii) amount due to non-controlling shareholders of RMB22,541,000 (2012 : RMB35,250,000), mainly arising from capital reduction of a subsidiary; (iii) sundry payables of RMB101,804,000 (2012 : RMB87,408,000); and (iv) provision for warranty of RMB453,000 (2012 : RMB604,000).

Provision for warranty

The Group provides a one-year warranty on certain products and undertakes to repair or replace items that fail to perform satisfactorily. A provision is recognised at the end of reporting period for expected warranty claims based on past experience of the level of repairs and returns.

Movements in provision for warranty are as follows:

	Group	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	604	560
Provision made during the year (Note 6)	18	618
Utilised during the year	(169)	(574)
At end of year	453	604

A provision of RMB18,000 (2012 : RMB618,000) of warranty expense is recorded in the line item of "Selling and distribution expenses" in the consolidated statement of profit or loss.

30. BILLS PAYABLE TO BANKS

Bills payable to banks are interest-free and secured by certain bank deposits pledged with the issuing banks.

31. BANK AND OTHER BORROWINGS

	Group 2013 RMB'000	Group 2012 RMB'000
Bank loans	1,420,304	1,570,776
Other borrowings [(a)]	906,381	514,920
Government loans	62,323	82,870
	2,389,008	2,168,566
Analysed as:		
Current	1,408,462	653,559
Non-current	980,546	1,515,007
	2,389,008	2,168,566

(a) Other borrowings relate to amount due to SII and SIHL Finance Limited ("SIHLFL") of RMB217,440,000 and RMB688,941,000 respectively (2012 : RMB217,440,000 and RMB297,480,000 respectively). Both SII and SIHLFL are wholly-owned subsidiaries of the Company's intermediate holding company, Shanghai Industrial Holdings Limited.

Details of collateral

Certain bank and other borrowings are secured/guaranteed on certain concessionary arrangements, trade receivables (relating to concessionary arrangements) collection rights, guarantees by subsidiaries, guarantees by third party company and/or corporate guarantee by the Company (2012: certain concessionary arrangements, trade receivables (relating to concessionary arrangements) collection rights, guarantees by subsidiaries, guarantees by third party company, pledge on third party company's assets and/or corporate guarantee by the Company). Relevant assets pledged by the Group are disclosed in Note 41 to the financial statements.

	Group 2013 RMB'000	Group 2012 RMB'000
Secured/guaranteed	2,099,002	1,753,736
Unsecured/unguaranteed	290,006	414,830
	2,389,008	2,168,566

Notes to the Financial Statements

31 December 2013

31. BANK AND OTHER BORROWINGS (cont'd)

Details on interest rates

The table below summarises the interest rate categories of the Group's borrowings at the end of the reporting period:

	Group	
	2013 RMB'000	2012 RMB'000
Interest-free borrowings	4,598	9,513
Fixed-rate borrowings	1,232,381	892,620
Variable-rate borrowings	1,152,029	1,266,433
	2,389,008	2,168,566

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	Group	
	2013	2012
Fixed-rate borrowings (per annum)	4.35% - 7.20%	4.35% - 7.41%
Variable-rate borrowings (per annum)	2.55% - 8.16%	2.55% - 8.28%

Details on contractual maturity dates

The table below summarises the maturity profile of the Group's borrowings at the end of the reporting period:

	Group	
	2013 RMB'000	2012 RMB'000
Carrying amount repayable:		
Within one year	1,408,462	653,559
More than one year but not more than two years	184,094	689,641
More than two years but not more than five years	457,829	454,335
Over five years	338,623	371,031
	2,389,008	2,168,566
Less: amount due within one year shown under current liabilities	(1,408,462)	(653,559)
	980,546	1,515,007

Notes to the Financial Statements

31 December 2013

32. FINANCE LEASE

The effective interest rate for the finance lease is at 6.15% per annum for the year ended 31 December 2013. Interest rate is fixed at the contract date, and thus exposes the Group to fair value interest rate risk. The net carrying amounts approximate the fair value as the interest rate approximates the market rate.

	Group	
	Minimum lease payments 2013 RMB'000	Present value of minimum lease payments 2013 RMB'000
Amounts payable under finance leases:		
Within one year	38,715	34,330
In the second to fifth years inclusive	54,613	50,000
Total minimum lease payment	93,328	84,330
Less: Future finance charges	(8,998)	N.A.
Present value of lease obligations	84,330	84,330
Less: Amount due for settlement within 12 months (shown under current liabilities)		(34,330)
Amount due for settlement after 12 months		50,000

The relevant assets pledged under the finance lease comprise certain intangible assets, disclosed under Note 41 to the financial statements.

33. OTHER NON-CURRENT LIABILITIES

	Group	
	2013 RMB'000	2012 RMB'000
Provision for benefits due to ex-employees	39,438	44,534
Provision for major overhaul (Note 16)	7,026	7,026
Others	6,308	8,651
	52,772	60,211

Notes to the Financial Statements

31 December 2013

34. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	Amount RMB'000
Issued and paid up share capital		
At 1 January 2012	5,000,687,517	1,136,949
Conversion of bonds	55,260,000	16,180
At 31 December 2012	5,055,947,517	1,153,129
Settlement of acquisition consideration	433,626,615	102,321
Share placement (net of issue costs)	3,100,000,000	1,257,050
At 31 December 2013	8,589,574,132	2,512,500

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

35. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company.

During the financial year ended 31 December 2012, the Company purchased 282,000 of its ordinary shares by way of on-market purchases at share prices ranging from S$0.054 to S$0.072. The total amount paid to purchase the shares was RMB96,000 and this was presented as a component within equity attributable to owners of the Company. All the treasury shares purchase made during the financial year ended 31 December 2012 was made out of "capital". There is no such purchase of treasury shares during the financial year ended 31 December 2013.

