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

Stamina

路 遥 知 马 力

Annual Report 2014

Contents

Corporate Mission

We envisage ourselves becoming a leading investor 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境产业的领先投资者，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。

公司简介 Corporate Profile

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 an overall portfolio of about 70 water treatment and supply projects and 3 waste-to-power projects across 15 municipality and provinces, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Fujian, Guangxi, Ningxia, Henan, Liaoning, Shanxi, Sichuan and Heilongjiang.

Leveraging on the scalability of its capability, 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.

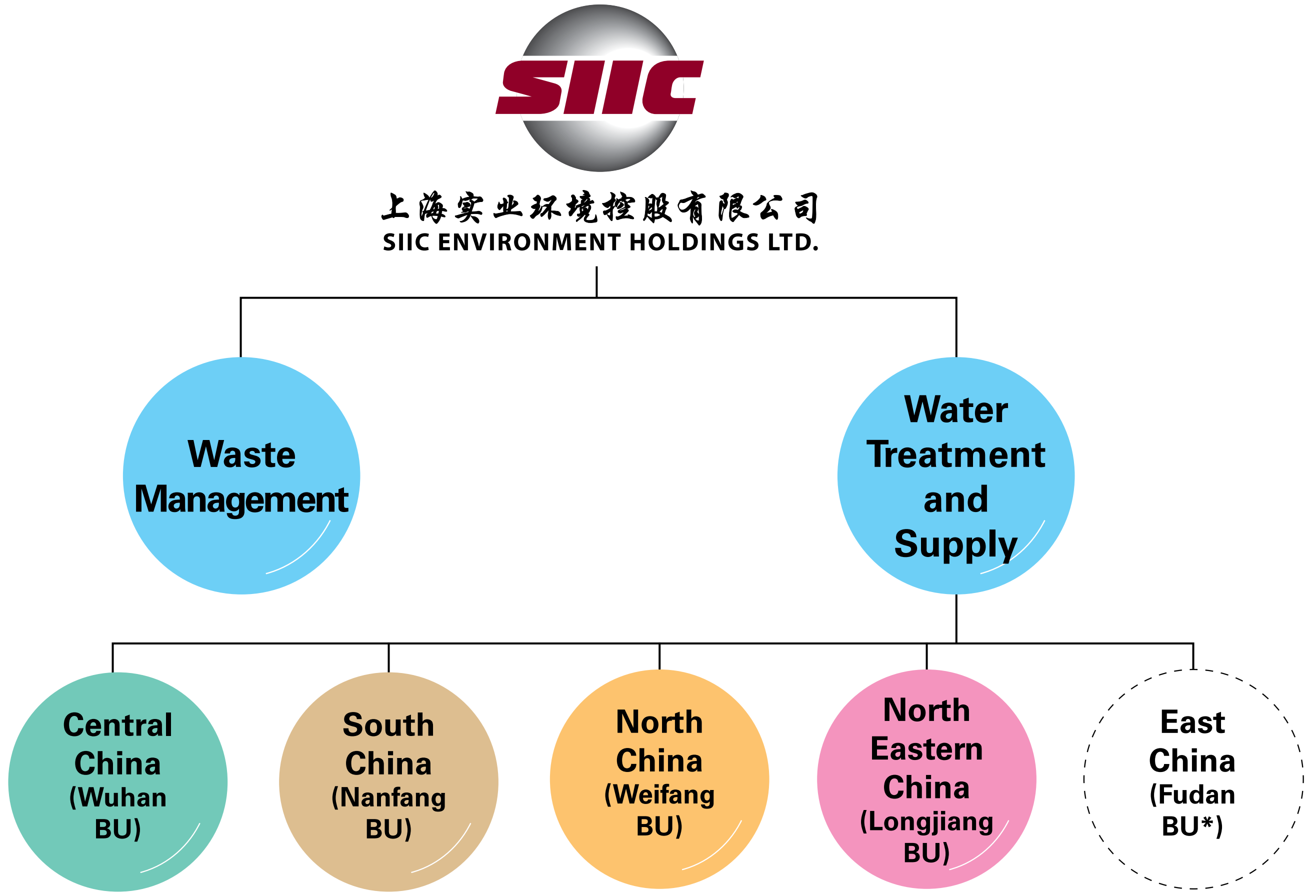
上海实业环境控股有限公司("上实环境")自2005年在新交所凯利板上市，2010年上海实业控股有限公司注资、重组、控股上实环境。公司2012年转到新交所主板上市，成为中国环境投资业中的一线综合性环保企业，致力于扩大水务产业和环保相关产业的市场份额。

上实环境是环保项目积极的投资者和运营者，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约70个水务项目及3个固废发电项目，地域涵盖中国的15个省及直辖市，即山东、广东、湖北、湖南、江苏、上海、浙江、福建、广西、宁夏，河南、辽宁、山西、四川和黑龙江。

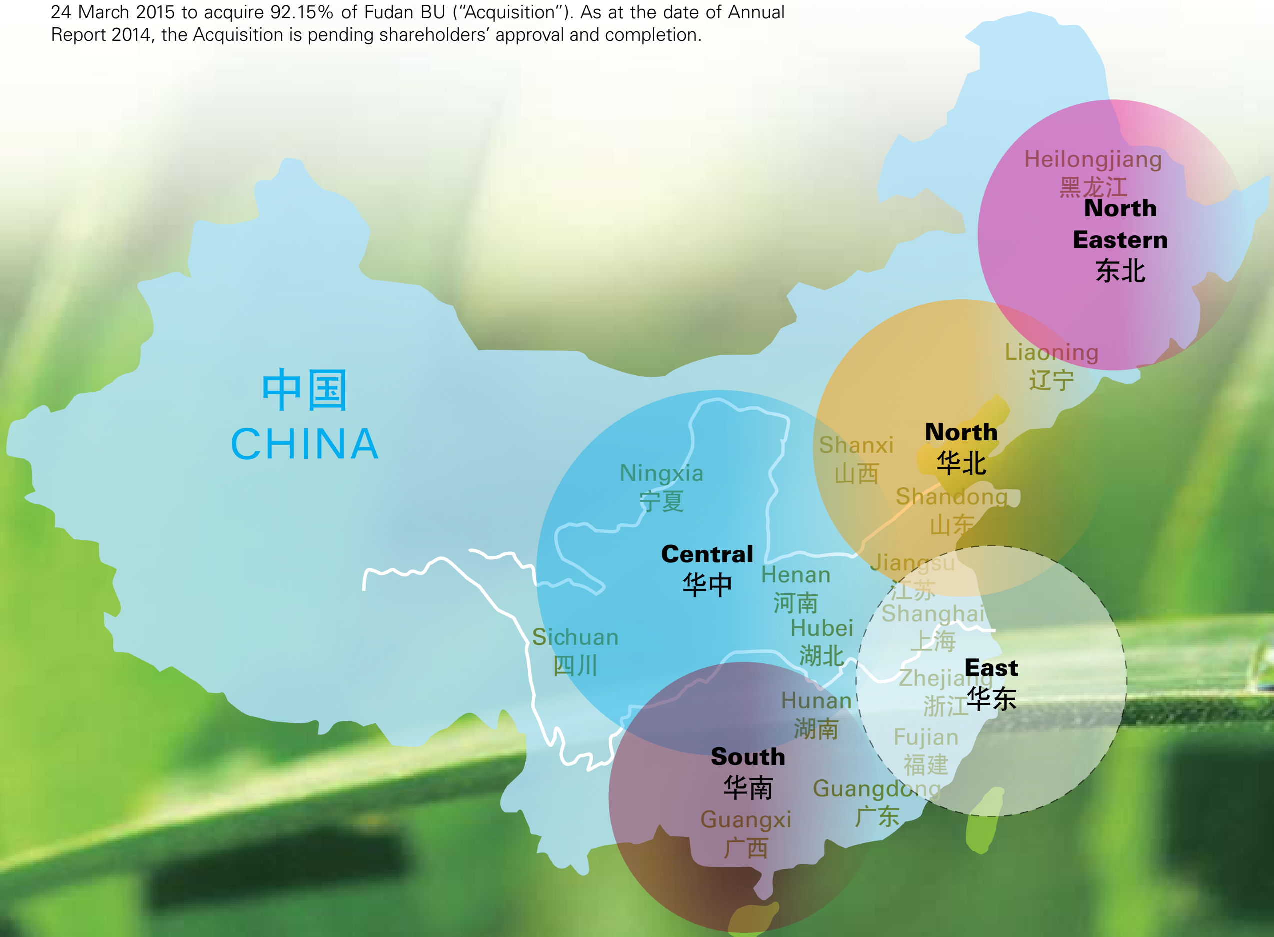
凭借技术的广泛适用性，上实环境的业务拓展至水务和环保的相关产业，如工业废水处理、海水淡化、固废发电和新能源，巩固了公司在中国环境投资业的地位。

Group Business Structure

(A three-tier management structure with strategically located assets)



*: For illustration purpose. The Group has entered into a sale and purchase agreement on 24 March 2015 to acquire 92.15% of Fudan BU ("Acquisition"). As at the date of Annual Report 2014, the Acquisition is pending shareholders' approval and completion.



主席致辭 Chairman's Statement

Mr. Zhou Jun
Executive Chairman

Dear Valued Shareholders,

On behalf of the Board of Directors, as we conclude a fruitful year, I am pleased to present you the annual report of the financial year ended 31 December 2014 ("FY2014").

Chairman's Statement 主席致辞

The Year in Review

For FY2014, net profit attributable to owners of the Company surged 74.8% year-on-year ("yoy") to RMB262.4 million attributable to a series of mergers and acquisitions and organic growth. In spite of the dilution resulting from the two share placement exercises completed in December 2013 and during the year, the diluted earnings per share increased 5.9% yoy from 2.70 Renminbi cents for FY2013 to 2.86 Renminbi cents for FY2014.

To date, the Group has about 70 water treatment and supply projects and 3 waste incineration projects with a daily design treatment capacity of 5.4 million tons and 3,200 tons respectively. Through our strategic investment in Longjiang Environmental Protection Group Co., Ltd. ("Longjiang"), Yinchuan Riverfront District Wastewater Treatment Plant and Yinchuan Fifth Wastewater Treatment Plant, the Group has expanded its footprints to Heilongjiang Province and Ningxia Hui Autonomous Region. Currently, the Group's concessionary project portfolio covers Central, South, North, East and North Eastern part of China.

Scorecard - Mergers & Acquisitions in Parallel with Organic Growth

During FY2014, the Group has successfully accomplished significant key milestones, including following acquisitions, investment and new projects win:

In January, the Group has completed the acquisition of 50% stake in Shanghai Pucheng Thermal Power Energy Co., Ltd., ("Shanghai Pucheng") which is a waste-to-power project with a design capacity of 1,050 tons/day.

Subsequently in February, the Group completed the acquisition of 100% equity interest of another waste-to-power project – Dazhou Jiajing Environment Renewable Resource Co., Ltd. ("Dazhou Jiajing") with a design capacity of 1,050 tons/day. In the same month, the Group completed the acquisition of Shanghai Qingpu Second Wastewater Treatment Plant ("Shanghai Qingpu") 100% equity interest. Shanghai Qingpu is engaged principally in the business of wastewater treatment and has a total design waste water treatment capacity of 120,000 tons/day. Together with the acquisition of Shanghai Pucheng, it is a significant milestone for the Group as it marked the Group's successful business expansion into Shanghai City.

In August, the Group won a build-operate-transfer ("BOT") waste water treatment project from Dalian Municipal Water Authority in Dalian City, Liaoning Province, the PRC, with a design capacity of 40,000 tons/day for a concessionary period of 22 years.

In September, the Group acquired 100% equity interest in Dongguan Shijie Shayao Water Purification Co., Ltd. ("Dongguan Shijie") and Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. ("Dongguan Fenggang") through its 75.5% subsidiary. Located in Dongguan City, Guangdong Province, the PRC, both Dongguan Shijie and Dongguan Fenggang undertake waste water treatment projects with a combined design treatment capacity of 110,000 tons/day with a concessionary period of 25 years.

In its foray into the North China market, the Group has completed the acquisition of 25.3% stake in Longjiang in November. Longjiang has total water treatment and supply design capacity of approximately 2.9 million tons/day and a sludge handling design capacity of 1,000 tons/day. The Group's parent company, Shanghai Industrial Holdings Limited ("SIHL"), currently has an effective 16.8% stake in Longjiang.

In November, the Group was awarded a BOT project and a transfer-operate-transfer ("TOT") project for a concessionary period of 30 years in Yinchuan City, Ningxia Hui Autonomous Region, the PRC. The BOT project entails the construction, operation and maintenance of a Riverfront District Wastewater Treatment Plant with a design capacity of 50,000 tons/day and a subsequent complementary water reclamation facility with a design capacity of 50,000 tons/day. The TOT project entails the operation and maintenance of Yinchuan Fifth Wastewater Treatment Plant with a design capacity of 50,000 tons/day and the subsequent construction of an additional 50,000 tons/day BOT waste water treatment project.

In December, the Group entered into a supplement concessionary agreement for Hanxi Wastewater Treatment Plant with Wuhan Municipal Government in Wuhan City, the PRC. Under the agreement with a concessionary period of 20 years, the Group will undertake the expansion of the waste water treatment design capacity from the existing 400,000 tons/day to

600,000 tons/day, while the existing discharge standard of the plant will be upgraded from the existing Grade 2 to Grade 1B. In addition, the Group will also construct a new deodorisation system and new sludge processing system for the facility.

In addition, in March 2015, the Group entered into a sale and purchase agreement to acquire Global Envirotech Investment Ltd. ("Global Envirotech"), which holds an indirect 92.15% stake in Fudan Water Engineering and Technology Co., Ltd. ("Fudan Water"). Fudan Water owns about 10 water projects across the PRC, namely in Shanghai City, Jiangsu, Zhejiang and Guangdong Provinces, with a water treatment design capacity of over 1 million tons/day.

We have achieved significant expansion progress through the above stream of acquisitions and project wins during the past year which is in line with our expectations. We hope to maintain the momentum in order to deliver comparable or better results in the coming year.

Update on Utilisation of Net Proceeds from Rights Issue and Share Placements

The Company raised approximately S$72.8 million of net proceeds from a Rights Issue exercise of 1,217,789,975 new ordinary shares in March 2011, S$260.2 million from the placement of 3.1 billion new ordinary shares in December 2013 ("2013 Share Placement") and S$154.8 million from the placement of 1.0 billion new ordinary shares in July 2014 ("2014 Share Placement"). The net proceeds was used to finance the Group's business expansion, to enlarge general working capital, to repay existing borrowings and for general corporate purposes. The 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:

	Amount S$ 'million	Remarks
Net proceeds raised from the Rights Issue in March 2011	**72.8**	
Payment of Tranche 1 Consideration in connection with the acquisition of Lap Yin International Limited ("Lap Yin")	(15.8)	Please refer to announcement made on 20 July 2011 via SGXNet.
Payment of Transfer Consideration in connection with the transfer of Wuhan Huang-Pi Kaidi Water Services Co., Ltd. ("Wuhan Huang-Pi") equity interest	(27.4)	Please refer to announcement made on 16 November 2011 via SGXNet.
Payment for the initial capital injection into SIIC Environment (Dalian) Co., Ltd. ("SIIC Environment Dalian")	(0.4)	Please refer to announcement made on 6 March 2012 via SGXNet.
Payment for Cash Consideration I in connection with the acquisition of Rise Wealth Investments Ltd.	(14.0)	Please refer to announcement made on 18 June 2012 via SGXNet.
Payment for additional capital injection into SIIC Environment Dalian	(2.8)	Please refer to announcement made on 10 August 2012 via SGXNet.
Payment for Tranche 3 Consideration in connection with the acquisition of Lap Yin	(0.4)	Please refer to announcement made on 27 February 2013 via SGXNet.
Payment for additional capital injection into Wenling Hanyang Resources Power Co., Ltd.	(2.4)	
General working capital uses	(9.6)	
Balance of net proceeds raised from the Rights Issue as at 31 December 2014	**-**	**Please refer to announcement made on 30 June 2014 via SGXNet**
**Breakdown of general working capital uses:		
- Payments for procurement of equipment	(1.6)	
- Payments for various professional services	(1.4)	
- Payments of interest expenses	(6.6)	
	(9.6)	

(b) The status on the use of net proceeds from 2013 Share Placement is summarised as follows:

	Amount S$ 'million	Remarks
Net proceeds raised from the 2013 Share Placement in December 2013	**260.2**	
Payment for the purchase consideration of RMB530 million in relation to the 50% equity acquisition of Shanghai Pucheng	(109.5)	Please refer to announcement made on 23 January 2014 via SGXNet.
Additional capital injection in SIIC Environment Dalian	(5.8)	Please refer to announcement made on 27 January 2014 via SGXNet.
Purchase consideration in relation to the acquisition of Gold Wisdom Holdings Limited	(17.4)	Please refer to announcement made on 11 February 2014 via SGXNet.
General working capital use (Repayment of existing short-term shareholders' loan obtained from SIHL Finance Limited of RMB400 million and interest payment of RMB6.3 million and HKD4.0 million)	(84.6)	Please refer to announcement made on 20 March 2014 via SGXNet.
Shareholder's loan of RMB70 million to Dazhou Jiajing as its working capital	(14.5)	Please refer to announcement made on 26 March 2014 via SGXNet.
Part Payment Sum in relation to the 13.125% acquisition of Longjiang	(21.7)	Please refer to announcement made on 3 July 2014 via SGXNet.
Balance Payment Sum in relation to the 13.125% acquisition of Longjiang	(6.7)	Please refer to announcement made on 8 July 2014 via SGXNet.
Balance of net proceeds raised from the 2013 Share Placement as at 31 December 2014	**-**	

(c) The status on the use of net proceeds from 2014 Share Placement is summarised as follows:

	Amount S$ 'million	Remarks
Net proceeds raised from the 2014 Share Placement in July 2014	**154.78**	
Payment for the additional investment of RMB74.5 million in Wuhan Huang-Pi	(15.52)	Please refer to announcement made on 25 September 2014 via SGXNet.
Payment for the purchase consideration of RMB195.0 million for the 12.1875% acquisition of Longjiang	(41.06)	Please refer to announcement made on 7 November 2014 via SGXNet.
Payment for the additional investment of RMB150.3 million in SIIC Environment Holdings (Wuhan) Co., Ltd.	(32.68)	Please refer to announcement made on 18 November 2014 via SGXNet.
Payment for the 70% equity of RMB124.0 million for the incorporation of SIIC Environment (Yinchuan) Binhe Wastewater Treatment Co., Ltd. and SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	(26.55)	Please refer to announcement made on 17 December 2014 via SGXNet.
Payment for the subscription of shares in the capital of Canvest Environmental Protection Group Company Limited	(26.46)	Please refer to announcement made on 29 December 2014 via SGXNet.
Balance of net proceeds raised from the 2014 Share Placement as at 31 December 2014	**12.51**	

主席致辭 Chairman's Statement

Outlook

Over the past few years, water protection is gaining political awareness, resulting in stronger government policy support for the water treatment sector.

The new "Environmental Protection Law of the People's Republic of China" (新《中华人民共和国环境保护法》) is officially implemented on 1 January 2015. Subsequently, the "Sewage treatment fee collection and administration measures" (《污水处理费征收使用管理办法》) has taken effect from 1 March 2015. It demands the total attributable wastewater treatment charges to compound the cost of sludge disposal for the first time, which is expected to continue rising. Furthermore, the "Action Plan on the Prevention of Water Pollution" (《水污染防治行动计划》，又称"水十条") has been reviewed by the State Council in 2014 and will be unveiled in the near future. The new series of favourable policies is a strong testament to the Chinese government's determination to resolve its environmental issues. Being in a capital intensive industry, we believe government and policy backings are critical to the sustainable growth and development of the environmental industry.

Last year, China's "One Belt and One Road" strategy was proposed to the world by President Xi Jinping. According to CICC's research, the total amount of relative investment could reach USD1.6 trillion in the next 10 years. We will see a faster urbanisation process and population growth along the benefited regions in the blueprint, of which will translate into rising demand in wastewater treatment facilities and services.

Currently, there are abundant opportunities and huge potential for acquisitions as wastewater treatment segment is highly fragmented with a significant portion of the municipal wastewater treatment assets still being held by the local municipals and similar trend is observed for the waste-to-energy sector as well.

The Group will leverage on the favourable policies to continue the two-pronged development strategy of active M&A and organic growth. Equipped with the 3-tier management structure that allows faster expansion through the execution from regional business head offices after the acquisition made by the Group, the Group will strive to maximize our value by low gearing and sustain the advantages of strong and recurring revenue stream from the concessionary business for high earning quality.

Appreciation and Acknowledgement

First and foremost, I would like to extend my utmost appreciation to our shareholders for your vote of confidence.

As always, I would like to thank all management and employees for your commitment and dedication, which has culminated in yet another year of record performance. Without your professionalism and loyalty, SIIC Environment would not be what it is today.

In addition, I would like to express my sincere gratitude to Mr. Zou Jiefu and Mr. Zhang Chao who have retired and stepped down and Ms. Liu Yujie who has resigned as Director of the Company for their instrumental contribution to the Group. I would also like to welcome Mr. Yang Yihua, Mr. Xu Zhan and Mr. Xu Xiaobing who have been appointed as Executive Director of the Group. Their qualifications and experience are very relevant to our business and will be a valuable asset to our Group.

I am proud that SIIC Environment has contributed an active part in the environmental protection scene of China for the past years. My team and I will stay focused and seize opportunities to achieve growth and value for you all.

Mr. Zhou Jun
Executive Chairman

Chairman's Statement 主席致辞

各位尊敬的股东，

我非常荣幸地代表董事会全体成员向各位呈上有关集团截至2014年12月31日的全财年（“2014财年”）年报。2014财年是成果丰硕的一年。

财年回顾

在2014财年，集团通过一系列的收购兼并与自然增长，使归属公司所有人的年度利润取得同比74.8%的增长，达到人民币2.624亿元。虽然集团于2013年12月和今年完成的两轮配股产生了一定的稀释效应，每股盈利仍取得了5.9%的增长，从2013财年的每股人民币2.70分增长至2014财年的每股人民币2.86分。

迄今，集团共有约70个水处理及供水项目，水处理设计日产能达到约540万吨；3个固废发电项目，设计日产能为3200吨。值得一提的是，通过战略投资龙江环保集团股份有限公司（“龙江”）、银川滨河污水处理项目和银川第五污水处理项目，集团的足迹已拓展到黑龙江省和宁夏回族自治区。目前集团的特许经营项目已覆盖中国的华中、华南、华北、华东及东北部。

成绩单：
收购兼并与自然增长并举

在2014财年，集团成功完成了下列重要的收购、投资与新项目的获得：

2014年1月，集团收购了上海浦城热电能源有限公司（“上海浦城”）50%的股权。上海浦城是固废发电项目，其设计日产能为1,050吨。

2月份，集团又收购了另一个固废发电项目–达州佳境环保再生资源有限公司（“达州佳境”）的100%股权，其设计日产能为1,050吨。在同月份，集团完成收购设计日产能达12万吨的上海青浦第二污水处理厂（“上海青浦”）的100%权益。上海青浦主要运营污水处理项目。此次上海青浦项目及上海浦城热电项目的收购标志着集团成功将业务拓展至上海市，对于集团而言具有里程碑式的重大意义。

在2014年8月份，集团从中国辽宁省大连市政府市水务局获取设计日产能达4万吨的BOT项目，特许经营期为22年。

在2014年9月份，集团通过其控股75.5%的子公司收购了东莞石碣沙腰水质净化有限公司（“东莞石碣”）和东莞凤岗雁田方中水务有限公司（“东莞凤岗”）两家公司100%的股权。东莞石碣和东莞凤岗位于中国广东省东莞市，主要运营污水处理项目。两家污水处理厂的总设计日产能达11万吨，特许经营期为25年。

在进入中国北方市场方面，集团于2014年11月收购了龙江25.3%的股权。龙江拥有水处理及供水设计日产能约290万吨、污泥处理设计日产能达1千吨。集团母公司，上海实业控股有限公司，现也持有龙江16.8%的有效股权。

在2014年11月份，集团在宁夏回族自治区银川市分别获得特许经营期30年的滨河污水处理BOT和银川第五污水处理TOT项目。滨河污水处理BOT项目的设计日产能达5万吨，另外还包括后续设计日产能达5万吨的中水回用设施。银川第五污水处理TOT项目的设计日产能达5万吨，另外还包括后续额外设计日产能5万吨的污水处理BOT项目的建设。

在2014年12月份，集团与中国武汉市政府签署了汉西污水处理项目特许经营协议补充协议。此特许经营协议补充协议的经营期为20年，集团将把现有的40万吨污水日处理产能扩建至60万吨，并将水厂排放标准从现在的2级提升至1级B。此外，集团也将为水厂兴建新的除臭及污泥处理系统。

另外，2015年3月，集团就关于收购Global Envirotech Investment Ltd.

（“Global Envirotech”）签署相关的买卖协议。Global Envirotech间接持有上海复旦水务工程技术有限公司（“复旦水务”）92.15%的股权。目前，复旦水务在中国拥有约10个水处理项目，业务覆盖上海市、江苏省、浙江省及广东省，水处理设计日产能将超过100万吨。

以上一系列的收购及新项目的获得使集团的规模按照预期进一步扩大。我们希望明年继续保持这种势头，为大家展示更好的成绩。

配股及增发募集资金使用情况

集团于2011年3月配股发行1,217,789,975股新普通股，募集资金净额约新币7280万元；于2013年12月定向增发约31亿股新普通股（“2013配股”），募集资金净额约新币2.602亿元；于2014年7月定向增发10亿股新普通股（“2014配股”），募集资金净额约新币1.548亿元。募集资金净额用于集团的业务扩张，一般营运资金，偿还现有借款及集团日常用途。所得款项净额的使用情况汇总如下，集团也将继续向股东们披露募集资金后续使用情况。

(a) 配股所得款项使用情况汇总如下:

	金额（百万新币）	备注
2011年3月配股募集资金之净额	**72.8**	
用于支付收购立贤国际有限公司（“立贤”）的一期款项	(15.8)	请参考新交所网站2011年7月20日的公告
用于支付武汉黄陂凯迪水务有限公司（“武汉黄陂”）的股权转让的款项	(27.4)	请参考新交所网站2011年11月16日的公告
用于上实环境水务（大连）有限公司（“上实环境大连”）初始注资的款项	(0.4)	请参考新交所网站2012年3月6日的公告
用于支付收购Rise Wealth Investments Ltd.的一期现金款项	(14.0)	请参考新交所网站2012年6月18日的公告
用于支付上实环境大连的股本增资的款项	(2.8)	请参考新交所网站2012年8月10日的公告
用于支付收购立贤的三期款项	(0.4)	请参考新交所网站2013年2月27日的公告
用于支付温岭瀚洋资源电力有限公司的股本增资的款项	(2.4)	
一般营运资金	(9.6)	
截至2014年12月31日配股募集资金之余额	**-**	**请参考新交所网站2014年6月30日的公告**
**一般营运资金使用小结		
– 用于购买设备	(1.6)	
– 支付各专业机构服务费	(1.4)	
– 用于支付利息	(6.6)	
	(9.6)	

(b) 2013定向增发所得款项使用情况汇总如下:

	金额（百万新币）	备注
2013年12月定向增发股票募集资金之净额	**260.2**	
支付人民币5.30亿元用于收购上海浦城50%股权的款项	(109.5)	请参考新交所网站2014年1月23日的公告
对上实环境大连的股本增资	(5.8)	请参考新交所网站2014年1月27日的公告
用于收购金智控股有限公司的款项	(17.4)	请参考新交所网站2014年2月11日的公告
作为一般营运资本的款项（偿还现有的从SIHL Finance Limited取得的4亿元人民币的股东短期贷款及利息人民币630万元和港币400万元）	(84.6)	请参考新交所网站2014年3月20日的公告
作为达州佳境的营运资本的股东贷款人民币7000万元	(14.5)	请参考新交所网站2014年3月26日的公告
用于收购龙江13.125%股权的部分款项	(21.7)	请参考新交所网站2014年7月3日的公告
用于收购龙江13.125%股权的部分款项	(6.7)	请参考新交所网站2014年7月8日的公告
截至2014年12月31日，2013定向增发私募之余额	-	

(c)2014定向增发所得款项使用情况汇总如下:

	金额（百万新币）	备注
2014年7月定向增发募集资金之净额	**154.78**	
支付人民币7450万元作为武汉黄陂的股本增资	(15.52)	请参考新交所网站2014年9月25日的公告
支付人民币1.95亿元作为收购龙江12.1875%股权的部分收购代价	(41.06)	请参考新交所网站2014年11月7日的公告
支付人民币1.50亿元作为上实环境控股（武汉）有限公司的股本增资	(32.68)	请参考新交所网站2014年11月18日的公告
支付人民币1.24亿元作为上实环境（银川）滨河污水处理有限公司及上实环境（银川）污水处理有限公司70%股权的资本金	(26.55)	请参考新交所网站2014年12月17日的公告
投资粤丰环保电力有限公司的款项	(26.46)	请参考新交所网站2014年12月29日的公告
截至2014年12月31日，2014定向增发私募之余额	**12.51**	

展望

近年来，水资源保护获得政府的重视，政府出台了相关的扶持政策。

2005年1月1日，新的《中华人民共和国环境保护法》正式开始施行。2015年3月1日起，将施行《污水处理费征收使用管理办法》。该管理办法首次将污泥处理成本纳入污水处理费率计量范围，污水处理费有望进一步上升。而“水十条”也已在2014年通过国务院常务会议的审议，或于近期公布。接踵而至的新政策充分体现了中国政府对于环保的的重视，这对于资本密集型的环境产业的发展至关重要。

按照习近平主席去年向世界宣布的“一带一路”的构想，中国国际金融有限公司初步估计，未来十年政府对其总投资有望达到1.6万亿美元。在此规划下，沿线地区城市化进程将加快，人口密度上升，总污水排放量也必然会随之增长。

目前，中国水处理市场较为分散，大量的水资产仍由政府管理，固废发电市场也存在类似的局面。因此，水处理及固废发电板块存在大量收购及整合的机会。

在有利的宏观政策下，集团将继续坚持收购兼并与自然增长并举的发展策略，积极寻找合适的收购目标并升级改造已有水厂。通过扁平化的“三层管理”特色，即通过总部获取项目，各区域分部执行的方式来实现快速扩张；通过特许服务带来的可持续的强劲的经常性水费收入及利用现有较低的财务杠杆，集团力争进一步提高盈利质量。

致谢

首先，我想借此机会对一直以来支持我们的股东表示最衷心的感谢。

我也要感谢公司的管理层和员工的辛勤奉献，如果没有大家的专业精神，上实环境无法取得今天的成绩。

另外，我想感谢离任的董事，邹结富先生、张超先生和刘玉杰女士，他们曾为集团作出了很多贡献；我也要欢迎新任执行董事杨义华先生、许瞻先生和徐晓冰先生，相信他们的资历与相关工作经验会成为集团的宝贵财富。

我很自豪上实环境可以有幸成为中国环保事业发展中的一分子。我们的团队将会继续努力，抓住机会发展并为股东们创造更多价值。

周 军 先生
执行主席

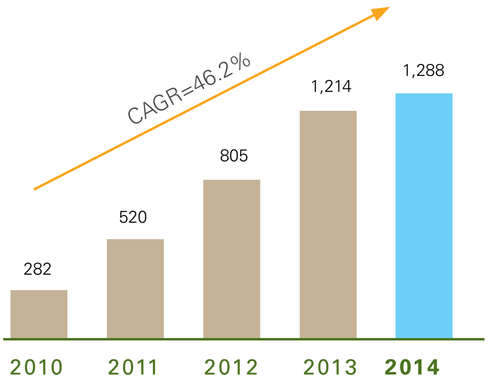
Financial Review 财务回顾

Financial Highlights

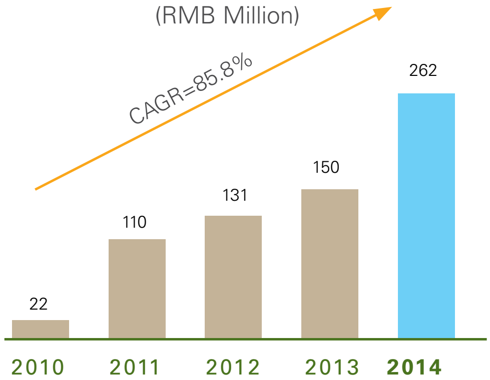
Since FY2010, the Group has seen a CAGR of 46.2%, 85.8% and 61.3% in our revenue, profits for the year attributable to owners of the Company and EBITDA to RMB1.288 billion, RMB262.4 million and RMB588.7 million for FY2014 respectively. In addition, both total assets and net assets have increased as well significantly over the years to RMB8.2 billion and RMB4.3 billion respectively. Rapid growth in the profitability and strengthening of balance sheet position were due mainly to the expansion achieved through M&A as well as organic growth, and the recently completed share placement exercise.