36. OTHER RESERVES

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Capital reserve	24,465	126,786	–	–
General reserve	73,137	48,889	–	–
Translation reserve	30,532	20,912	(38,104)	42,324
Effects of changes in ownership interests in subsidiaries where there is no change in control	(26,370)	(26,547)	–	–
Merger reserve	(200,315)	(200,315)	–	–
	(98,551)	(30,275)	(38,104)	42,324

36. OTHER RESERVES (cont'd)

(a) Capital reserve

The capital reserve relates to the fair value of deferred consideration shares of RMB102,321,000 and contingent consideration of RMB24,465,000 in relation to the acquisition of Rise Wealth (Note 38). Deferred consideration shares of RMB102,321,000 has been settled during the financial year ended 31 December 2013.

(b) General reserve

In accordance with the relevant laws and regulations of PRC, companies in PRC are required to set aside a general reserve fund by way of appropriation from their statutory net profit reported in PRC statutory financial statements at a rate of 10% for each year. Subject to approval from PRC authorities, the fund may be used to offset accumulated losses or increase the registered capital of the subsidiary. The appropriation is required until the statutory reserve reaches 50% of the subsidiary's registered capital. This statutory reserve is not available for dividend distribution to the shareholders.

(c) Translation reserve

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Effects of changes in ownership interest in subsidiaries where there is no change in control

This represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

(e) Merger reserve

Merger reserve represents the difference between consideration and equity acquired in a business combination involving entities under common control using pooling-of-interest method.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company has terminated the Asia Water Share Option Scheme and adopted the Asia Water Share Option Scheme 2012 and Asia Water Share Award Scheme on 27 April 2012. The ESOS 2012 shall continue in force at the discretion of the remuneration committee, subject to a maximum period of ten years commencing 27 April 2012.

(a) Asia Water Share Option Scheme (the "ESOS")

There is no share option outstanding after the scheme expired on 13 August 2012. During the financial year ended 31 December 2012, no share options were exercised or granted under the ESOS. During the financial year ended 31 December 2012, 761,442 and 16,276,025 share options were forfeited and expired respectively.

Notes to the Financial Statements

31 December 2013

37. SHARE-BASED PAYMENT TRANSACTIONS (cont'd)

(b) Asia Water Share Option Scheme 2012 (the "ESOS 2012")/ Asia Water Share Award Scheme (the "ESAS")

The ESOS 2012 is a share incentive scheme. The ESOS 2012 is proposed on the basis that it is important to retain and to give recognition to the Group full time employees, Group Executive Directors and employees of the ultimate holding company and the holding company of the Company and their subsidiaries ("Parent Group"), and to give recognition to Group Non-Executive Directors and Parent Group Non-Executive Directors who have contributed to the success and development of the Company and/or the Group. The ESOS 2012 will give such persons an opportunity to have a real and personal direct interest in the Company and to align the interests of such persons with those of the shareholders of the Company.

The ESAS is a performance incentive scheme which will form an integral part of the Group's incentive compensation program. The purpose of the ESAS is to provide an opportunity for the Group full time employees, Parent Group Employees and Directors of the Group and Parent Group, who have met performance targets to be remunerated not just through cash bonuses but also an equity stake in the Company. The ESAS is also extended to the Group Non-Executive Directors and Parent Group Non-Executive Directors.

For purpose of ESOS 2012 and ESAS, Non-Executive Director refers to a Director other than an Executive Director, including an Independent Director.

The aggregate number of shares comprised in options granted to controlling shareholders or their associate(s) under the ESOS 2012 shall not exceed 25% of the total number of shares (comprised in options and ESAS Awards) which may be granted under the ESOS 2012 and ESAS. The aggregate number of shares comprised in options granted to each controlling shareholder or their associate(s) shall not exceed 10% of the total number of shares (comprised in options and ESAS Awards) which may be granted under the ESOS 2012 and ESAS.

The total number of new Shares which may be issued pursuant to the awards granted under the ESAS ("ESAS Awards") granted on any date, when aggregated to the number of new Shares issued and/or issuable in respect of all ESAS Awards and any other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the issued share capital of the Company (excluding treasury shares) from time to time.

The validity period of options that are granted under the ESOS 2012 ("ESOS 2012 Options") is five years from the date of offer of such options. Under the ESOS 2012, the subscription prices of ESOS 2012 Options granted by the Company will be at the Market Price of a Share at the time of grant, as determined by reference to the daily official list or any other publication published by the Singapore Exchange Securities Trading Limited for the five consecutive trading days immediately preceding the date of offer of such option. ESOS 2012 Options will not be granted at a discount to the Market Price.

During the financial years ended 31 December 2013 and 2012, no ESOS 2012 Options or ESAS Awards were granted.

38. ACQUISITION OF SUBSIDIARIES/ BUSINESS

For the year ended 31 December 2012

On 23 July 2012, the Group acquired 100% interest in Rise Wealth Investment Ltd. ("Rise Wealth", together with its subsidiaries and associate, collectively the "Rise Wealth Group") for a purchase consideration comprising (i) cash consideration of HK$266,024,000 (equivalent to RMB216,279,000); and (ii) 433,626,615 ordinary shares at an issue price of S$0.068 per share, for the expansion of the Group's business. In addition to the purchase consideration, Target Trend Management Limited (the "Vendor") will be entitled to receive an additional earn-out amount of up to RMB45.0 million, by way of issuance and allotment of up to 133,652,038 new shares at an issue price of S$0.068 per share, subjected to certain conditions being met ("contingent consideration"), of which 59,400,905 shares relates to FY2012.

Rise Wealth indirectly owns 69.378% equity interest in Nanfang Water, together with its subsidiaries and one associate, collectively the "Nanfang Group"). Nanfang Group is engaged principally in the business of environmental protection, including waste water treatment, tap water treatment, reclaimed water treatment, project investment, operation and management of water treatment facilities in the PRC.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB4,004,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2012.

From the date of acquisition, Nanfang Group contributed RMB114,455,000 and RMB18,284,000 to the Group's revenue and profit net of tax in financial year ended 31 December 2012 respectively. If the acquisition had taken place at the beginning of the financial year, the Group's revenue would have been RMB864,094,000 and profit for the year would have been RMB196,250,000. The *pro forma* information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2012, nor is it intended to be a projection of future results.

The purchase price adjustments are finalised as at 31 December 2012. The carrying amounts of identifiable assets and liabilities have been adjusted accordingly. No goodwill was recognised in connection with the acquisition of Rise Wealth Group.

Details of the considered transferred, assets acquired and liabilities recognised in respect of the above acquisitions are as follows:

	2012 Rise Wealth Group RMB'000
Consideration transferred	
Cash	216,279
Ordinary shares to be issued by the company (Note 36)	126,786
	343,065

Notes to the Financial Statements

31 December 2013

38. ACQUISITION OF SUBSIDIARIES/ BUSINESS (cont'd)

Fair value of assets acquired and liabilities recognised at the dates of acquisition are as follows:

	2012 Rise Wealth Group RMB'000
Property, plant and equipment	12,058
Intangible assets	124,737
Interest in associate	1,905
Available-for-sale financial instruments	2,394
Deferred tax assets	11,758
Inventories	4,538
Receivables under service concession arrangements	1,058,782
Trade receivables	44,428
Other receivables and prepayments	239,141
Amounts due from associate	74
Amounts due from customers for contract work	14,702
Cash and cash equivalents	41,507
Trade payables	(30,749)
Other payables, accruals and provisions	(209,211)
Bank and other borrowings	(655,136)
Tax payable	(5,121)
Other non-current liabilities	(7,503)
Deferred tax liabilities	(96,140)
	552,164
Consideration transferred	343,065
Plus: Non-controlling interests	209,099
Less: Net assets required	(552,164)
Goodwill arising from acquisition	–
Bank balances and cash acquired	41,507
Less: Cash consideration paid	(216,279)
Net cash outflow arising from acquisition	(174,772)

39. OPERATING LEASES

The Group as lessee

In addition to the land use rights disclosed in Note 23, the Group has entered into commercial leases for the rental of office premises and staff housing. These non-cancellable leases have remaining non-cancellable lease terms of between 4 to 308 months (2012 : 4 to 320 months). Most leases contain renewable options.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Within one year	9,579	9,581
In the second to fifth year inclusive	34,603	22,167
After five years	83,430	70,970
	127,612	102,718

The Group as lessor

The Group has entered into commercial property leases on its investment property and office premises. These non-cancellable leases have remaining lease terms of between 7 and 124 months (2012 : 6 and 132 months).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Within one year	1,954	1,463
In the second to fifth year inclusive	6,320	3,118
After five years	1,813	2,153
	10,087	6,734

Notes to the Financial Statements

31 December 2013

40. CAPITAL COMMITMENTS

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of				
- Additional investment in available-for-sale financial instruments	–	2,000	–	–
- Additions in construction-in-progress relating to service concession arrangement	454,653	22,861	–	–
- Acquisition of subsidiaries	173,021	–	–	–
- Acquisition of a joint venture	530,000	–	530,000	–
- Capital injection into an associate	48,000	–	–	–
Capital expenditure authorised but not contracted for in respect of				
- additions in construction-in-progress relating to service concession arrangement	15,000	370,000	–	–
	1,220,674	394,861	530,000	–

41. PLEDGE ON ASSETS

The aggregate carrying value of assets pledged by the Group to secure banking facilities granted by these banks and leased assets by leasing company are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Pledged bank deposits	23,982	28,454
Intangible assets	535,837	233,957
Trade receivables	187,653	140,640
Receivables under service concession arrangements	1,256,504	1,293,973
	2,003,976	1,697,024

Notes to the Financial Statements

31 December 2013

42. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group had the following significant related party transactions which were carried out in the normal course of business as agreed between the parties during the financial year:

Related party	Nature of transactions	Group 2013 RMB'000	Group 2012 RMB'000
Wholly-owned subsidiaries of the Company's intermediate holding company	Interest paid for borrowings:		
	- SII	(9,592)	(9,496)
	- SIHLFL	(16,170)	(3,457)
	- Shanghai Lu Qiao Development Co., Ltd.	(3,418)	–
	- SIIC Management (Shanghai) Ltd.	(994)	–

Compensation of directors and key management personnel	Group 2013 RMB'000	Group 2012 RMB'000
Wages, salaries and bonus	17,408	14,339
Defined benefit contributions	1,046	730
Others	244	138
	18,698	15,207

Purchase of legal and corporate secretarial services from firms related to a Director

The Company engages certain professional firms for legal and corporate secretarial services. One of the Company's Directors holds and/or has held senior managerial position in these firms.

Total amount of fees in relation to legal and corporate secretarial services provided for the year ended 31 December 2013 was approximately RMB1,214,000 (2012 : RMB1,077,000). No amount was outstanding at the end of the reporting period (2012 : RMB54,000).

Notes to the Financial Statements

31 December 2013

43. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services provided to customer with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's operating businesses are organised into three business segments, namely Construction, Water Treatment and Water Supply and Others.

(i) Construction:

- Design, assembly, construction, installation and commissioning of water supply or waste water treatment systems/plants for industrials and municipals.

(ii) Water Treatment and Water Supply:

- Manage and operate of infrastructure under service concession arrangements and non-service concession arrangements.

(iii) Others:

- Mainly relates to design and consultancy on the projects and installation of water meters.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Group’s financing (including finance costs) and income taxes are managed on a Group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

Segment revenue/ expenses/ assets/ liabilities

Revenue and cost of sales are directly attributable to the segments. Operating expenses income are allocated to the segments on a reasonable basis.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and liabilities not relating to the Group’s business segments.