(A) Strong Growth

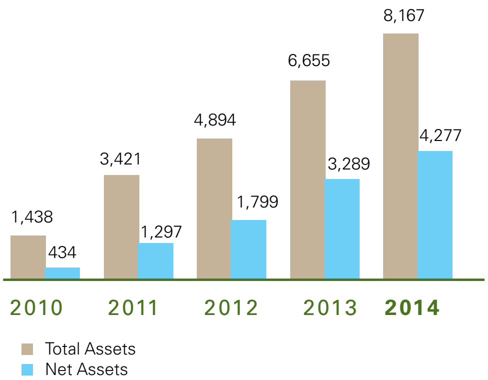
Revenue (RMB Million)



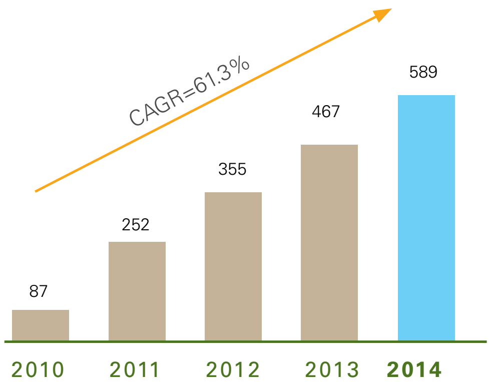
Net Profit Attributable to Owners of the Company (RMB Million)



Total Assets and Net Assets (RMB Million)



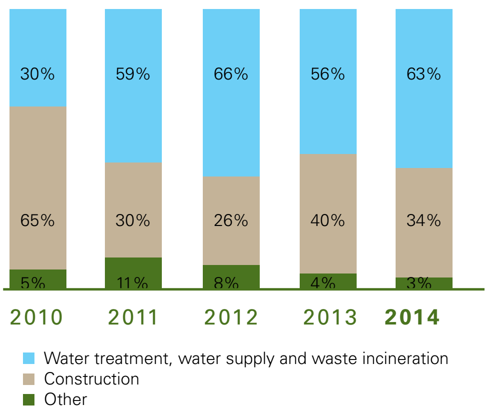
EBITDA[1] (RMB Million)



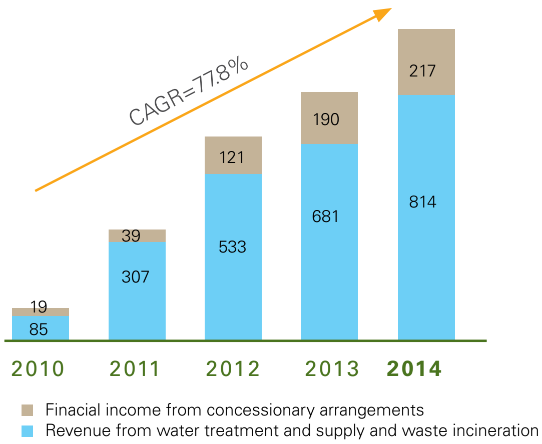
(1): EBITDA = profit before tax + financial expenses - financial income + financial income from service concession+ depreciation & amortization

(B) BOT, TOT, BOO and TOO Projects Provide Stable Cash Flow, increasing Visibility of the Group's Future Earnings

Change in revenue composition



Aggregate of revenue and financial income from service concession arrangements (RMB Million)



Key Financial Data For the Financial Year Ended 31 December

Results (RMB'000)	2014	2013	Change %
Revenue	1,287,778	1,214,474	6.0
Adjusted revenue [(a)]	1,504,434	1,404,530	7.1
Gross profit	368,966	361,502	2.1
Adjusted gross profit [(a)]	585,622	551,558	6.2
Profit from operations	212,635	207,062	2.7
Adjusted profit from operations [(a)]	429,291	397,118	8.1
Profit for the year	333,703	214,622	55.5
Profit for the year attributable to owners of the Company	262,416	150,095	74.8
Earnings per share (RMB cents)			
- Basic [(b)]	2.90	2.72	6.6
- Diluted	2.86	2.70	5.9

(a) Revenue or gross profit or Profit from operations + financial income from service concession arrangements (as the case may be)
(b) Computed based on weighted average number of ordinary shares outstanding for the respective financial year ended

Financial Position (RMB'000)	2014	2013	Change %
Total assets	8,166,621	6,655,251	22.7
Net assets (Total equity)	4,276,959	3,289,116	30.0
Equity attributable to owners of the Company	3,690,627	2,729,577	35.2
Net assets per share [(a)] (RMB cents)	38.49	31.78	21.1
Market capitalisation [(b)] (S$'000)	1,323,322	1,571,840	(15.8)
Number of shares (excluding treasury shares)	9,589,292,132	8,589,292,132	11.6
Average return on equity ("ROE") [(c)]	8.8%	8.4% [(c)]	4.8
Adjusted average ROE	9.0% [(e)]	11.2% [(d)]	(19.6)

(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
(d) Assumed that the placement of 3.1 billion new shares had not taken place as at 31 December 2013
(e) Computed based on time-weighted number of shares of the 1.0 billion placement completed in July 2014

Overall:

Total revenue for FY2014 increased 6.0% year-on-year ("yoy") to RMB1,287.8 million on the back of yoy increase of water treatment and water supply business segment, resulting from higher treatment and sales volume and newly acquired subsidiaries and the contribution of RMB37.4 million from the waste incineration business segment. The Group's aggregate of revenue and financial income from service concession arrangements increased 7.1% yoy from RMB1,404.5 million for FY2013 to RMB1,504.4 million for FY2014.

Other income increased 46.0% yoy to RMB18.0 million for FY2014 largely due to net gain on disposal of subsidiaries and higher amount of government subsidies received by some of the Group's subsidiaries.

Additionally, the Group's share of results of associates and joint ventures jumped 423.3% yoy to RMB60.4 million primarily due to newly acquired associate, Longjiang and joint venture, Shanghai Pucheng. With this and the contribution from Wenling Hanyang's Phase 2 operation, the contribution from the share of results of associates and joint ventures to the Group's net profit rose significantly from 5.4% for FY2013 to 18.1% for FY2014.

Overall, the Group recorded an increase in profit attributable to owners of the Company from RMB150.1 million for FY2013 to RMB262.4 million for FY2014, representing a yoy increase of 74.8%.

Equity:

The Group's total equity as at 31 December 2014 amounted to RMB4.3 billion, strengthened significantly from RMB3.3 billion as at 31 December 2013. The increase was due mainly to (i) net proceeds from 2014 Share Placement of RMB766.1 million; and (ii) total comprehensive income of RMB265.7 million recorded for FY2014.

Cash Flow:

During the financial year ended 31 December 2014, the followings were being recorded:

(1) healthy net cash generated from the Group's operating activities of RMB529.3 million, after adjusting for additions of/prepayments for receivables under service concession arrangements and refundable deposits;
(2) net cash used in the Group's investing activities amounted to RMB1.3 billion due mainly to (i) purchase of intangibles; (ii) investment in availabe-for-sale equity instrument; and (iii) net cash outflow on acquisition of entities during the year. This is partially offset by the proceeds from government grant received and dividend received from Shanghai Pucheng; and
(3) net cash generated from financing activities of RMB304.9 million due mainly to proceeds from share placement, partially offset by (i) net repayment of bank and other borrowings (including finance leaseback arrangement); (ii) interest paid; and (iii) settlement of dividend payable to former shareholder.

As at 31 December 2014, the Group's cash and cash equivalents stood at RMB1.1 billion (2013: RMB1.9 billion).

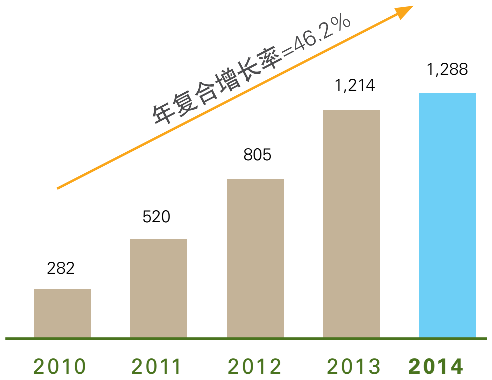
Financial Review 财务回顾

财务亮点

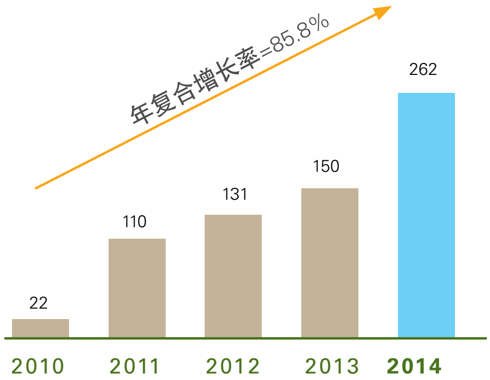
2010年至本财年，集团营业额、归属公司所有人的年度利润、息税折旧及摊销前利润的复合年均增长率分别为46.2%、85.8%和61.3%；2014财年分别为人民币12.88亿元、2.624亿元和5.887亿元。此外，资产总额和净资产都大幅增加，分别达人民币82亿元和人民币43亿元。集团盈利能力的快速增长和资产负债表状况的加强主要是因为并购和自然增长，以及完成了股票定向增发。

(A) 强劲的增长

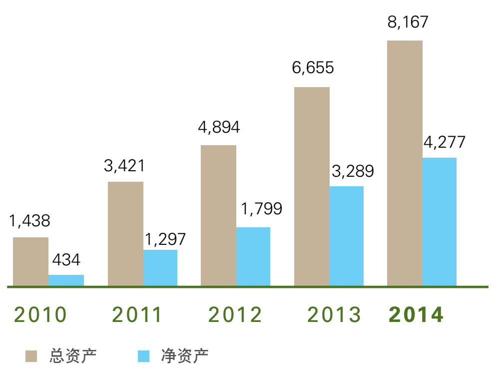
营业额(人民币百万)



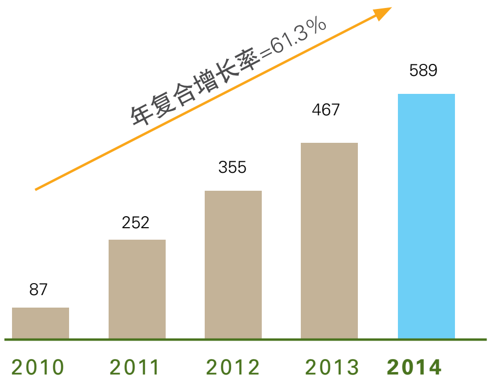
归属于股东净利(人民币百万)



总资产与净资产(人民币百万)



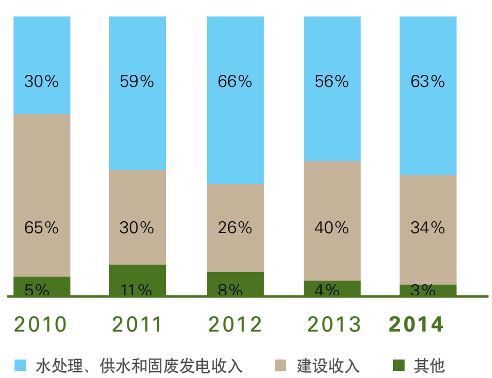
税息折旧及摊销前利润[1](人民币百万)



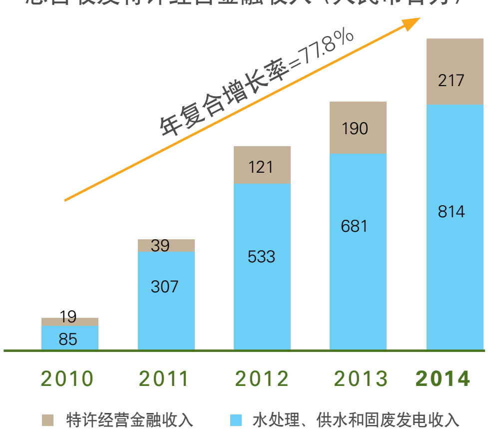
(1) 税息折旧及摊销前利润 = 税前盈利+财务费用-财务收入+特许经营服务协议之财务收入+折旧摊销

(B) BOT、TOT、BOO和TOO项目提供了稳定的现金流，可预见未来的收入增长

营收组合变化



总营收及特许经营金融收入（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）	2014	2013	变动 %
营业额	1,287,778	1,214,474	6.0
调整后营业额 [a]	1,504,434	1,404,530	7.1
毛利	368,966	361,502	2.1
调整后毛利 [a]	585,622	551,558	6.2
经营活动净利	212,635	207,062	2.7
调整后经营活动净利 [a]	429,291	397,118	8.1
年度净利	333,703	214,622	55.5
归属于股东净利	262,416	150,095	74.8
每股净利（人民币分）			
– 基本 [b]	2.90	2.72	6.6
– 稀释后	2.86	2.70	5.9

(a) 营业额或毛利或经营活动净利+特许经营金融收入（按相关事项）
(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）	2014	2013	变动 %
总资产	8,166,621	6,655,251	22.7
净资产（总权益）	4,276,959	3,289,116	30.0
归属于股东权益	3,690,627	2,729,577	35.2
每股净资产 [a] （人民币分）	38.49	31.78	21.1
股本市值 [b] （新币’000）	1,323,322	1,571,840	(15.8)
股票数量（不包括库存股）	9,589,292,132	8,589,292,132	11.6
平均净资产收益率 [c]	8.8%	8.4%[c]	4.8
调整后的平均资产收益率	9.0%[e]	11.2%[d]	(19.6)

(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) 年度净利除以平均总权益
(d) 假定在2013年12月31日，没有发行31亿股新股
(e) 2014年7月定向增发10亿股新股按时间加权数计算

综述

集团2014财年的收入同比年增长6.0%至人民币12.878亿元，主要是由于水处理和供水业务收入同比年增长及固废发电业务带来的人民币3740万元的收入。水处理和供水业务的增长主要来自新收购的子公司。集团2014财年的总收入和特许经营金融收入从2013财年的人民币14.045亿元增长到人民币15.044亿元，同比年增长7.1%。

2014财年其他收入同比年增长46.0%至人民币1800万元，主要由于处置子公司的净收入和某些子公司收到的更多的政府补贴。

另外，集团2014财年来自于联营公司和合资公司的收入同比激增423.3%至人民币6040万元，主要来自于新收购的联营公司龙江和合资公司上海浦城的贡献。加上温岭二期项目开始运营，这一部分占集团净利的比重也从2013财年的5.4%大幅增长了18.1%。

总体来看，集团2014财年的归属于股东利润从2013财年的人民币1.501亿元，增长到人民币2.624亿元，同比年增长率为74.8%。

权益:

截至2014年12月31日，集团总权益达人民币43亿元，与2013年12月31日的人民币33亿元相比有大幅提升，主要原因：（i）2014财年定向增发募得人民币7.661亿元；和(ii)2014财年录得的总综合收入人民币2.657亿元。

现金流:

截至2014年12月31日的财务年度，集团现金流情况如下:

(1) 集团经营活动产生的健康的净现金流人民币5.293亿元（调整了特许经营权相关的金融应收款的增加/预付和可退还保证金后）;

(2) 集团投资活动使用的净现金人民币13亿元，主要用于：（i）购买无形资产；（ii） 可供出售的权益工具的投资；和(iii)当年收购公司的净资金流出。这些净资金流出与收到的政府补贴和从上海浦城收到的股息收入部分抵消； 及

(3) 融资活动产生净现金人民币3.049亿元，主要来自定向增发募集的资金净额，此现金流入部分被(i) 银行和其他借款（含融资租赁）的净还款；（ii）偿付利息；和（iii）支付应付前股东的股息而抵消。

截至2014年12月31日，集团的现金和现金等价物为人民币11亿元（2013年：人民币19亿元）。

Project Overview 项目一览

(A) Wastewater Treatment / Reclaimed Water Treatment Projects

	Province/ Municipality	Project Name	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Fujian	Anxi County Longmen Town Wastewater Treatment	25,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
02	Guangdong	Dongguan City Wastewater Treatment	100,000	75.5%	The project is in operation.
03	Guangdong	Huizhou City Meihu Water Treatment Center 1st and 2nd stage	200,000	76.419%	The project is in operation.
04	Guangdong	Longgang Yibao Shenzhen City Wastewater Treatment **	280,000	76.419%	The project is in operation.
05	Guangdong	Shenzhen City Henggang Recycling Water Treatment*	50,000	76.419%	Phase 1 project is in operation. Phase 2 project has yet to complete construction.
06	Guangdong	Shenzhen City Banxuegang Wastewater Treatment *	40,000	76.419%	The project is in operation.
07	Guangdong	Shenzhen City Guanlan Wastewater Treatment *	260,000	45.851%	The project is in operation.
08	Guangdong	Shenzhen Guanlan River Pollution Emergency Operation and Management *	400,000	45.851%	The project is in operation.
09	Guangdong	Zhanjiang Wuchuan Wastewater Treatment	40,000	76.419%	The project is in operation.
10	Guangdong	Dongguan Shijie Shayao Wastewater Treatment	60,000	75.5%	The project is in operation.
11	Guangdong	Dongguan Fenggang Yantian Wastewater Treatment	50,000	75.5%	The project is in operation.
12	Guangxi	Beiliu City Wastewater Treatment	40,000	75.5%	The project is in operation.
13	Henan	Luohe City Dong Cheng Wastewater Treatment	20,000	75.5%	The project is in operation.
14	Hubei	Huangshi Kaidi Wastewater Treatment	125,000	100%	The project is in operation.
15	Hubei	Wuhan Hanxi Wastewater Treatment	600,000	80%	Phase 1 project is in operation. Phase 1 upgrading project and Phase 2 expansion project are under construction.
16	Hubei	Wuhan Kaidi Xinchuan Wastewater Treatment	30,000	100%	The project is in operation.
17	Hubei	Wuhan Kaidi Xinlong Wastewater Treatment	45,000	100%	Phase 1 project is in operation. Phase 2 project is under construction.
18	Hubei	Wuhan Xincheng Wastewater Treatment	60,000	100%	The project is in operation.
19	Hunan	Chenzhou City Linwu County Wastewater Treatment	10,000	15.284%	The project is in operation.
20	Hunan	Chenzhou City Wastewater Treatment	120,000	76.419%	The project is in operation.
21	Hunan	Taojiang County Tao Hua Jiang Wastewater Treatment	20,000	75.5%	The project is in operation.
22	Hunan	Yiyang City Gaoxin District Wastewater Treatment	30,000	75.5%	The project is in operation.