Transfer prices between operating segments are on agreed-term basis in a manner similar to transactions with third parties.

43. SEGMENT INFORMATION (cont'd)

(a) Business segments

	Construction		Water treatment and water supply		Others		Group	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	485,740	205,711	681,349	532,895	47,385	65,873	1,214,474	804,479
Segment results	17,384	(15,526)	217,787	174,062	12,675	8,648	247,846	167,184
Unallocated expense, net							(40,784)	(9,121)
Finance income							194,421	124,423
Finance expenses							(125,723)	(102,878)
Other income							12,299	12,721
Other expenses							(10,734)	(3,257)
Share of results of joint venture							11,087	15,633
Share of result of associates							452	177
Income tax expense							(74,242)	(27,637)
Profit after tax							214,622	177,245
Segment depreciation and amortisation	2,446	2,874	52,193	46,299	1,841	1,452	56,480	50,625
Unallocated depreciation and amortisation							208	213
Total depreciation and amortisation							56,688	50,838

Notes to the Financial Statements
31 December 2013

43. SEGMENT INFORMATION (cont'd)

(a) Business segments (cont'd)

	Construction		Water treatment and water supply		Others		Group	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Segment non-cash income[a]	25	2,744	26,925	23,280	117	1,344	27,067	27,368
Segment non-cash expenses[a]	14,457	–	2,189	1,964	–	168	16,646	2,132
Segment assets	199,150	198,993	4,680,349	4,188,819	91,996	160,023	4,971,495	4,547,835
Interest in joint venture							131,485	115,990
Interest in associates							14,534	2,082
Investment property							4,409	4,598
Available-for-sale financial instruments							2,394	5,394
Prepayment for investment in a subsidiary							122,147	–
Unallocated assets [b]							1,408,787	218,429
Total assets							6,655,251	4,894,328
Segment liabilities	150,372	152,461	2,148,896	2,196,809	122,077	209,685	2,421,345	2,558,955
Unallocated liabilities [c]							944,790	536,273
Total liabilities							3,366,135	3,095,228
Segment capital expenditure	285	840	364,708	119,861	165	919	365,158	121,620
Unallocated capital expenditure							19	20
Total capital expenditure							365,177	121,640

43. SEGMENT INFORMATION (cont'd)

Note:

(a) Segment non-cash income consists of write-back of allowance for doubtful receivables, write-back of allowance for inventories and reversal of provision for foreseeable loss. Segment non-cash expenses consist of allowance for doubtful receivables, bad debts written off and impairment loss on goodwill on consolidation. These are presented in the respective notes to the financial statements.

(b) The nature of unallocated assets is as follows:

	Group	
	2013	**2012**
	RMB'000	**RMB'000**
Goodwill on consolidation	6,692	6,692
Amounts due from joint venture	–	10,450
Amounts due from associate	89	74
Property, plant and equipment	401	619
Other receivables	3,047	4,700
Prepayments	222	122
Cash and cash equivalents	1,398,336	195,772
Total unallocated assets	1,408,787	218,429

(c) The nature of unallocated liabilities is as follows:

Bank and other borrowings	906,381	514,920
Deferred tax liabilities	–	1,324
Other payables, accruals and provisions	38,409	20,024
Tax payable	–	5
Total unallocated liabilities	944,790	536,273

Notes to the Financial Statements

31 December 2013

43. SEGMENT INFORMATION (cont'd)

(b) Geographical information

The Group's operations are mainly located in the PRC. The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue		Non-current Asset	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	1,214,474	804,479	4,114,239	3,667,472
Singapore	–	–	401	619
	1,214,474	804,479	4,114,640	3,668,091

Non-current assets information presented above mainly consist of receivables under service concession arrangements, intangible assets, property, plant and equipment, prepayment for investment in a subsidiary and interest in joint venture as presented in the statements of financial position.

Information about major customers

Revenue from PRC government amounted to RMB450,998,000 (2012 : RMB325,747,000) arising from water treatment and water supply segment.

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in relation to the nature of its industry in order to support its business and maximise shareholder value.

The capital structure of the Group consists of net debts, which includes the borrowings disclosed in Note 31 and Note 32, net cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, treasury shares, retained profits and other reserves.

The Group reviews the capital structure using gearing ratio regularly. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. As part of this review, the cost of capital and the risks associated with each class of capital are being considered. The Group will balance its overall capital structure through the payment of dividends, return capital to shareholders or new share issues as well as the issue of new debt or the redemption of existing debt. No major changes were made to the objectives, policies or processes during the financial years ended 31 December 2013 and 2012.

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(a) Capital risk management (cont'd)

	Group 2013 RMB'000	Group 2012 RMB'000
Total borrowings [1]	2,473,338	2,168,566
Less: Cash and cash equivalents	(1,878,834)	(488,538)
Net debt	594,504	1,680,028
Equity attributable to owners of the Company	2,729,577	1,312,635
Non-controlling interests	559,539	486,465
Total equity	3,289,116	1,799,100
Net debt/Equity attributable to owners of the Company	0.22	1.28
Net debt/Total equity	0.18	0.93

[1] Total borrowings comprise bank and other borrowings and finance lease.

(b) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
Financial assets				
Loans and receivables	5,130,919	3,583,915	2,112,383	665,418
Available-for-sale financial instruments	2,394	5,394	–	–
	5,133,313	3,589,309	2,112,383	665,418
Financial liabilities				
Amortised cost	(3,153,474)	(2,902,709)	(31,877)	(23,517)

(c) Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include (i) foreign currency risk, (ii) interest rate risk, (iii) liquidity risk and (iv) credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer and Management.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no major change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Notes to the Financial Statements

31 December 2013

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

(i) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of Group entities, primarily RMB. The Group has no sales (2012 : Nil%) denominated in foreign currencies other than RMB whilst none (2012 : 1%) of the costs are denominated in foreign currencies other than RMB. Similarly, the Group's trade receivable and trade payable balances at the end of the reporting period have limited foreign currency exposures and bulk of the sales and purchases are denominated in the respective functional currencies of the Group entities which are mainly RMB. Currently, the Group has not entered into any hedge due to the limited transactional foreign currency exposure.

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities which are significant at the reporting date that are denominated in currencies other than the respective functional currency of the Group entities ("foreign currency") are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
SGD (against RMB)	759,855	87,361	536,553	237,896	658,085	–	17,509	15,509
SGD (against USD)	11,389	11,673	–	–	118,064	120,539	–	–
SGD (against HKD)	97,430	68,589	117,031	–	77,110	68,584	2,237	–
RMB (against USD)	–	751	14,169	14,357	–	–	–	–
HKD (against SGD)	–	–	98,988	1,359	–	–	–	–
HKD (against RMB)	304,808	117	400,000	–	–	–	–	–

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2012 : 5%) increase and decrease in the respective functional currency of the Group's entities, with all other variables held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for 5% (2012 : 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit before tax where the above foreign currency strengthens 5% (2012 : 5%) against the functional currency of Group's entities.

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

(i) ***Foreign currency risk (cont'd)***

Sensitivity analysis (cont'd)

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Increase in (loss) profit before tax				
SGD (against RMB)	11,165	(7,527)	32,029	(775)
SGD (against USD)	569	584	5,903	6,027
SGD (against HKD)	(980)	3,429	3,744	3,429
RMB (against USD)	(708)	(680)	–	–
HKD (against SGD)	(4,949)	(68)	–	–
HKD (against RMB)	(4,760)	6	–	–

(ii) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group's policy is to manage interest cost using a mix of fixed and variable-rate debts.

Interest on financial instruments subject to variable interest rates is contractually repriced regularly. Interest on financial instruments at fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Group and the Company that are not subjected to interest rate risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year.

At the end of the reporting period, a change of 50 basis points (2012 : 50 basis points) basis points higher/lower in interest rate with all other variables held constant, would results in the Group's profit net of tax to be RMB5,153,000 (2012 : RMB4,836,000) lower/higher.

Notes to the Financial Statements

31 December 2013

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

(iii) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group's and the Company's liquidity position are monitored closely by the Management.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

Group	1 year or less RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at year end RMB'000
2013					
Financial liabilities					
Non-interest bearing	638,988	23,279	33,768	696,035	684,734
Fixed interest rate instrument [a]	1,267,835	86,421	–	1,354,256	1,232,381
Variable interest rate instrument [b]	269,380	838,765	402,150	1,510,295	1,236,359
Total	2,176,203	948,465	435,918	3,560,586	3,153,474
2012					
Financial liabilities					
Non-interest bearing	685,715	30,427	40,078	756,220	743,656
Fixed interest rate instrument [a]	351,938	586,065	1,717	939,720	892,620
Variable interest rate instrument [b]	354,819	770,028	522,163	1,647,010	1,266,433
	1,392,472	1,386,520	563,958	3,342,950	2,902,709

[a] The effective interest rates ranged from 4.35% to 7.20% (2012 : 4.35% to 7.41%) per annum.

[b] The effective interest rates ranged from 2.55% to 8.16% (2012 : 2.55% to 8.28%) per annum.

44. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

(iii) ***Liquidity risk (cont'd)***

Company	1 year or less RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cashflows RMB'000	Carrying amount at year end RMB'000
2013					
Financial liabilities					
Non-interest bearing	31,877	–	–	31,877	31,877
2012					
Financial liabilities					
Non-interest bearing	23,517	–	–	23,517	23,517

(iv) ***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy counterparties.

Exposure to credit risk

As at reporting period end, the Group's and the Company's maximum exposure to credit risk is the carrying amount of the respective recognised financial assets as stated in the statements of financial position. The Group's principal financial assets are trade and other receivables, receivables under service concession arrangements, cash and cash equivalents and pledged bank deposits. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for doubtful receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk concentration profile of the Group's and Company's trade receivables at the end of the reporting period is 100% concentrated in PRC (2012 : 100%).

Receivables under service concession arrangements relate to consideration recoverable from certain governing bodies and agencies of the government of the PRC in respect of construction of water treatment plant and are generally considered as having low risk of default.

Notes to the Financial Statements

31 December 2013

45. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value 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).

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximate of fair value

The carrying amounts of cash and cash equivalents and pledged bank deposits (Note 12), trade receivables, bills receivables, retention monies, other receivables (Note 13), amounts due from (to) subsidiaries (Note 18), amounts due from joint venture and associate (Note 19), trade payables (Note 29), bills payable to banks (Note 30), other payables, accruals and provisions (Note 29), and variable rate bank and other borrowings and interest-free borrowings (current) (Note 31) are reasonable approximation of fair values, due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period, except for retention monies which are measured at amortised costs approximates fair value.

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2013		2012	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Available-for-sale financial instruments	2,394	N.A.	5,394	N.A
Financial liabilities				
Bank and other borrowings				
- Fixed rate borrowings	(1,232,381)	(1,354,256)	(892,620)	(939,720)
Other non-current liabilities	(45,746)	(57,047)	(53,185)	(65,748)

N.A.: Not applicable.

Notes to the Financial Statements

31 December 2013

45. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

Available-for-sale financial instruments

Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably (Note 20).

Determination of fair value

The fair values of bank and other borrowings and other non-current liabilities as disclosed in the table above are estimated by discounting expected future cash flows at prevailing interest rate or borrowings rate as at the end of the reporting period.

46. EVENTS AFTER THE REPORTING PERIOD

(a) Investment in Lang Zhong City Waste Treatment Co., Ltd.