	Province/ Municipality	Project Name	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
23	Hunan	Yiyang City Wastewater Treatment	40,000	75.5%	The project is in operation.
24	Jiangsu	Jingjiang City Xingang District Wastewater Treatment	80,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
25	Jiangsu	Shuyang County Wastewater Treatment	60,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
26	Jiangsu	Taixing City Huangqiao Wastewater Treatment	50,000	76.419%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
27	Liaoning	Dalian Puwan New District Wastewater Treatment	50,000	92.65%	30,000 tons of the project is under construction. Construction for the remaining 20,000 tons of the project has yet to commence.
28	Liaoning	Dalian Wan Wastewater Treatment	40,000	75.5%	The project is under construction.
29	Ningxia Hui Autonomous Region	Yinchuan Fifth Wastewater Treatment	100,000	100%	Yinchuan Fifth Waste Water TOT project 50,000 tons/day design capacity is in operation. Construction of Yinchuan Fifth Waste Water BOT project 50,000 tons/day design capacity has yet to commence.
30	Ningxia Hui Autonomous Region	Yinchuan Riverfront District Wastewater Treatment	50,000	100%	The project is under construction.
31	Ningxia Hui Autonomous Region	Yinchuan Riverfront District Reclaimed Water Treatment	50,000	100%	Construction of the project has yet to commence.
32	Shandong	Dezhou City Wastewater Treatment	100,000	75.5%	The project is in operation.
33	Shandong	Weifang City Chengxi Wastewater Treatment	40,000	75.5%	The project is in operation.
34	Shandong	Weifang City High Technology Industrial Development District Wastewater Treatment 1st Stage	50,000	75.5%	The project is in operation.
35	Shandong	Weifang City Reclaimed Water Treatment	38,500	75.5%	The project is in operation.
36	Shandong	Weifang City Wastewater Treatment	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.
37	Shandong	Zaozhuang City Shanting District Wastewater Treatment	20,000	75.5%	The project is in operation.
38	Shandong	Zaozhuang City Yicheng District Wastewater Treatment	40,000	75.5%	The project is in operation.
39	Shanghai	Qingpu Second Wastewater Treatment	120,000	100%	The project is in operation.
40	Zhejiang	Taizhou Kaidi Wastewater Treatment	12,500	100%	The project is in operation.
Subtotal (Wastewater Treatment/ reclaimed water treatment projects)			**3,846,000**	**(excluding Longjiang Group's projects)**	

* Refers to Operation and Management project
** Inclusive of Operation and Management project of daily design capacity 80,000 tons/day

Project Overview 项目一览

(B) Water Supply Projects

	Province/ Municipality	Project Name	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Hubei	Tianmen Kaidi Water Supply	150,000	100%	The project is in operation.
02	Hubei	Tianmen Kaidi Xinnong Water Supply	Not applicable	70%	The project is in operation.
03	Hubei	Wuhan Huang-Pi Kaidi Water Supply	260,000	100%	The project is in operation.
04	Shandong	Weifang City Hanting District Water Supply	60,000	26.183%	The project is in operation.
05	Shandong	Weifang City Tap Water Supply	320,000	51.34%	The project is in operation.
06	Shanxi	Lv Liang Xinya Water Supply	55,000	100%	The project is in operation.
Subtotal (Water supply projects)			**845,000**	**(excluding Longjiang Group's projects)**	
Total (Water projects)			**4,691,000**	**(excluding Longjiang Group's projects)**	
Longjiang Group's projects (based on 25.313%)			726,483	Total design capacity of Longjiang Group is approximately 2.87 million tons per /day	
Grand Total (Water projects with Longjiang Group)			**5,417,483**		

(C) Waste Incineration Projects

	Province/ Municipality	Project Name	Daily Contracted Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
01	Shanghai	Pucheng Waste Incineration Thermal Power Generation	1,050	50%	The project is in operation.
02	Sichuan	Dazhou Waste Incineration Power Generation	1,050	100%	Existing plant of 700 tons/day design capacity is in operation. Construction of Phase 2 has yet to commence.
03	Zhejiang	Wenlingwaste Incineration Power Generation	1,100	50%	The project is in operation.
Total (Waste incineration projects)			**3,200**		

（A）污水处理/中水回用项目

	省份/直辖市	项目名称	合同设计日产能（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	25,000	76.419%	项目一期已投入营运，项目二期待建。
02	广东	东莞市大朗污水处理	100,000	75.5%	项目已投入营运。
03	广东	惠州市梅湖水处理一期及二期	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 **	280,000	76.419%	项目已投入营运。
05	广东	深圳市横岗再生水处理 *	50,000	76.419%	项目一期已投入营运，项目二期正在建设中。
06	广东	深圳市坂雪岗污水处理 *	40,000	76.419%	项目已投入营运。
07	广东	深圳市观澜污水处理 *	260,000	45.851%	项目已投入营运。
08	广东	深圳市观澜应急工程委托运营 *	400,000	45.851%	项目已投入营运。
09	广东	湛江市吴川污水处理	40,000	76.419%	项目已投入营运。
10	广东	东莞石碣沙腰污水处理	60,000	75.5%	项目已投入营运。
11	广东	东莞凤岗雁田污水处理	50,000	75.5%	项目已投入营运。
12	广西	北流市污水处理	40,000	75.5%	项目已投入营运。
13	河南	漯河市东城污水处理	20,000	75.5%	项目已投入营运。
14	湖北	黄石市磁湖污水处理	125,000	100%	项目已投入营运。
15	湖北	武汉汉西污水处理	600,000	80%	项目一期已投入营运。 项目一期提标改造和项目二期扩建正在建设中。
16	湖北	武汉凯迪新川污水处理	30,000	100%	项目已投入营运。
17	湖北	武汉凯迪新龙污水处理	45,000	100%	项目一期已投入营运，项目二期扩建正在建设中。
18	湖北	武汉新城污水处理	60,000	100%	项目已投入营运。
19	湖南	郴州市临武县污水处理	10,000	15.284%	项目已投入营运。
20	湖南	郴州市污水处理	120,000	76.419%	项目已投入营运。
21	湖南	桃江县桃花江污水处理	20,000	75.5%	项目已投入营运。
22	湖南	益阳市高新区污水处理	30,000	75.5%	项目已投入营运。

Project Overview 项目一览

	省份/直辖市	项目名称	合同设计日产能（吨）	上实环境所占权益	项目进展
23	湖南	益阳市污水处理	40,000	75.5%	项目已投入营运。
24	江苏	靖江市新港污水处理	80,000	76.419%	项目一期已投入营运，项目二期待建。
25	江苏	沭阳县污水处理	60,000	76.419%	项目一期已投入营运，项目二期待建。
26	江苏	泰兴市黄桥污水处理	50,000	76.419%	项目一期已投入营运，项目二期待建。
27	辽宁	大连普湾新区污水处理	50,000	92.65%	30,000吨正在建设中，其余的20,000吨待建。
28	辽宁	大连湾污水处理	40,000	75.5%	项目正在建设中。
29	宁厦回族自治区	银川市第五污水处理	100,000	100%	银川第五污水TOT项目（50,000吨/日）已投入营运。银川第五污水处理BOT项目（50,000吨/日）待建。
30	宁厦回族自治区	银川市滨河新区污水处理	50,000	100%	项目正在建设中。
31	宁厦回族自治区	银川滨河污水回用项目	50,000	100%	项目待建。
32	山东	德州市污水处理	100,000	75.5%	项目已投入营运。
33	山东	潍坊市城西污水处理	40,000	75.5%	项目已投入营运。
34	山东	潍坊市高新技术产业开发区污水处理一期	50,000	75.5%	项目已投入营运。
35	山东	潍坊市中水回用项目	38,500	75.5%	项目已投入营运。
36	山东	潍坊市污水处理	300,000	75.5%	现已投入营运，污水厂的设计产能为100,000吨/日；现在正在建设中的新污水厂设计产能为200,000吨/日。续新厂的完成，现在营运的水厂将停止运作。
37	山东	枣庄市山亭区污水处理	20,000	75.5%	项目已投入营运。
38	山东	枣庄市峄城区污水处理	40,000	75.5%	项目已投入营运。
39	上海	青浦第二污水处理	120,000	100%	项目已投入营运。
40	浙江	浙江台州污水处理	12,500	100%	项目已投入营运。
小计（污水处理/中水回用项目）			**3,846,000**	（不包含龙江水务项目）	

*委托运营项目
**包含日设计处理水量80,000吨的委托运营项目

（B）供水项目

	省份/直辖市	项目名称	合同设计日产能（吨）	上实环境所占权益	项目进展
01	湖北	天门市城区供水	150,000	100%	项目已投入营运。
02	湖北	天门市新农村供水	不适用	70%	项目已投入营运。
03	湖北	武汉市黄陂区供水	260,000	100%	项目已投入营运。
04	山东	潍坊市寒亭区供水	60,000	26.183%	项目已投入营运。
05	山东	潍坊市自来水供水	320,000	51.34%	项目已投入营运。
06	山西	吕梁引文入川供水	55,000	100%	项目已投入营运。
小计（供水项目）			**845,000**	（不包含龙江环保水务项目）	
合计（水务项目）			**4,691,000**	（不包含龙江环保水务项目）	
龙江环保集团项目（按25.313%）			**726,483**	龙江环保的日设计产能约287万吨	
总合计（水项目含龙江环保）			**5,417,483**		

（C）固废发电项目

	省份/直辖市	项目名称	合同设计日产能（吨）	上实环境所占权益	项目进展
01	上海	浦城固废发电	1,050	50%	项目已投入营运。
02	四川	达州固废发电	1,050	100%	现营运的厂为700吨/日设计产能；项目二期待建。
03	浙江	温岭固废发电	1,100	50%	项目已投入营运。
合计（固废项目）			**3,200**		

Project Overview 项目一览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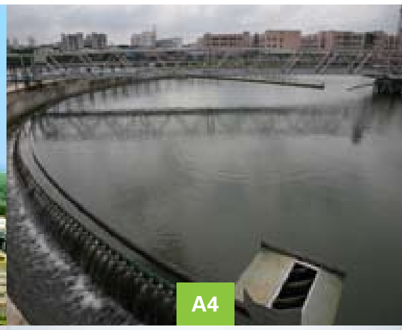
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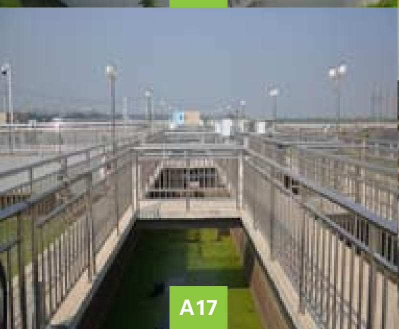
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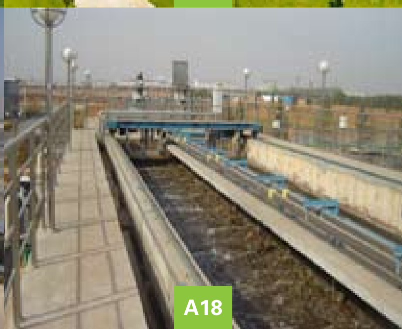
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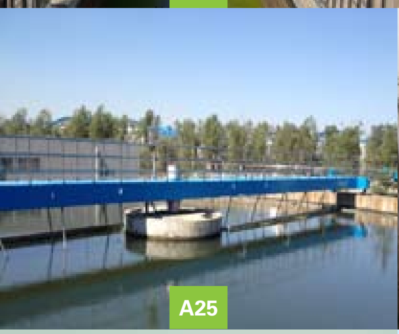
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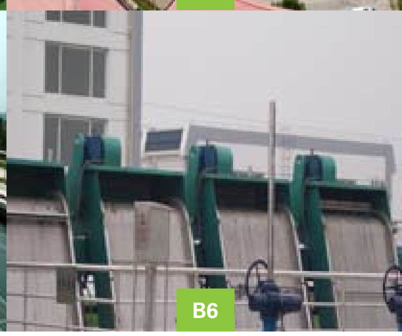
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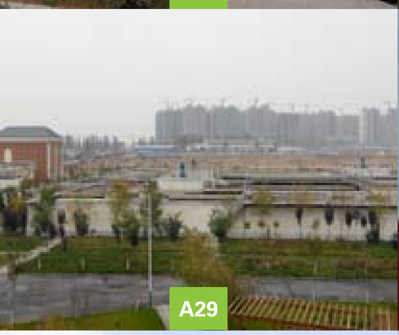
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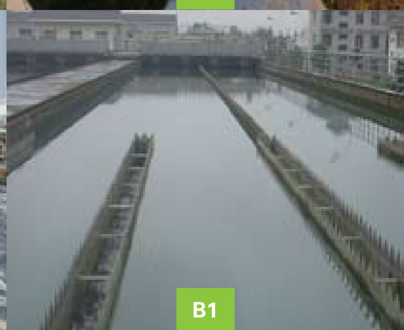
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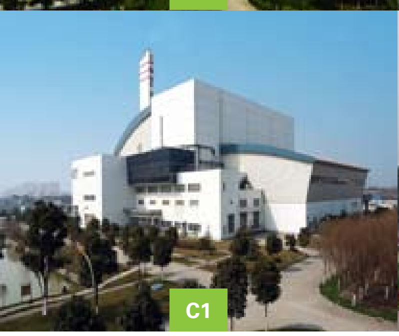
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Board of Directors 董事会

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, Shanghai Galaxy Investment Co. Ltd. ("Shanghai Galaxy") and Shanghai Charity Foundation Shanghai Investment Management 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 the 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 is the Assistant Chief Executive Officer and Chief Investment Officer of Shanghai Industrial Holdings Limited (HK:0363). He started his investment career more than 28 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 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 holds a Masters Degree in Economics from the Wuhan University School of Management, Enterprise Management.

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 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 Tsinghua University School of Economic and Management with a Masters Degree in Executive MBA.

董事会 Board of Directors

MR. YANG YIHUA
Executive Director

Mr. Yang was first appointed to the Board of Directors on 11 August 2014.

Mr. Yang has more than 40 years of experience in the enterprise operation and management. Mr. Yang is also Non-Executive Director of Billion Industrial Holdings Limited Co., Ltd and CECEP Costin New Materials Group.

Mr. Yang started his career with Tianjin Metallurgical Plant in 1970 and was eventually promoted to Assistant to Factory Manager. In 1987, he was transferred to Tianjin Special Steel with his last held position as the Factory Manager. He was the Chairman and General Manager of Tianjin Guohuan Shale Products Co., Ltd from 2002 to 2004. He was the Chief Economic Engineer of China National Environmental Protection Corp from 2003 to 2004. From 2004 to 2010, he was with China Energy Conservation & Investment Corporation as the General Manager, Head of Enterprise Management Department and Chief Economic Engineer. During the same period, Mr. Yang was also the Chairman of CECIC New Material Investment Co., Ltd. Mr. Yang was retired from CECEP at January 2015.