The Group through its associate, Sichuan SIIC, will be investing an aggregate of RMB20 million ("Total Investment") in Lang Zhong City Waste Treatment Co., Ltd. ("Lang Zhong") with effective equity interest at 25.5%. The Total Investment will be carried out in separate tranches. First tranche of the Total Investment of RMB15 million has been completed in January 2014. The remaining tranches of the Total Investment of RMB5 million is expected to be carried out by 31 December 2014.

Lang Zhong is incorporated in PRC and is principally engaged in the business of domestic and construction waste treatment.

(b) Acquisition of 50% equity interest in Shanghai Pucheng Thermal Power Energy Co., Ltd. ("Shanghai Pucheng")

Pursuant to the sale and purchase agreement signed in November 2013, the Company has completed the acquisition of 50% equity interest in Shanghai Pucheng in January 2014 for an aggregate cash consideration of RMB530 million.

Shanghai Pucheng currently owns 90% of the entire issued and paid-up capital of Shanghai Pudong Development Environmental Services Co., Ltd. ("Puhuan Environmental").

Shanghai Pucheng and Puhuan Environmental are both incorporated in PRC. Shanghai Pucheng currently undertakes a 30-year waste incineration power generation concessionary project in Pucheng, Shanghai City, with a current design capacity is 1,050 tons/day of waste processing. Puhuan Environmental is involved in the waste collection and sanitation business in Shanghai Pudong New Area.

(c) Additional investment in Dalian Xinya Hengji Environmental Co., Ltd. ("Dalian Xinya")

The Company through its wholly owned subsidiary, AWI, has injected additional capital of RMB28 million in Dalian Xinya in January 2014. As the additional capital injection was executed on a proportionate basis by the respective shareholders of Dalian Xinya, the Group's equity interest remains at 70%.

Notes to the Financial Statements

31 December 2013

46. EVENTS AFTER THE REPORTING PERIOD (cont'd)

(d) Acquisition of 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited ("Shanghai Qingpu")

The Group through its wholly owned subsidiary, S.I. United Water Holdings Limited, had entered into separate sale and purchase agreements for the acquisition of a 70% and 30% equity interest in Shanghai Qingpu for an aggregate cash consideration of RMB180.07 million. The acquisition for the 100% equity interest in Shanghai Qingpu was completed in February 2014.

Shanghai Qingpu is incorporated in PRC and undertakes a 30-year waste water treatment concessionary project in Shanghai City, with a total design capacity of 120,000 tons/day.

(e) Acquisition of 100% equity interest in Gold Wisdom Holdings Limited

The Company through its wholly owned subsidiary, Thrive Bloom Limited, had entered into a sale and purchase agreement for the acquisition of entire issued and paid-up capital of Gold Wisdom Holdings Limited ("Gold Wisdom") on 31 December 2013, for an aggregate cash consideration of RMB119 million. The acquisition has been completed in February 2014.

Gold Wisdom owns 100% equity interest of Hong Kong Nany New Energy (Dazhou) Limited, who in turn owns the 100% equity interest of Dazhou Jiajing Environment Renewable Resource Co., Ltd ("Dazhou Jiajing"), a company incorporated in PRC.

Dazhou Jiajing currently undertaking a 30-year waste incineration power generation concessionary project in Sichuan province, with a total design capacity of 1,050/tons day of waste processing.

(f) Proposed disposal of 100% equity interest in Wuhan Kaidi Water Services Co., Ltd.

The Group has listed its wholly-owned subsidiary, Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi"), for sale by way of open bidding on Shanghai United Assets and Equity Exchange on 27 March 2014 at a minimum listed price of RMB7.88 million.

(g) Disposal of 52% equity interest in Kunming Nanfang Water Co., Ltd.

The Company through its subsidiary, Nanfang Water, has disposed of its entire 52% equity interest in Kunming Nanfang Water Co., Ltd. during March 2014 at aggregate sale consideration of RMB14.5 million.

47. RECLASSIFICATIONS

During the financial year ended 31 December 2013, following reassessment of nature of expenses, certain reclassifications have been made to the prior year's financial statements.

Such reclassifications have no impact on the statements of financial position of the Group and Company as at 31 December 2012.

	Group	
	As originally stated RMB'000	As reclassed RMB'000
Statement of Profit or Loss		
Other operating income	15,162	25,864
Administrative expenses	(113,118)	(127,241)
Other expenses	(6,678)	(3,257)
	(104,634)	(104,634)

Statistics of Shareholdings

As at 31 March 2014

Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
Total number of issued ordinary shares	:	8,589,574,132
Number of shares (excluding treasury shares)	:	8,589,292,132
Number of treasury shares and percentage	:	282,000 (0.003%)

Distribution of Shareholdings

Size of Shareholdings	No. Of Ordinary Shareholders	%	No. of Ordinary Shares (excluding Treasury Shares) No. of Shares	%
1 – 999	71	5.15	9,459	0.00
1,000 – 10,000	318	23.06	1,712,188	0.02
10,001 – 1,000,000	938	68.02	101,243,225	1.18
1,000,001 and above	52	3.77	8,486,327,260	98.80
TOTAL:	**1,379**	**100.0**	**8,589,292,132**	**100.0**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1.	Triumph Power Limited	3,184,647,757	37.08
2.	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited	1,118,564,586	13.02
3.	S.I Infrastructure Holdings Limited	827,092,375	9.63
4.	Citibank Nominees Singapore Pte Ltd	731,938,381	8.52
5.	DBSN Services Pte. Ltd.	688,165,000	8.01
6.	DB Nominees (Singapore) Pte Ltd	466,951,103	5.44
7.	HSBC (Singapore) Nominees Pte Ltd	436,125,868	5.08
8.	DBS Nominees (Private) Limited	164,436,109	1.91
9.	Ye Qin	147,689,219	1.72
10.	Yang Changmin	125,418,474	1.46
11.	Ye Yutong	123,789,219	1.44
12.	Raffles Nominees (Pte) Limited	90,590,007	1.05
13.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	85,336,000	0.99
14.	Time Wheel International Limited	40,500,000	0.47
15.	Bao Yidong	30,950,000	0.36
16.	Philip Securities Pte Ltd	30,926,871	0.36
17.	Maybank Kim Eng Securities Pte. Ltd.	23,975,843	0.28
18.	Regal Capital Finance Limited	23,480,561	0.27
19.	OCBC Securities Private Limited	23,150,000	0.27
20.	DBS Vickers Securities (Singapore) Pte Ltd	19,959,000	0.23
	TOTAL	**8,383,686,373**	**97.59**

Statistics of Shareholdings

As at 31 March 2014

Substantial Shareholders as at 31 March 2014
(As Recorded in the Register of Substantial Shareholders)

	Direct Number of Shares	%(1)	Deemed Number of Shares	%(1)
Triumph Power Limited ("**Triumph**")	3,184,647,757	37.08	–	–
Shanghai Industrial Holdings Limited ("**SIHL**") (2)	–	–	4,012,841,132	46.72
S.I Infrastructure Holdings Limited ("**SII**") (2)	827,092,375	9.63	3,184,647,757	37.08
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited ("**CECEPHK**")	1,118,564,586	13.02	–	–
China Energy Conservation and Environmental Protection Group ("**CECEP**") (3)	–	–	1,118,564,586	13.02
Best Investment Corporation ("**Best Investment**")	660,000,000	7.68	–	–
CIC International Co., Ltd ("**CIC International**") (4)	–	–	660,000,000	7.68
China Investment Corporation ("**CIC**") (4)	–	–	660,000,000	7.68
Dalvey Asset Holding Ltd ("**Dalvey Asset**")	450,000,000	5.24	–	–
RRJ Capital Master Fund II, L.P. ("**RRJ Capital**") (5)	–	–	450,000,000	5.24

Notes:

(1) As a percentage of the issued share capital of the Company comprising 8,589,292,132 shares, excluding treasury shares of 282,000 as at 31 March 2014.

(2) Each of Shanghai Industrial Investment (Holdings) Company Limited, which is controlled by the Shanghai Municipal People's Government (through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, SIIC Trading Company Limited, Billion More Investments Limited, Shanghai Industrial Financial (Holdings) Company Limited and SIIC CM Development Limited) and Shanghai Investment Holdings Limited, holds more than 20% of the issued and paid-up share capital of SIHL, which owns all the issued and paid-up share capital of SII, which in turn owns all the issued and paid-up share capital of Triumph. In addition, SIHL owns all the issued and paid-up share capital of SIHL Treasury Limited. As such, Shanghai Industrial Investment (Holdings) Company Limited, Shanghai Investment Holdings Limited, SIHL and SII are deemed to be interested in the shares held by Triumph and SIHL Treasury Limited (excluding SII). SIHL Treasury Limited holds 1,101,000 shares.

(3) CECEP is deemed to be interested in the shares held by CECEPHK as CECEP owns the entire issued share capital of CECEPHK.

(4) Best Investment is a wholly-owned subsidiary of CIC International, which is a subsidiary controlled by CIC. Therefore, both CIC International and CIC are deemed to be interested in the shares held by Best Investment.

(5) RRJ Capital is deemed to be interested in shares held by Dalvey Asset as RRJ Capital owns the entire issued share capital of Dalvey Asset.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 31 March 2014, there are 2,181,717,940 shares held in the hands of the public, representing 25.40% of the issued ordinary share capital of the Company. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SIIC Environment Holdings Ltd. (the "**Company**") will be held at Pan Pacific Singapore, Ocean 3, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Tuesday, 29 April 2014 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of the Directors and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$615,000 for the financial year ending 31 December 2014, to be paid quarterly in arrears. (2013: S$615,000). **(Resolution 2)**

3. (i) To re-elect Mr. Tan Gim Soo who will be retiring pursuant to Article 91 of the Articles of Association of the Company.
   [See Explanatory Note (i)] **(Resolution 3)**

   (ii) To note that Mr. Zhang Chao and Mr. Zou Jiefu will be retiring pursuant to Article 91 of the Article of Association of the Company and they will not be seeking re-election at this Annual General Meeting.

4. To re-appoint Messrs Deloitte & Touche LLP, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

Notice of Annual General Meeting

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and
(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)] **(Resolution 5)**

7. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in the Appendix to the Notice of AGM dated 14 April 2014 (the "**Appendix**"), in accordance with the Authority and Limits of the Share Purchase Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 6)**

Notice of Annual General Meeting

8. **Change of name of the Asia Water Share Option Scheme 2012 (the "Share Option Scheme") and the Asia Water Share Award Scheme (the "Share Award Scheme")**

   That the name of the Share Option Scheme would be changed from "Asia Water Share Option Scheme 2012" to "SIIC Environment Share Option Scheme 2012" with immediate effect. The change of name of the Share Option Scheme is to be consistent with the name of the Company. The contents of the Share Option Scheme remains unchanged.

   That the name of the Share Award Scheme would be changed from "Asia Water Share Award Scheme" to "SIIC Environment Share Award Scheme" with immediate effect. The change of name of the Share Award Scheme is to be consistent with the name of the Company. The contents of the Share Award Scheme remains unchanged.

   (Resolution 7)

9. **Authority to issue shares under the Share Option Scheme**

   That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of share options granted by the Company under the Share Option Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Share Option Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, or such applicable limits so long as the Company remains a subsidiary of Shanghai Industrial Holdings Limited ("**SIHL**"), and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

   [See Explanatory Note (iv)] **(Resolution 8)**

10. **Authority to issue shares under the Share Award Scheme**

    That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of share awards under the Share Award Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Share Award Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

    [See Explanatory Note (v)] **(Resolution 9)**

By Order of the Board

Tan Kim Han Raymond
Company Secretary

Singapore, 14 April 2014

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Tan Gim Soo will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and member of the Audit Committee and will be considered independent.