Mr. Yang holds a Bachelor Degree in Economic Management from the Tianjin University.

MR. XU XIAOBING
Executive Director

Mr. Xu was first appointed to the Board of Directors on 5 November 2014.

Mr. Xu started his career as Manager of Business Development Department in Shenzhen Hong Hua Co., Beijing Subsidiary in 1992 before he joined Beijing New Horizon Computer Image Ltd as a Manager. He joined Beijing Jingfang Investment Management & Consultant Co. Ltd. as an Investment and Financial Analyst from 1996 to 2000.

From 2000 to 2008, he held various senior positions in SIIC Management (Shanghai) Limited. He is currently the General Manager of SIIC Management (Shanghai) Limited.

Mr. Xu graduated from Peking University with a Degree in Economics and a Masters Degree in Business Administration.

MR. XU ZHAN
Executive Director

Mr. Xu was first appointed to the Board of Directors on 5 November 2014

Mr. Xu started his career as an Assistant Engineer in the 701 Graduate School of China State Shipyard Corporation from 1992 to 1993. He joined Shanghai Zhang Jiang Hi-tech Park Development Company from 1993 to 1994 before he joined Deloitte Touche Tohmatsu Certified Public Accountants LLP from 1994 to 1997.

Mr.Xu Zhan has worked in Shanghai Industrial Investment (Holdings) Co., Ltd. (SIIC) for 18 years. He experienced the different position of Finance, Investment, Integrated Management etc. He has the rich experience in water and clean energy industries and has involved in a number of major projects and listed companies acquisition. In 1997, Mr Xu was the Manager for the Investment Department of SIIC Real Estate Holdings (Shanghai) Co., Ltd. In 2000, he was the Manager for Risk Asset Department and Finance Department and he was the Assistant to the General Manager from 2003 to 2006 for Shanghai Cyber Galaxy Investment Co., Ltd. From 2006 to 2009, he was the Assistant General Manager for the Finance Planning Department of SIIC. He is currently the Director and General Manager of Shanghai Cyber Galaxy Investment Co., Ltd.

Mr. Xu graduated from the Shanghai Jiao Tong University with a Degree in Engineering and the Norwegian School of Management with a Masters Degree in Business Administration. He is also a Fellow of the Association of the Chartered Certified Accountants (UK).

Board of Directors 董事会

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 Singapore Chartered 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 (including a Secondary Listing) and Catalist, including a listing on SEHK Mainboard.

He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is the Region 2 (Asia Pacific) Vice-President of the Federation Internationale de l'Automobile (FIA) and member of the World Council for Automobile & Tourism; concurrently he is also a member of the FIA Audit Committee. 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 Bintang 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 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 a 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 conferred on Mr. Tan an honorary membership.

Mr. Tan is also active in public service and charity work. He is currently 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 and a board member of World Wide Fund for Nature (WWF) 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 29 April 2014. 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 1976. Prior to setting up his practice, he was an Executive Director of a group of trading companies between 1974 and 1976.

He is also an Independent Director of three other listed companies namely, China Yongsheng Limited, Enviro-Hub Holdings 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，收购兼并，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）执行董事兼行政副总裁。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，星河数码投资有限公司（“星河数码”），以及上海市慈善基金会盛太投资管理公司董事长。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。

冯先生现任上海实业控股有限公司助理行政总裁兼投资总监。冯先生28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，如上海上投实业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。冯先生曾是上海实业投资有限公司、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及上海市上投实业投资有限公司董事会成员。

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。

杨长民先生

执行董事

杨先生于2012年2月17日首次获任董事会成员，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。

杨义华先生

执行董事

2014年8月11日，杨义华先生首次被任命为公司董事。

杨义华先生拥有超过40年的企业经营管理经验。杨义华先生也是百宏实业控股有限公司非执行董事和中国节能海东青新材料集团有限公司非执行董事。

1970年，杨义华先生在天津冶金实验厂参加工作，并最终提升为厂长助理。1987年11月调至天津特殊钢厂，最终职位为厂长。2002年至2004年任天津国环页岩制品有限公司董事长、总经理。2003年至2004年任中国环境保护公司总经济师。2004年至2010年，历任中国节能投资公司(后更名为中国节能环保集团公司,简称中国节能)总经理助理兼企管部主任、总经济师。在此期间，杨先生曾先后兼任中节能新材料投资有限公司和中节能(天津)投资集团有限公司的董事长。杨先生已于2015年1月从中国节能退休。

杨义华先生拥有天津大学的经济管理学士学位。

徐晓冰先生

执行董事

徐先生于2014年11月5日获任董事会成员。

徐先生于1992年加入深圳鸿华公司北京分公司业务发展部担任经理。随后他加入了北京新时空计算机图像有限公司，担任业务经理。他在1996年至2000年，加入了北京京放经济发展公司，担任投资及财务分析师。

2000年至2008年，他在上实管理（上海）有限公司担任各种高职。他目前是上实管理（上海）有限公司的总经理。

徐先生毕业于北京大学，获经济学学士及工商管理硕士学位。

许瞻先生

执行董事

许先生于2014年11月5日获任董事会成员。

许先生于1992年至1993年在中国船舶工业总公司第701研究所担任助理工程师。他于1993年至1994年加入上海张江高科技园区开发公司。在1994年至1997年加入了上海沪江德勤会计师事务所。

许先生在上海实业供职18年，经历过财务，投资，综合管理等不同的岗位，参与过多个重大项目和上市公司并购案件，在水务，清洁能源等行业有丰富的经验。许先生于1997年在上实置业集团（上海）有限公司的投资部担任投资经理。他于2000年在上海星河数码投资有限公司的风险资产部和财务部担任经理。2003年至2006年，他在上海星河数码投资有限公司担任总经理助理。2006年至2009年，他在上海实业（集团）有限公司担任计划财务部助理总经理。他现在是上海星河数码投资有限公司的董事和总经理。

许先生毕业于上海交通大学，获工学士学位，并拥有挪威管理学院工商管理硕士学位。他现为英国特许公认会计师公会资深会员。

Board of Directors 董事会

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场卫生与安全理事会理事。

郑椏光先生
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。

郑先生目前是新加坡国富浩华合信注册会计师事务所的非执行主席，瑞信德资本私人有限公司风险委员会的主席。瑞信德是新交所（凯利板）批准的保监人公司之一。郑先生还担任几家新加坡主板（包括一家新加坡、香港两地上市）和凯利板上市公司的独立董事。

郑先生是新加坡汽车协会总裁，新加坡道路安全理事会主席。郑先生是国际汽车联合会2区域（亚太）副总裁，也是汽车及旅游全球理事会成员；同时他也是国际汽车联合会审计委员会成员。他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。他曾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和公共服务奖章。除此之外，他曾是新加坡内政及通讯部下属的政府国会委员会资源小组的成员。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,现行法律审核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。

郑先生是英国公认会计师协会，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公认会计师。

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、工业及管理咨询等领域。

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授予为“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。

尽管陈先生积极于实践和管理职责，他继续定期担任兼职教师和演讲。他是新加坡国立大学（AY2007年至2013年）法学院，新加坡国立大学（AY2008年至2009年）商学院，南洋理工大学（AY2008年至2012年）南洋商学院的副教授。除了撰写两篇中华人民共和国投资法的重要文献外，其曾合作撰写《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, 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也赋予陈先生名誉会员的资格。

陈先生也积极参与公共事务和公益活动。他目前是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。直到最近，他也曾担任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和新加坡世界自然基金会的董事会成员。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日首次担任董事会成员，并于2014年4月29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 Holdings 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 1993 to 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 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 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 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 1992 and he stepped down from this position in October 2004. For the period between 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 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 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 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.

高级管理人员 Executive Officers

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。

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。

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。

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

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 and/or during 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.

All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest 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.

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 attendance of each Director at the Board and Board Committees meetings held during the financial year ended 31 December 2014 ("**FY2014**"):

	Board Meetings	Board Committee Meetings		
		Audit	Nominating	Remuneration
Zhou Jun	5	4*	1*	3
Feng Jun	5	5*	–	–
Liu Yujie(1)	4	4*	–	–
Yang Changmin	5	5*	–	–
Zhang Chao (2)	1	1*	–	–
Zou Jiefu (2)	1	1*	–	–
Yang Yihua(3)	–	–	–	–
Xu Xiaobing (4)	1	1*	–	–
Xu Zhan (4)	1	1*	–	–
Yeo Guat Kwang	5	4	1	2
Tay Ah Kong Bernard	5	5	1	3
Tan Chong Huat	5	5	1*	3
Tan Gim Soo	5	5	1	3*
No. of Meetings Held	**5**	**5**	**1**	**3**

* By invitation

(1) Ms. Liu Yujie resigned as an Executive Director on 8 August 2014

(2) Mr. Zhang Chao and Mr. Zou Jiefu retired as Executive Directors on 29 April 2014

(3) Mr. Yang Yihua was appointed as an Executive Director on 11 August 2014

(4) Mr. Xu Xiao Bing and Mr. Xu Zhan were appointed as Executive Directors on 5 November 2014

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.

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 judgment 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 six 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
Yang Changmin	Executive Director	–	–	–	Member
Yang Yihua	Executive Director	–	–	–	–
Xu Xiaobing	Executive Director	–	–	–	–
Xu Zhan	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	–	–

Executive Committee

The EC comprises the following members:

Mr. Zhou Jun (Chairman)
Mr. Feng Jun
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 43 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 and/or corporate secretarial services and/or other professional 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 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 Independent Directors communicate amongst themselves and with the Company's auditors and Senior Management. When necessary, the Company coordinates informal meetings for 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 is not considered as 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.

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 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 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.

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.

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. Pursuant to Article 97 of the Company's Articles of Association, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

Pursuant to Section 153(6) of the Companies Act, Chapter 50, a Director who is 70 years or above of age, is required by law to retire and to stand for re-election every year at the Annual General Meeting.

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. Zhou Jun, Mr. Tay Ah Kong Bernard, Mr. Yang Yihua, Mr. Xu Xiao Bing and Mr. Xu Zhan, be nominated for re-election at the forthcoming AGM. The NC had also recommended to the Board that Mr. Tan Gim Soo, who is of 70 years of age this year, to be re-appointed as a Director at the forthcoming AGM. The Board had accepted the NC's recommendations.

Mr. Tay Ah Kong Bernard, being a member of the NC who is retiring at the AGM abstained from voting on the resolution in respect of his re-nomination as a Director. Mr. Tan Gim Soo, being the Chairman of the NC, had abstained from voting on the resolution in respect of his re-appointment as a Director.

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 57 to 61 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.

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 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 SIIC Environment Share Option Scheme 2012 ("**ESOS 2012**") and SIIC Environment 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.

Directors' fees will be paid or payable to the Independent Directors, Non-Executive Directors and certain Executive Directors 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.

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 Directors of the Company disclosed in bands for services rendered during the financial year ended 31 December 2014 are as follows:

Remuneration Band	Number of Directors of the Company
S$500,000 and above	–
Below S$500,000	13

Directors	Fees %	Salary %	FY2013 Bonus[1] %	FY2014 Bonus %	Benefits %	Total %
Below S$500,000						
Zhou Jun	100[2]	–	–	–	–	100
Feng Jun	50[2]	–	50	–	–	100
Liu Yujie[5]	–	100	–	–	–	100
Yang Changmin	–	92	–	8	–	100
Zhang Chao[4]	100	–	–	–	–	100
Zou Jiefu[4]	100	–	–	–	–	100
Yang Yihua[3]	–	–	–	–	–	–
Xu Xiaobing[3]	–	–	–	–	–	–
Xu Zhan[3]	–	–	–	–	–	–
Yeo Guat Kwang	100	–	–	–	–	100
Tay Ah Kong Bernard	100	–	–	–	–	100
Tan Chong Huat	100	–	–	–	–	100
Tan Gim Soo	100	–	–	–	–	100

(1) *FY2013 Bonus approved in FY2014, no relevant disclosure in FY2013 Annual Report.*

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

(3) *Newly appointed directors in FY2014.*

(4) *Retired in FY2014.*

(5) *Resigned in FY2014.*

(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 2014 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 %	FY2014 Bonus %	Benefits[(1)] %	Total %
Below S$500,000					
Tan Kim Han Raymond	–	80	7	13	100
Huang Hanguang	–	89	10	1	100
Wang Peigang	–	88	11	1	100
Wu Bin	–	100	–	–	100

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

For FY2014 the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the CEO) amounted to S$695,000.

(c) 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 and key management personnel in the Annual Report and that the disclosure based on the above remuneration bands is appropriate.

(d) For FY2014, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period and termination payment in lieu of service.

(e) 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.

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 EC 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 risk 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, compliance and information technology 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 are reliable, and assets are safeguarded.

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 processes in place supporting the framework that enables Management to address the financial, operational, compliance risks and information technology controls of the key business units. The processes involve the identification of major risks through risk discussion sessions and control self-assessments by the Group's major business units, where the business units' key financial, operational, compliance and information technology control risks, as well as mitigation measures, were summarised for review by the Management, the internal auditors and the Board. The conduct of risk discussion sessions 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 Group will work with its internal auditors, PricewaterhouseCoopers LLP in the continual refinement of the documentation of the Group's Enterprise Risk Management ("**ERM**") framework, including the risk governance and reporting structure. Key initiatives will be progressively implemented.

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

a. The financial records have been properly maintained and the financial statements for the FY2014 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 respects 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 2014.

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 EC 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.

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 a 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 EC (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.

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 Group to the external auditors (and member firms) of the Company for non-audit services and audit services for the financial year ended 31 December 2014 amounted to S$531,997 and S$788,326 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 fraud and 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.

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 Group 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 the 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 Group.

(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.

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.

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. The Company will make available minutes of general meetings to shareholders upon their requests.

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 Company will make available minutes of general meetings to shareholders upon their requests.

The Chairman of the AC, NC, RC and EC 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.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. Currently, the Company has yet to implement poll voting in all its general meetings in view of higher costs involved in polling. Nonetheless, the Company shall adhere to the requirements of the Code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

(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 subjected 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.

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 2014, save for the following:

Name of interested person	Name of entity at risk[1]	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
SIHL Finance Limited ("**SIHLFL**")[2]	Rise Thrive Limited ("**RTL**")	Extension of repayment period of existing loan to RTL	12,886[5]	–[6]
S.I. Infrastructure Holdings Limited ("**SII**")[2]	Thrive Key Limited ("**TKL**")	Extension of repayment period of existing loan to TKL	9,459[5]	–[6]
Shanghai Shen-Yu Development Co., Ltd. ("**Shanghai Shen-Yu**")[3]	SIIC Environment Holdings (Weifang) Co., Ltd. ("**SIIC Weifang**")	Loan to SIIC Weifang	19,680[5]	–[6]
Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("**Shanghai Hu-Ning**")[4]	Nanfang Water Services Co., Ltd. ("**Nanfang Water**")	Loan to Nanfang Water	36,900[5]	–[6]
Total IPTs			**78,925**	–[6]

(1) The entities listed are subsidiaries of the Group.

(2) SIHLFL and SII are wholly-owned subsidiaries of the Company's intermediate holding company, Shanghai Industrial Holdings Limited. ("**SIHL**").

(3) Shanghai Shen-Yu is a wholly-owned subsidiary of SIHL. The loan was entered into through an intermediary bank, Shanghai Industrial Bank.

(4) Shanghai Hu-Ning is a wholly-owned subsidiary of SIHL. The loan was entered into through an intermediary bank, China Merchants Bank.

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

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

(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 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 43 of the accompanying financial statements, Section (F) above, and the total amount of fees paid to the affiliates of Mr. Tan Chong Huat namely, RHTLaw Taylor Wessing LLP ("**RHTLaw**") for legal work done and RHT Corporate Advisory Pte. Ltd. ("**RHT Corporate Advisory**") and RHT Corporate Advisory (HK) Limited for corporate secretarial work done respectively for the financial year ended 31 December 2014, there were no material contracts entered into by the Company or its subsidiaries during the financial year ended 31 December 2014, or still subsisting as at 31 December 2014, 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, FY2013 Share Placement and FY2014 Share Placement amounted to S$72.8 million, S$260.2 million and S$154.78 million in March 2011, December 2013 and July 2014 respectively. The balances of the net proceeds raised from the Rights Issue and FY2013 Share Placement was fully utilised during FY2014. As at 31 December 2014, the balance of net proceeds from FY2014 Share Placement amounted to approximately S$12.51 million. The Company will continue to provide periodic updates through SGXNet as and when the proceeds are being materially disbursed.

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	Nil	Nil
Mr. Yang Changmin	Masters Degree in Executive MBA from the 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

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. Yang Yihua	Bachelor Degree in Economic Management from the Tianjin University	Executive Director	Board Member	11 August 2014	–	• Billion Industrial Holdings Limited Co., Ltd • CECEP Costin New Materials Group	Nil
Mr. Xu Xiaobing	Degree in Economics and Masters Degree in Business Administration from the Peking University	Executive Director	Board Member	5 November 2014	–	Nil	Nil
Mr. Xu Zhan	Degree in Engineering from the Shanghai Jiao Tong University and Masters Degree in Business Administration from the Norwegian School of Management. He is also a Fellow of the Association of the Chartered Certified Accountants (UK)	Executive Director	Board Member	5 November 2014	–	Nil	Nil

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	• Japan Foods Holding Ltd • United Envirotech Limited • HLH Group Ltd • China Gaoxian Fibre Fabric Holdings Ltd • Neo 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

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 • P99 Holdings Limited	• Luye Pharma Group Limited

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	29 April 2014	• China Yongsheng Limited • Enviro-Hub Holdings Ltd • P99 Holdings Limited	• Juken Technology Limited

The details on shareholdings of the Directors are disclosed on page 63 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 2014.

1 Directors

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

Zhou Jun	–	Executive Chairman
Feng Jun	–	Executive Director
Yang Changmin	–	Executive Director
Yang Yihua	–	Executive Director (Appointed on 11 August 2014)
Xu Xiaobing	–	Executive Director (Appointed on 5 November 2014)
Xu Zhan	–	Executive Director (Appointed on 5 November 2014)
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.

All the Directors who are over 70 years of age shall retire pursuant to Section 153(6) of the Companies Act, Chapter 50 ("Act"), and be re-appointed until the next Annual General Meeting of the Company.

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.

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 Act except as follows:

Name of Directors and companies in which interests are held	Direct interest: At beginning of year/ Date of Appointment, if later	Direct interest: At end of year	Deemed interest: At beginning of year/ Date of Appointment, if later	Deemed interest: At end of year
SIIC Environment Holdings Ltd.				
Ordinary shares				
Yang Changmin	165,418,474	75,418,474	–	–
Shanghai Industrial Holdings Limited				
Ordinary shares				
Zhou Jun	195,000	195,000	–	–
Options to subscribe for ordinary shares				
Zhou Jun	1,350,000	1,350,000	–	–
Feng Jun	648,000	648,000	–	–
Xu Xiaobing	756,000	756,000	–	–
Xu Zhan	594,000	594,000	–	–
Shanghai Industrial Urban Development Group Limited				
Options to subscribe for ordinary shares				
Zhou Jun	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 2015.

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.

5 Equity Compensation Plans of the Company

The Company has in place, the SIIC Environment Share Option Scheme 2012 ("ESOS 2012") and SIIC Environment 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 2014 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;

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 Committee (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 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.

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

XU ZHAN
Director

Singapore
27 March 2015

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 70 to 169 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 2014, 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

XU ZHAN
Director

Singapore
27 March 2015

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 2014, and the 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 70 to 169.

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.

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 2014 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

27 March 2015

Consolidated Statement of Profit or Loss

Year ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Revenue	4	1,287,778	1,214,474
Cost of sales		(918,812)	(852,972)
Gross profit		368,966	361,502
Other operating income	5	36,278	27,291
Selling and distribution costs		(15,116)	(15,192)
Administrative expenses		(177,493)	(153,319)
Other operating expenses	5	–	(13,220)
Profit from operations	6	212,635	207,062
Finance income	8	265,503	194,421
Finance expenses	8	(151,295)	(125,723)
Other income	9	17,952	12,299
Other expenses	9	–	(10,734)
Gain from bargain purchase of investment in a subsidiary	38	4,469	–
Share of results of joint ventures	26	52,732	11,087
Share of results of associates	27	7,655	452
Profit before tax		409,651	288,864
Income tax expense	10	(75,948)	(74,242)
Profit for the year		333,703	214,622
Profit for the year, attributable to:			
Owners of the Company		262,416	150,095
Non-controlling interests	25	71,287	64,527
Profit for the year		333,703	214,622
Earnings per share			
Basic (RMB cents per share)	11	2.90	2.72
Diluted (RMB cents per share)	11	2.86	2.70

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Profit for the year		333,703	214,622
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from translation of foreign operations		(70,057)	9,620
Fair value change on available-for-sale financial instrument		2,099	–
Total other comprehensive income for the year, net of tax		(67,958)	9,620
Total comprehensive income for the year		265,745	224,242
Total comprehensive income attributable to:			
Owners of the Company		194,458	159,715
Non-controlling interests	25	71,287	64,527
Total comprehensive income for the year		265,745	224,242

See accompanying notes to financial statements.

Statements of Financial Position

31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Cash and cash equivalents	12	1,119,272	1,878,834	156,022	1,287,191
Pledged bank deposits	12	63,404	23,982	–	–
Trade and other receivables	13	571,618	437,812	650	2,232
Bills receivables	14	2,679	540	–	–
Prepayments	15	15,344	35,496	3,048	209
Inventories	16	20,887	17,745	–	–
Receivables under service concession arrangements – current portion	17	92,899	72,497	–	–
Amounts due from customers for contract work	18	70,017	73,616	–	–
Amounts due from subsidiaries	19	–	–	2,007,006	822,960
Amounts due from joint venture	19	1,437	–	1,437	–
Amounts due from associate	19	–	89	–	–
Total current assets		1,957,557	2,540,611	2,168,163	2,112,592
Non-current assets					
Available-for-sale financial instruments	20	126,748	2,394	–	–
Prepayments	15	118,545	126,781	–	–
Receivables under service concession arrangements – non-current portion	17	3,232,818	2,642,589	–	–
Property, plant and equipment	21	107,852	95,683	220	401
Investment property	22	–	4,409	–	–
Intangible assets	23	1,515,848	1,055,387	–	–
Land use rights	23	4,917	14,949	–	–
Retention monies	18	2,712	960	–	–
Deferred tax assets	24	18,357	15,919	–	–
Investment in subsidiaries	25	–	–	716,009	448,413
Interest in joint ventures	26	657,192	131,485	517,638	–
Interest in associates	27	414,525	14,534	–	–
Goodwill on consolidation	28	9,550	9,550	–	–
Total non-current assets		6,209,064	4,114,640	1,233,867	448,814
Total assets		8,166,621	6,655,251	3,402,030	2,561,406

See accompanying notes to financial statements.

	Note	Group 2014 RMB'000	Group 2013 RMB'000	Company 2014 RMB'000	Company 2013 RMB'000
Current liabilities					
Trade and other payables	29	749,098	601,841	14,141	27,857
Bills payable to banks	30	79,320	17,063	–	–
Tax payable		31,563	19,694	–	–
Amounts due to customers for contract work	18	24,551	15,939	–	–
Amounts due to subsidiaries	19	–	–	4,270	4,020
Bank and other borrowings	31	922,958	1,408,462	10,709	–
Finance lease	32	33,333	34,330	–	–
Total current liabilities		1,840,823	2,097,329	29,120	31,877
Non-current liabilities					
Bank and other borrowings	31	1,702,850	980,546	126,726	–
Finance lease	32	16,667	50,000	–	–
Deferred tax liabilities	24	270,122	185,488	–	–
Other non-current liabilities	33	59,200	52,772	–	–
Total non-current liabilities		2,048,839	1,268,806	126,726	–
Capital, reserves and non-controlling interest					
Share capital	34	3,278,603	2,512,500	3,278,603	2,512,500
Treasury shares	35	(96)	(96)	(96)	(96)
Retained earnings		553,402	315,724	109,251	55,229
Other reserves	36	(141,282)	(98,551)	(141,574)	(38,104)
Equity attributable to owners of the Company		3,690,627	2,729,577	3,246,184	2,529,529
Non-controlling interests		586,332	559,539	–	–
Total equity		4,276,959	3,289,116	3,246,184	2,529,529
Total liabilities and equity		8,166,621	6,655,251	3,402,030	2,561,406

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2014

	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	Investment revaluation 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													
2014													
Balance at 1 January 2014	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
Profit for the year	–	–	262,416	–	–	–	–	–	–	–	262,416	71,287	333,703
Other comprehensive income													
Exchange differences arising from translation of foreign operations	–	–	–	(70,057)	–	–	–	(70,057)	–	–	(70,057)	–	(70,057)
Fair value change on available-for-sale financial instruments	–	–	–	2,099	–	–	2,099	–	–	–	2,099	–	2,099
Other comprehensive income for the year, net of tax	–	–	–	(67,958)	–	–	2,099	(70,057)	–	–	(67,958)	–	(67,958)
Total comprehensive income for the year	–	–	262,416	(67,958)	–	–	2,099	(70,057)	–	–	194,458	71,287	265,745
Transactions with owners recognised directly in equity													
Share placement	767,293	–	–	–	–	–	–	–	–	–	767,293	–	767,293
Share issue costs	(1,190)	–	–	–	–	–	–	–	–	–	(1,190)	–	(1,190)
Transfer to general reserve	–	–	(24,738)	24,738	–	24,738	–	–	–	–	–	–	–
Acquisition of non-controlling interests	–	–	–	489	–	–	–	–	489	–	489	(7,389)	(6,900)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(21,851)	(21,851)
Total	766,103	–	(24,738)	25,227	–	24,738	–	–	489	–	766,592	(29,240)	737,352

See accompanying notes to financial statements.

	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	Investment revaluation 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
	Attributable to owners of the Company												
Group													
2014													
Others													
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(15,254)	(15,254)
Total	–	–	–	–	–	–	–	–	–	–	–	(15,254)	(15,254)
Balance at 31 December 2014	3,278,603	(96)	553,402	(141,282)	24,465	97,875	2,099	(39,525)	(25,881)	(200,315)	3,690,627	586,332	4,276,959

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2014

	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
	Attributable to owners of the Company											
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 from translation of foreign operations	–	–	–	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.

	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 2014

	Attributable to owners of the Company				
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves RMB'000	Total equity RMB'000
Company					
2014					
Balance at 1 January 2014	2,512,500	(96)	55,229	(38,104)	2,529,529
Profit for the year	–	–	54,022	–	54,022
Other comprehensive income					
Exchange differences arising from translation of foreign operations	–	–	–	(103,470)	(103,470)
Other comprehensive income for the year, net of tax	–	–	–	(103,470)	(103,470)
Total comprehensive income for the year	–	–	54,022	(103,470)	(49,448)
Transactions with owners recognised directly in equity					
Share placement	767,293	–	–	–	767,293
Share issue costs	(1,190)	–	–	–	(1,190)
Total	766,103	–	–	–	766,103
Balance at 31 December 2014	3,278,603	(96)	109,251	(141,574)	3,246,184

See accompanying notes to financial statements.

	Attributable to owners of the Company				
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings (Accumulated losses) RMB'000	Other reserves RMB'000	Total equity RMB'000
Company					
2013					
Balance at 1 January 2013	1,153,129	(96)	(80,029)	42,324	1,115,328
Profit for the year	–	–	135,258	–	135,258
Other comprehensive income					
Exchange differences arising from translation of foreign operations	–	–	–	(80,428)	(80,428)
Other comprehensive income for the year, net of tax	–	–	–	(80,428)	(80,428)
Total comprehensive income for the year	–	–	135,258	(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)	2,529,529

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before tax	409,651	288,864
Adjustments:		
Reversal of allowance for doubtful receivables, net (trade)	(2,594)	(13,940)
Reversal of allowance for doubtful receivables, net (non-trade)	(1,278)	(7,479)
Bad debts written off (trade)	48	390
Bad debts written off (non-trade)	–	1
Reversal of provision for foreseeable loss	(558)	(127)
Amortisation of intangible assets	65,620	45,409
Amortisation of land use rights	406	361
Depreciation of property, plant and equipment	10,578	10,729
Depreciation of investment property	–	189
Loss on disposal of property, plant and equipment	1,950	9
Gain on disposal of available-for-sale financial instrument	–	(289)
Gain on disposal of investment in subsidiaries, net	(5,227)	–
Provision of warranty expenses	–	18
Property, plant and equipment written off	–	48
Impairment loss on goodwill on consolidation	–	10,734
Finance income	(265,503)	(194,421)
Finance expenses	151,295	125,723
Gain from bargain purchase of investment in a subsidiary	(4,469)	–
Share of results of joint ventures	(52,732)	(11,087)
Share of results of associates	(7,655)	(452)
Foreign exchange (gain) loss	(4,215)	10,707
Operating cash flows before working capital changes	295,317	265,387
(Increase) Decrease in:		
Inventories	(3,116)	(7,842)
Amounts due from to customers for contract work, net	8,066	(118,902)
Trade receivables, other receivables and prepayment (Note B and C)	(147,655)	26,918
Bills receivables	(2,138)	7,745
Receivables under service concession arrangements	150,211	12,079
Amounts due from associate	89	(15)
Amounts due from joint venture	(1,437)	–
Increase (Decrease) in:		
Trade and other payables (inclusive of non-current liabilities) (Note A)	(81,530)	3,805
Bills payable to banks	62,257	465
Cash generated from operating activities	280,064	189,640
Interest received	48,846	4,614
Income tax paid	(44,561)	(33,144)
Net cash from operating activities	284,349	161,110

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Cash flows from investing activities:		
Purchase of property, plant and equipment	(17,884)	(3,791)
Purchase of intangible assets and land use rights, net of amount on credit terms	(134,533)	(209,516)
Proceeds from grants	50,023	39,526
Decrease (Increase) in prepayment for property, plant and equipment and intangible assets	11,921	(953)
Proceeds from disposal of property, plant and equipment	941	5,257
Proceeds from disposal of available-for-sale financial instrument	–	3,289
Net cash outflow on acquisition of subsidiaries (Note 38)	(228,542)	–
Prepayment for investment in a subsidiary	–	(126,049)
Incorporation of an associate	–	(12,000)
Net cash outflow on acquisition of a joint venture	(530,000)	–
Net cash outflow on investment in available-for-sale financial instruments	(122,255)	–
Net cash outflow on acquisition of an associate	(405,000)	–
Disposal of interest in subsidiaries (Note A)	12,303	–
Disposal of partial interest in a subsidiary	–	250
Capital injection into a joint venture (Note E)	–	(11,550)
Dividend received from joint ventures	38,771	14,250
Net cash used in investing activities	(1,324,255)	(301,287)
Cash flows from financing activities:		
Proceeds from bank and other borrowings	747,787	918,333
Repayment of bank and other borrowings	(903,375)	(675,168)
Proceeds from finance leaseback arrangement	–	100,000
Repayment under finance leaseback arrangement	(34,330)	(16,667)
Interest paid	(153,718)	(123,167)
Settlement of dividend payables due to former shareholder	(43,163)	–
Contribution from non-controlling interests upon additional capital injection of a subsidiary	–	64,900
Acquisition of non-controlling interests in subsidiaries	(6,900)	(6,008)
Dividend paid to non-controlling interest in a subsidiary (Note D)	(15,254)	(3,200)
Proceeds from share placement, net of share issue costs	750,516	1,272,330
(Increase) Decrease in pledged bank deposits	(36,703)	4,472
Net cash from financing activities	304,860	1,535,825

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Group	
	2014	2013
	RMB'000	RMB'000
Net (decrease) increase in cash and cash equivalents	(735,046)	1,395,648
Cash and cash equivalents at beginning of year	1,878,834	488,538
Effects of exchange rate changes on cash and cash equivalents	(24,516)	(5,352)
Cash and cash equivalents at end of year	1,119,272	1,878,834

Non-cash transactions

Note A:

During the financial year ended 31 December 2014, the Group disposed its subsidiary, Kunming Nanfang Water Co., Ltd. ("Kunming Nanfang") for proceeds of RMB14,503,000 (Note 39) to its non-controlling shareholder, of which the entire amount is offset against trade and other payables.

Note B:

During the financial year ended 31 December 2014, the Group disposed certain intangible assets for proceeds of RMB26,402,000, of which the entire amount was not received as at 31 December 2014 and recorded under other receivables.

Note C:

During the financial year ended 31 December 2014, the Group disposed its investment property for proceeds of RMB4,409,000 (Note 22), of which the entire amount was not received as at 31 December 2014 and recorded under other receivables.

Note D:

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 has been paid during the financial year ended 31 December 2014.

During the financial year ended 31 December 2014, the Group's subsidiaries have declared RMB15,254,000 of dividend to non-controlling interests, of which RMB10,354,000 has been paid and remaining RMB4,900,000 is unsettled as at year end.

Note E:

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.

See accompanying notes to financial statements.

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 ventures 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 2014 were authorised for issue by the Board of Directors on 27 March 2015.

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*.