(ii) Resolution 5, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2013 are set out in greater detail in Appendix.

(iv) Resolution 8 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of share options granted or to be granted under the Share Option Scheme provided that the aggregate additional shares to be issued pursuant to the Share Option Scheme do not exceeding in total (for the entire duration of the Share Option Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, or such applicable limits so long as the Company remains a subsidiary of SIHL.

Where the Company is a subsidiary of SIHL,

(a) the total number of new shares which may be issued upon exercise of the options granted under the Share Option Scheme and any other share-based incentive scheme (but excluding the Share Award Scheme), must not in aggregate exceed 10% of the total number of issued shares as at the date of adoption of the Share Option Scheme. Options lapsed in accordance with the terms of the Share Option Scheme will not be factored in for the purpose of calculating the 10% limit; however;

(b) notwithstanding (a) above, but subject to the abovementioned 15% limit, SIHL may seek the approval of the SIHL shareholders in general meeting to refresh the 10% limit. However, the total number of Shares which may be issued upon exercise of all options, together with the Shares issued and to be issued under other share-based incentive schemes (but excluding the Share Awards Scheme), under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of approval of the refreshing of the limit. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the limit as refreshed;

(c) SIHL may seek separate approval by its shareholders in a general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to participants specifically identified by SIHL before such approval is sought; provided always that; and

(d) the limit on the number of shares which may be issued upon exercise of all outstanding options granted, but yet to be exercised under the Share Option Scheme and any other share incentive scheme (excluding the Share Award Scheme), must not exceed 30% of the shares in issue from time to time. No options may be granted under the Share Option Scheme if this will result in the 30% limit being exceeded.

Notice of Annual General Meeting

(v) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of share awards under the Share Award Scheme provided that the aggregate additional shares to be issued pursuant to the Share Award Scheme do not exceeding in total (for the entire duration of the Share Award Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at One Temasek Avenue #37-03 Millenia Tower Singapore 039192 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

This page has been intentionally left blank.

SIIC ENVIRONMENT HOLDINGS LTD.

(Company Registration No. 200210042R)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy SIIC Environment Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

PROXY FORM –
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

I/We, ____ (Name)

of ____ (Address)

being a member/members of **SIIC ENVIRONMENT HOLDINGS LTD.** (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "Meeting") as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Meeting of the Company to be held at Pan Pacific Singapore, Ocean 3, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Tuesday, 29 April 2014 at 9.30 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
	Ordinary Business		
1.	Report of the Directors and Audited Accounts for the financial year ended 31 December 2013		
2.	Approval of Directors' fees amounting to S$615,000 for the financial year ending 31 December 2014, to be paid quarterly in arrears		
3.	Re-election of Mr. Tan Gim Soo as a Director		
4.	Re-appointment of Deloitte & Touche LLP as Auditors and to authorised the Directors of the Company to fix their remuneration		
	Special Business		
5.	Authority to allot and issue shares		
6.	Renewal of Share Purchase Mandate		
7.	Change of Name of the Asia Water Share Option Scheme 2012 (the "Share Option Scheme") and the Asia Water Share Award Scheme (the "Share Award Scheme")		
8.	Authority to issue shares under the Share Option Scheme		
9.	Authority to issue shares under the Share Award Scheme		

Dated this ____________ day of ________________ 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Chapter 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at One Temasek Avenue #37-03 Millenia Tower Singapore 039192 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Corporate Information

Board of Directors

Mr. Zhou Jun (Executive Chairman)
Mr. Feng Jun (Executive Director)
Ms. Liu Yujie (Executive Director)
Mr. Yang Changmin (Executive Director)
Mr. Zhang Chao (Non-Executive Director)
Mr. Zou Jiefu (Non-Executive Director)
Mr. Yeo Guat Kwang (Lead Independent Director)
Mr. Tay Ah Kong Bernard (Independent Director)
Mr. Tan Chong Huat (Independent Director)
Mr. Tan Gim Soo (Independent Director)

Nominating Committee

Mr. Tan Gim Soo (Chairman)
Mr. Yeo Guat Kwang
Mr. Tay Ah Kong Bernard

Remuneration Committee

Mr. Tan Chong Huat (Chairman)
Mr. Zhou Jun
Mr. Yeo Guat Kwang
Mr. Tay Ah Kong Bernard

Audit Committee

Mr. Tay Ah Kong Bernard (Chairman)
Mr. Yeo Guat Kwang
Mr. Tan Chong Huat
Mr. Tan Gim Soo

Company Secretary

Mr. Tan Kim Han Raymond

Registered Office

One Temasek Avenue #37-03
Millenia Tower
Singapore 039192
Tel: (65) 6538 2598
Fax: (65) 6538 2896
Email: info@siicenv.com
Website: www.siicenv.com

Share Registrar

Boardroom Corporate Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

Auditors

Deloitte & Touche LLP
6 Shenton Way, #32-00
OUE Downtown 2
Singapore 068809
Partner-in-charge:
Dr. Ernest Kan Yaw Kiong
(Appointed since 28 November 2012)

Principal Bankers

Standard Chartered Bank (Singapore)
United Overseas Bank Limited (Singapore)
Bank of China (Hong Kong)
Agricultural Bank of China (PRC)
Bank of Communications (PRC)
China Citic Bank (PRC)
China Construction Bank (PRC)
Industrial and Commercial Bank of China Limited (PRC)
China Merchants Bank (PRC)

SIIC ENVIRONMENT HOLDINGS LTD.

Company Registration No. 200210042R
One Temasek Avenue #37-03, Millenia Tower
Singapore 039192
Tel: (65) 6538 2598
Fax: (65) 6538 2896

www.siicenv.com

Printed on recycled paper