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. Summary of significant accounting policies (cont'd)

2.2 Adoption of new and revised standards

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidation Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interest in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investment in associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

The Group has early adopted for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance in the financial year ended 31 December 2013.

During the financial year ended 31 December 2014, there's no adoption of new and revised standards.

The Group has not early applied the following new and amendments to FRSs that have been issued but not effective:

Amendments to FRS 1	*Disclosure Initiative*[1]
Amendments to FRS 16 and FRS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to FRS 16 and FRS 41	*Agriculture: Bearer Plants* [2]
Amendments to FRS 19	*Defined Benefit Plans: Employee Contributions* [1]
Amendments to FRS 27	*Equity Method in Separate Financial Statements* [1]
Amendments to FRS 28 and FRS 110	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
Amendments to FRS 28, FRS 110 and FRS 112	*Investment Entities: Applying the Consolidation Exception* [1]
Amendments to FRS 111	*Accounting for Acquisitions of Interests in Joint Operations* [1]
FRS 109	*Financial Instruments Illustrative Examples Implementation Guidance Amendments to Guidance on Other Standards* [3]
FRS 114	*Regulatory Deferral Accounts* [1]
FRS 115	*Revenue from Contracts with Customers* [2]

Improvements to Financial Reporting Standards (January 2014)
Improvements to Financial Reporting Standards (February 2014)
Improvements to Financial Reporting Standards (November 2014)

1 Effective for annual period beginning on or after 1 January 2016

2 Effective for annual period beginning on or after 1 January 2017

3 Effective for annual period beginning on or after 1 January 2018

Management is currently evaluating the impact of the above adoptions of the new FRSs amendments and Improvements to FRSs.

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

2.3 Basis of consolidation

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

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

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

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group 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.

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

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 intragroup 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.

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

2.3 Basis of consolidation (cont'd)

2.3.1 Changes in the Group's ownership interest 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. All 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 as specified/ permitted by applicable FRSs) 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 a joint venture.

In the Company's financial statements, investments in subsidiaries, interest in associates and interest in joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, 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.

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* (see the accounting policy in respect of "Employee benefits" below) 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.

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

2.4 Business combinations (cont'd)

Goodwill is measured as the 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. In instances where the latter amount exceeds the former, the excess is recognised as "Gain from bargain purchase" in profit or loss on the acquisition date.

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

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in business combination. Subsequent changes in such fair values are adjusted retrospectively against the cost of acquisition where they qualify as measurement period adjustments. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about the facts and circumstances that existed as of the acquisition date.

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.

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 above), 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 policy described above is applied to all business combinations that take place on or after 1 January 2010.

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

2.5 Merger accounting for business combination involving 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.

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

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

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

2.6 Goodwill

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

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.

A 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 attributed amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate or a joint venture is described below.

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

2.7 Interest in associates and joint ventures

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 associates or joint ventures 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*. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. 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.

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.

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

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

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.

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.

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

2.8 Service concession arrangements (cont'd)

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.

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.

Sale of goods

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

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

Construction revenue

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

Operating and maintenance income/ Service income

Operating and maintenance income relates to the income derived from managing and operating of infrastructure under service concession arrangements. All other income derived from the managing and operating 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.

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.

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. Summary of significant accounting policies (cont'd)

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 property 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.

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.

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

2.12 Property, plant and equipment (cont'd)

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 Leases

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

The Group as 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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation 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, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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.

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

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.

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.

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".

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. Summary of significant accounting policies (cont'd)

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

Specially, government grants whose condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised taken to the grants received in advance in the first instance. Subsequently, the government grant is recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position when assets are available for use and transferred to profit or loss on a systematic and rational over the useful lives of the related assets.

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.

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.

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

2.17 Income tax (cont'd)

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

The carrying amount of deferred tax assets is reviewed at the end of 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, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

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 (see the accounting policy in respect of "Impairment of non-financial assets" below).

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

Patent and licensing rights	–	10 years
Computer software	–	3 to 10 years

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

2.18 Intangible assets (except for Goodwill) (cont'd)

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).

Operating concessions

Operating concessions represent (i) the rights to charge users of the public service for the water supply contracts, which fall within the scope of INT FRS 112 *Service Concession Arrangements*; (ii) the rights under the service concession arrangements for the wastewater treatment allows the Group to receive and treat wastewater above the minimum amount of guaranteed volume, at a predetermined tariff rate during the concessionary period acquired in a business combination; and (iii) rights to operate and manage wastewater treatment plants acquired in a business combination.

The operating concessions are stated at cost less accumulated amortisation and any accumulated impairment loss. The operating concessions acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 7 to 50 years.

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.

Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. 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.

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.

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 consolidated statement of cash flows

Cash and cash equivalents in the consolidated 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

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discount estimated future cash receipts or payments (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.

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

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. 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.

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

2.22 Financial instruments (cont'd)

Financial assets (cont'd)

Loans and receivables

Loans and receivables are 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 (see accounting policy on "Impairment of financial assets" below). 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.

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

- Cash and cash equivalents
- Pledged bank deposits
- Trade and other receivables, including retention monies
- Amounts due from customers for contract work
- Bills receivables
- Receivables under service concession arrangements
- Amounts due from subsidiaries, joint venture and associate

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 equity investments that are traded in an active market 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.

Dividends on available-for-sale equity instruments are recognise directly in profit or loss when the Group's right to receive the dividends is established.

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.

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

2.22 Financial instruments (cont'd)

Financial assets (cont'd)

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; or
- disappearance of an active market for that financial asset because of financial difficulties.

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 that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other 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 and accumulated under the heading of investment revaluation reserve.

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

2.22 Financial instruments (cont'd)

Financial liabilities and equity instruments

The Group measures the following other financial liabilities initially at fair value, and are subsequently measured at amortised cost, using the effective interest method.

- Trade and other payables (excluding provision)
- Bills payable to banks
- Amounts due to subsidiaries
- Bank and other borrowings
- Finance lease
- Other non-current liabilities (excluding provision and government grant received in advance)

In particular, for interest-bearing bank and other borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

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.*

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

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

2.23 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.

2.24 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.

The amount recognised as 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. 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.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in business combination are initially measured at fair value at the acquisition date. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised 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.*

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

2.25 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 (including Directors) of the Group and employees (including Directors) of the ultimate holding company who have contributed to the success and development of the Company and/or 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 option holders 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 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.

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 option holder, 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)

2.26 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.

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.

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.

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

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

Service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities or their agencies ("grantor") in the PRC on a Build-Operate-Transfer ("BOT"), Transfer-Operate-Transfer ("TOT"), Build-Operate-Own ("BOO") or Transfer-Operate-Own ("TOO") basis in respect of its businesses. The Group concluded that these BOT, TOT, BOO and TOO arrangements are service concession arrangements under INT FRS 112, because (i) the grantors control and regulate the services that the Group must provide with the infrastructure, to whom the Group must provide the services and at a pre-determined service charge; and (ii) the grantor controls significant residual interest in the in the infrastructure at the end of the term of the arrangements. Generally, in respect of BOT and TOT arrangements, upon expiry of service concession arrangements, the infrastructure has to be transferred to the local government authorities or their agencies at no or minimal consideration. Infrastructure in respect of BOO and TOO arrangements is expected to be used for its entire or substantially entire useful life.

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.

Earn-out arrangement relating to Nanfang Water Group

Pursuant to the earn-out arrangement relating to the Nanfang Water Group (as defined under Note 36(a)) acquisition by the Group during 2012 ("Earn-out Arrangement"), the Group believes that the Targets set in the Earn-out Arrangement are 'predetermined conditions', the occurrence of which would result in the issuance of a predetermined number of equity instruments, The Group believes that this scenario meets the 'fixed' in the 'fixed-for-fixed' criteria of FRS 32 *Financial Instruments: Presentation*, thereby qualifying the Earn-Out arrangement as an equity instrument.

The Group believes that this interpretation of the meaning of 'fixed' was one of the situations under 'predetermined condition situations', where the number of equity instruments to be issued in an exchange is predetermined. In accordance with the sales and purchase agreement, the number of equity instruments to be issued depends on the targets set out in the Earn-out Arrangement which are three predetermined conditions. The number of shares that will ultimately be delivered by the Group does not vary for each of the three predetermined conditions, and the contingent consideration meets the "fixed-for-fixed" requirement under paragraph 11 of FRS 32 F*inancial Instruments: Presentation*. The Group has recorded RMB24,465,000 as "Capital Reserve" within equity as at 31 December 2014 (2013: RMB24,465,000).

Determination of material entities (subsidiaries, joint ventures and associates) and non-wholly owned subsidiaries of material non-controlling interest

For purposes of meeting the requirements under FRS 112 *Disclosure of Interests in Other Entities*, the Group has assessed all subsidiaries, joint ventures and associates which the Group has an interest based on (i) quantitative factors (i.e. their individual contribution to the Group's net profit and/ or statement of financial position); and (ii) qualitative factors. Management applied its judgement in determining the material subsidiaries, joint ventures and associates; and non-wholly owned subsidiaries of material non-controlling interest. Information as required under FRS 112 are disclosed under Notes 25, 26 and 27.

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

Key sources of estimation uncertainty

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 18 to the financial statements.

The Group has recognised revenue amounting to RMB441,604,000 (2013: RMB485,740,000) from construction contracts, of which RMB231,900,000 (2013: RMB306,060,000) relates to revenue recognised for the third party constructed infrastructure in relation to service concession arrangements. The overall gross profit margin for construction contracts is at 4.2% (2013: 12.3%), of which the gross profit margin recognised for third party constructed infrastructure in relation to service concession arrangements is 12% (2013: 12%).

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 (reflecting the grantor's incremental borrowing 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 Group has considered the relevant sources of the discount rate and due to limited publicly available information on the borrowing rates across the various municipalities and cities in PRC, the Group assessed that the use of the People's Bank of China basic lending rate for loans greater than five years as the discount rate reflects the long-term borrowing cost in PRC which is a reasonable proxy of the grantor's incremental borrowing rate for the Group as a whole.

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's financial receivables and intangible assets arising from service concession arrangements at the end of the reporting period is disclosed in Notes 17 and 23 to the financial statements respectively.

During the financial year, the Group has also recognised operating and maintenance revenue from service concession arrangements amounting to RMB697,008,000 (2013: RMB600,362,000).

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

Key sources of estimation uncertainty (cont'd)

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 2014, the provision for major overhauls amounted to RMB12,405,000 (2013: RMB7,026,000) (Note 33).

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 RMB3,872,000 (2013: Net write-back of RMB21,419,000).

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, 14, 17, 18 and 19 to the financial statements.

Impairment of non-financial assets and available-for-sale financial instruments

The Group assesses whether there is any indicator of impairment for all available-for-sale financial instruments and non-financial assets including investment in subsidiaries, interest in joint ventures and associates, fixed assets, intangible assets, land use rights and goodwill, at each reporting date. Goodwill is tested for impairment at least annually and at other times when such indicators exist. Other non-financial assets and available-for-sale financial instruments are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

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

Key sources of estimation uncertainty (cont'd)

Impairment of non-financial assets and available-for-sale financial instruments (cont'd)

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 Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable assumptions and projections of revenue and amount of operating costs. 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. The carrying amounts of the available-for-sale financial instruments and non-financial assets are disclosed in Note 20, 21, 23, 25, 26, 27 and 28 to the financial statements.

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.

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 2014 is RMB31,563,000 (2013: RMB19,694,000).

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.

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

Key sources of estimation uncertainty (cont'd)

Purchase price allocation (cont'd)

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.

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 38 to the financial statements.

4. REVENUE

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Construction revenue	441,604	485,740
Operating and maintenance income from service concession arrangements	697,008	600,362
Service income	116,568	80,987
Others	32,598	47,385
	1,287,778	1,214,474

5. OTHER OPERATING INCOME (EXPENSES)

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Other operating income		
Installation of water meters	12,965	20,828
Foreign exchange gain	16,283	–
Others	7,030	6,463
	36,278	27,291
Other operating expenses		
Foreign exchange loss	–	(13,220)
	–	(13,220)

6. PROFIT FROM OPERATIONS

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

		Group	
	Note	2014 RMB'000	2013 RMB'000
Allowance for doubtful receivables (trade)	13	545	5,474
Reversal of allowance for doubtful receivables (trade)	13	(3,139)	(19,414)
Allowance for doubtful receivables (non-trade)	13	3,510	47
Reversal of allowance for doubtful receivables (non-trade)	13	(4,788)	(7,526)
Bad debts written off (trade)		48	390
Bad debts written off (non-trade)		–	1
Reversal of provision for foreseeable loss		(558)	(127)
Depreciation of property, plant and equipment	21	10,578	10,729
Amortisation of intangible assets	23	65,620	45,409
Amortisation of land use rights	23	406	361
Depreciation of investment property	22	–	189
Loss on disposal of property, plant and equipment		1,950	9
Gain on disposal of available-for-sale financial instrument		–	(289)
Provision of warranty expenses		–	18
Property, plant and equipment written off		–	48
Impairment loss on goodwill on consolidation		–	10,734
Gain from bargain purchase of investment in a subsidiary	38	(4,469)	–
Gain on disposal of subsidiaries, net	39	(5,227)	–
Operating lease expense		5,563	3,523
Foreign exchange (gain) loss, net		(16,283)	13,220
Research costs		1,739	9,248
Cost of inventories recognised as expense		121,229	170,159
Transaction costs incurred in acquisitions (*)		7,247	4,485
Audit fees:			
- paid to auditors of the Company		1,756	1,657
- paid to member firms of the auditors of the Company		2,067	1,656
- paid to other auditors (inclusive of internal audit fee)		4,343	2,928
Total audit fees		8,166	6,241
Non-audit fees:			
- paid to auditors of the Company		379	321
- paid to member firms of the auditors of the Company		264	492
- paid to other auditors		61	61
Total non-audit fees (**)		704	874

(*) This amount includes fees of RMB3,061,000 (2013: RMB1,432,000) paid to member firm of the auditors of the Company.

(**) Total non-audit fees include agreed-upon services and review of selected financial information. The amount excludes transaction costs incurred in acquisitions of subsidiaries as indicated in the note (*) above.

7. PERSONNEL EXPENSES

	Group 2014 RMB'000	Group 2013 RMB'000
Wages, salaries and bonuses	138,133	134,795
Defined benefit contribution	29,144	29,476
Others	16,335	22,127
	183,612	186,398

This includes amounts shown as compensation of Directors and key management personnel in Note 43.

8. FINANCE INCOME (EXPENSES)

	Group 2014 RMB'000	Group 2013 RMB'000
Finance income		
Interest income from bank balances	8,911	2,397
Financial income from service concession arrangements (Note 17)	216,656	190,056
Financial income from amortisation of retention monies	–	42
Interest income from late settlement of certain trade receivables [a]	37,850	–
Others	2,086	1,926
	265,503	194,421
Finance expenses		
Interest expense on interest-bearing loans and borrowings	(144,572)	(123,999)
Financial expense on amortisation of retention monies	(686)	(443)
Financial expense on amortisation of benefits to ex-employees	(1,262)	(1,281)
Others	(4,775)	–
	(151,295)	(125,723)

(a) During the year, the Group received interest income from a customer relating to overdue payment on certain trade receivables of a waste water treatment plant, at interest rate from 6.86% to 8.57% per annum.

9. OTHER INCOME (EXPENSES)

	Group 2014 RMB'000	Group 2013 RMB'000
Other income		
Government subsidies	12,725	7,411
Gain on disposal of investment in subsidiaries, net (Note 39)	5,227	–
Others	–	4,888
	17,952	12,299
Other expenses		
Impairment of goodwill (Note 28)	–	(10,734)

10. INCOME TAX EXPENSE

	Group 2014 RMB'000	Group 2013 RMB'000
Current tax		
- Current year	58,735	47,081
- Overprovision in respect of prior years	(91)	(5,771)
Deferred tax		
- Current year	23,614	32,003
- (Over) Underprovision in respect of prior years	(6,310)	929
	75,948	74,242

The corporate income tax applicable to the Singapore companies of the Group is 17% (2013: 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, 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	
	2014	2013
	RMB'000	RMB'000
Profit before tax	409,651	288,864
Tax at the domestic rates applicable to in the countries where the Group operates [(a)]	88,111	67,840
Adjustments:		
Non-deductible expenses	17,045	9,338
Income not subject to tax	(10,284)	(6,988)
Benefits from previously unrecognised tax losses	(943)	(1,057)
Overprovision in respect of prior years	(6,401)	(4,842)
Share of results of associates and joint ventures	(15,097)	(2,885)
Deferred tax asset not recognised	5,213	7,873
Utilisation of previously unrecognised deferred tax assets	(4,878)	(7,195)
Deferred tax recognised in current year arising from temporary differences associated with undistributed earnings of PRC entities	3,224	12,874
Others	(42)	(716)
	75,948	74,242

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

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	
	2014	2013
	RMB'000	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)	262,416	150,095

11. EARNINGS PER SHARE (cont'd)

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of basic EPS	9,057,785	5,512,270
Effects of dilutive potential ordinary shares:		
- Contingent "earn-out" consideration in relation to the acquisition of Nanfang Water Group (Note 36(a))	118,802	42,475
Weighted average number of ordinary shares for the purpose of diluted EPS	9,176,587	5,554,745

The audited statutory financial targets in relation to the contingent "earn-out" for FY2012 and FY2013 have been met as at 31 December 2013 and 31 December 2014 respectively. However, as certain covenants and undertakings under the sales and purchase agreement have not been fulfilled, the earn-out shares for FY2012 and FY2013, 59,400,905 shares for each year, have not been issued. The contingent condition for FY2014 was not met as at 31 December 2014. Accordingly the impact of FY2014 earn-out shares (14,850,000 shares) has not been included in the diluted EPS computation.

12. CASH AND CASH EQUIVALENTS/ PLEDGED BANK DEPOSITS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash and bank balances	1,182,676	1,902,816	156,022	1,287,191
Pledged bank deposits (Note 42)	(63,404)	(23,982)	–	–
Cash and cash equivalents	1,119,272	1,878,834	156,022	1,287,191

As at 31 December 2013, cash and cash equivalents of the Group included short-term deposits of RMB90 million with interest rate of 5%, which involved guaranteed principal placed with banks for earning short-term interest. There is no such amount as at 31 December 2014. Cash and cash equivalents have maturity period of less than three months and carry interest at market rate, ranging from 0.01% to 1% (2013: 0.01% to 1%) per annum.

12. CASH AND CASH EQUIVALENTS/ PLEDGED BANK DEPOSITS (cont'd)

The pledged bank deposits are pledged to banks to secure banking facilities granted by these banks and use of certain operating concessions. The pledged bank deposits have maturity period of less than one year (2013: six months) and carry interest at fixed interest rates ranging from 2.30% to 3.0% (2013: 0.35% to 3.5%) per annum and floating interest rates from 0.35% to 2.75% (2013: Nil%).

RMB935 million (2013: RMB480 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 AND OTHER RECEIVABLES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables [inclusive of retention monies (Note 18)]	423,233	383,733	272	265
Less: Allowance for doubtful receivables	(11,458)	(14,971)	(272)	–
	411,775	368,762	–	265
Other receivables	159,843	69,050	650	1,967
Total trade and other receivables	571,618	437,812	650	2,232

(i) Trade receivables exclusive of retention monies are non-interest bearing with credit periods generally ranging from 0 to 180 (2013: 0 to 180) days.

(ii) Trade receivables pledged by the Group is disclosed in Note 42 to the financial statements.

(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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 30 days	99,353	88,948	–	–
Within 31 to 60 days	83,088	40,930	–	–
Within 61 to 90 days	36,056	37,526	–	–
Within 91 to 180 days	58,600	47,188	–	–
Within 181 to 365 days	76,024	74,009	–	–
Over 365 days	58,654	80,161	–	265
	411,775	368,762	–	265

13. TRADE AND OTHER RECEIVABLES (cont'd)

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

The Group and the Company have trade receivables amounting to RMB291,765,000 and RMBNil (2013: RMB225,024,000 and RMB265,000) respectively 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Within 30 days	42,347	1,301	–	–
Within 31 to 60 days	65,694	15,952	–	–
Within 61 to 90 days	23,749	25,907	–	–
Within 91 to 180 days	50,541	40,607	–	–
Within 181 to 365 days	69,750	66,905	–	–
Over 365 days	39,684	74,352	–	265
	291,765	225,024	–	265

(v) Trade receivables past due and impaired

The Group's and the Company'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		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables	32,873	35,677	272	–
Less: Allowance for doubtful receivables	(11,458)	(14,971)	(272)	–
	21,415	20,706	–	–

13. TRADE AND OTHER RECEIVABLES (cont'd)

Movements in the allowance of doubtful receivables (trade)

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
At beginning of the year	14,971	28,911	–	–
Allowance made during the year (Note 6)	545	5,474	272	–
Reversal of allowance during the year (Note 6)	(3,139)	(19,414)	–	–
Acquisition of a subsidiary	163	–	–	–
Disposal of a subsidiary	(1,072)	–	–	–
Exchange difference	(10)	–	–	–
At end of the year	11,458	14,971	272	–

(i) 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.

The Group has trade receivables amounting to RMB98,595,000 (2013: RMB123,032,000) that are not past due and not impaired at the end of the reporting period. The Company has no trade receivables that are not past due and not impaired as at 31 December 2013 and 2014.

(ii) Other receivables

The carrying amounts of other receivables approximate their fair values. These amounts are non-trade and unsecured.

For the financial year ended 31 December 2014, other receivables mainly comprise (i) refundable deposits of RMB19,909,000; (ii) government grant receivables of RMB36,970,000; and (iii) non-interest bearing amount due from third parties of RMB60,000,000, which are repayable on demand.

For the financial year ended 31 December 2013, other receivables mainly comprise (i) deposits of RMB7,078,000; (ii) non-interest bearing loan to non-controlling shareholders of the subsidiaries of RMB2,028,000 and is repayable on demand; (iii) interest-bearing amount due from third party of RMB38,000,000 with interest rate ranging between 7.35% to 21.6% per annum; and (iv) interest receivable on amount due from third party of RMB1,089,000.

Included in other receivables is allowance for doubtful receivables (non-trade) as follows:

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

	Group	
	2014 RMB'000	2013 RMB'000
At beginning of the year	14,839	22,317
Allowance made during the year (Note 6)	3,510	47
Reversal of allowance during the year (Note 6)	(4,788)	(7,526)
Acquisition of a subsidiary	3	–
Exchange differences	–	1
At end of the year	13,564	14,839

14. BILLS RECEIVABLES

Bills receivables are non-interest bearing with credit periods generally ranging from 90 to 180 (2013: 90 to 180) days.

15. PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	10,372	34,537	–	–
Others	4,972	959	3,048	209
Total prepayment, current	15,344	35,496	3,048	209
Prepayment for assets relating to service concession arrangements[(a)]	118,095	–	–	–
Prepayment for intangible assets	450	–	–	–
Prepayments for property, plant and equipment	–	4,634	–	–
Prepayment for investment in subsidiary [(b)]	–	122,147	–	–
Total prepayment, non-current	118,545	126,781	–	–

(a) Relates mainly to prepayment made for certain infrastructure relating to a TOT service concession arrangement entered into during the year.

(b) A prepayment was made with regards to the purchase consideration for acquisition of 70% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited.

16. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Inventories	20,887	17,745

Inventories comprise consumable supplies held for internal use.

17. SERVICE CONCESSION ARRANGEMENTS

The Group through its subsidiaries engages in the businesses of waste water treatment, water supply and waste incineration 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 BOT, TOT, BOO or TOO basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment, water supply and waste incineration plants for those arrangements on a BOT and BOO basis; (ii) pay a specific amount for those arrangements on a TOT and TOO basis; or (iii) operate and maintain the waste water treatment, water supply and waste incineration 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 for BOT and TOT.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment, water supply and waste incineration plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group provides to the waste water treatment, water supply and waste incineration plants, and retain the beneficial entitlement to any residual interest in the waste water treatment, water supply and waste incineration 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, water supply and waste incineration plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31 December 2014, the Group had 34 (2013: 28) service concession arrangements on waste water treatment, 4 (2013: 4) service concession arrangement on water treatment and distribution and 1 (2013: 0) 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 entered into by the Group's subsidiaries is set out below:

17. 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
Wuhan Hanxi Wastewater Treatment Co., Ltd. ("Wuhan Hanxi")	武汉汉西污水处理项目一期及二期扩建项目	Dongxihu, Hubei Province	武汉市人民政府	BOT (Financial assets)	600,000 [(a)]	30 years from 2004 [(a)]
Weifang City Tap Water Co., Ltd. ("Weifang Tap Water")	潍坊市自来水供水项目	Weifang, Shandong Province	潍坊市人民政府	BOT (Intangible assets)	320,000	25 years from 2007
Shenzhen City Nanfang Water Co., Ltd. ("Shenzhen Nanfang")	深圳市龙岗一包污水处理项目	Shenzhen, Guangdong Province	深圳市水务局	BOT (Financial assets)	200,000 [(b)]	22 years from 2009
Wuhan Huang-Pi Kaidi Water Services Co., Ltd. ("Wuhan Huang-Pi")	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)	260,000	30 years from 2008
Huizhou City Nanfang Water Co., Ltd. ("Huizhou Nanfang")	惠州市梅湖水处理项目一期及二期项目	Huizhou, Guangdong Province	惠州市环保局	BOT and TOT (Financial assets)	200,000	25 years from 2005
Weifang Shanghai Environment Wastewater Treatment Co., Ltd	山东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 year of commencement of operation [(c)]
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
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
Chenzhou Nanfang Wastewater Treatment Co., Ltd.	郴州市污水处理项目	Chenzhou, Hunan Province	郴州市城市管理局	BOT (Financial assets)	120,000	25 years from 2003
Shanghai Qingpu Second Wastewater Treatment Co., Limited	青浦第二污水处理项目	Qingpu, Shanghai	上海市青浦区水务局	BOO and TOO (Financial assets)	120,000	30 years from 2008
SIIC Environment Holdings (Weifang) Co., Ltd. ("SIIC Weifang")	潍坊市污水处理项目	Weifang, Shandong Province	潍坊市人民政府	TOT (Financial assets)	100,000	20 years from 2004 [(d)]
SIIC Environment Holdings (Dezhou) Co., Ltd.	德州市污水处理项目	Dezhou, Shandong Province	德州市建设委员会	TOT (Financial assets)	100,000	20 years from 2006
Dongguan City DaLang Shui Kou Xing Bao Water Treatment Co., Ltd. ("Dongguan Da Lang")	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
SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	银川市第五污水处理项目	Yinchuan, Ningxia Hui Autonomous Region	银川市建设局	BOT and TOT (Financial assets)	100,000 [(e)]	30 years from 2014 [(e)]

17. SERVICE CONCESSION ARRANGEMENTS (cont'd)

(a) The existing plant of 400,000 tons/day design capacity is in operation. Phase 2 is currently under construction and is expected to be completed in FY2016, and is included under service concession period in the above table.

(b) The amount relates to contracted design capacity under service concession arrangement. The total contracted design capacity of the project is 280,000 tons/day. The remaining 80,000 tons/day relates to contracted design capacity under operation and management arrangement.

(c) The service concession arrangement agreement was signed in 2013. The plant is currently under construction and is expected to be completed in 2015. The plant is expected to commence operation in 2015.

(d) The plant will cease operation after the plant under "山东潍坊市污水处理厂迁扩建项目" has commenced operation.

(e) The existing plant of 50,000 tons/day design capacity is in operation. Construction of phase 2 has yet to commence, and is included under service concession period in the above table.

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	
	2014	**2013**
	RMB'000	**RMB'000**
Receivables under service concession arrangements	3,325,717	2,715,086
Less: current portion classified as current assets	(92,899)	(72,497)
Non-current portion	3,232,818	2,642,589

During the current financial year, the Group recognised financial income of RMB216,656,000 (2013: RMB190,056,000) (Note 8) and construction revenue of RMB350,802,000 (2013: RMB394,681,000) as revenue from service concession arrangements. The effective interest applied ranges from 5.76% to 7.83% (2013: 5.76% to 7.83%) per annum.

The relevant assets pledged by the Group are disclosed in Note 42 to the financial statements.

17. SERVICE CONCESSION ARRANGEMENTS (cont'd)

Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water treatment, water supply and waste incineration 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, water supply and waste incineration 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	
	2014 RMB'000	2013 RMB'000
At beginning of the year	7,026	7,026
Provision made during the year	5,379	–
At end of the year (Note 33)	12,405	7,026

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/RETENTION MONIES

	Group	
	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less recognised losses	409,876	441,803
Less: Progress billings	(364,410)	(384,126)
	45,466	57,677
Analysed for reporting purposes as:		
Amounts due from customers for contract work	70,017	73,616
Amounts due to customers for contract work	(24,551)	(15,939)
	45,466	57,677

Advances received from customers for contract work amounted to RMB87,982,000 are classified under other payables (2013: RMB82,751,000).

Amounts due from customers for contract work included provision for foreseeable losses of RMB36,000 (2013: RMB594,000) as at year end.

18. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/RETENTION MONIES (cont'd)

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

	Group	
	2014 RMB'000	2013 RMB'000
Current (included in trade receivables) [(a)]	3,207	9,603
Non-current (as retention monies) [(b)]	2,712	960
	5,919	10,563

(a) For the financial year ended 31 December 2014, the allowance for doubtful retention monies amounted to RMB1,525,000 (2013: RMB2,733,000).

(b) The non-current portion of retention sums are carried at amortised cost using a weighted average effective interest rate of 6.15% (2013: 6.55%) per annum.

19. AMOUNTS DUE FROM JOINT VENTURE/AMOUNTS DUE FROM ASSOCIAT/AMOUNTS DUE FROM (TO) SUBSIDIARIES

The amounts are non-trade, unsecured, non-interest bearing and repayable on demand.

20. AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	Group	
	2014 RMB'000	2013 RMB'000
Listed equity securities in Hong Kong [(a)]	124,354	–
Unlisted equity securities in PRC [(b)]	2,394	2,394
	126,748	2,394

(a) The investment relates to a 3.3% equity interest in Canvest Environmental Protection Group Company Limited. At the end of the reporting period, the investment is stated at fair value which is determined by reference to bid prices quoted on The Stock Exchange of Hong Kong Limited.

(b) The investment represents ordinary shares in one (2013: one) 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 2013	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
Additions	555	1,166	5,116	249	11,220	18,306
Disposals	(760)	(116)	(4,384)	(554)	–	(5,814)
Disposal of subsidiaries (Note 39)	(11)	(187)	(510)	(55)	–	(763)
Acquisition of subsidiaries (Note 38)	–	4,500	565	–	7,337	12,402
Government grant utilised	(4,500)	–	–	–	–	(4,500)
Reclassification/Transfers	6,228	267	1,231	2,119	(7,227)	2,618
Exchange differences	–	(5)	–	(20)	–	(25)
At 31 December 2014	53,170	15,517	24,700	50,721	11,330	155,438

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 2013	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
Depreciation charge for the year	3,604	1,427	2,583	2,964	–	10,578
Disposals	(225)	(75)	(2,495)	(70)	–	(2,865)
Disposals of subsidiaries	(6)	(72)	(153)	(23)	–	(254)
Transfers	1,060	267	1,231	60	–	2,618
Exchange differences	–	(3)	–	(19)	–	(22)
At 31 December 2014	12,864	7,691	10,725	16,306	–	47,586
Carrying amount						
At 31 December 2014	40,306	7,826	13,975	34,415	11,330	107,852
At 31 December 2013	43,227	3,745	13,123	35,588	–	95,683

Capitalisation of borrowing costs

Borrowing costs of RMB3,470,000 (2013: RMB Nil) were capitalised at a borrowing rate ranging from 6.15% to 6.55% (2013: nil) per annum during the financial year.

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 2013	149	941	1,090
Additions	19	–	19
Exchange difference	(9)	(53)	(62)
At 31 December 2013	159	888	1,047
Additions	31	–	31
Exchange difference	(5)	(20)	(25)
At 31 December 2014	185	868	1,053
Accumulated depreciation			
At 1 January 2013	78	393	471
Depreciation charge for the year	25	183	208
Exchange difference	(5)	(28)	(33)
At 31 December 2013	98	548	646
Depreciation charge for the year	29	180	209
Exchange difference	(3)	(19)	(22)
At 31 December 2014	124	709	833
Carrying amount			
At 31 December 2014	61	159	220
At 31 December 2013	61	340	401

22. INVESTMENT PROPERTY

	Group 2014 RMB'000	Group 2013 RMB'000
Cost		
At 1 January	4,928	4,928
Disposals	(4,928)	–
At 31 December	–	4,928
Accumulated depreciation		
At 1 January	519	330
Depreciation charge for the year	–	189
Disposals	(519)	–
At 31 December	–	519
Carrying amount		
At 31 December	–	4,409

(i) The Group's investment property was situated in the PRC. The Group had 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.

(ii) For the financial year ended 31 December 2014, there was no property rental income earned by the Group from its investment property (2013: RMB550,000). The direct operating expense is negligible.

(iii) During the year ended 31 December 2014, the Group disposed of the investment property, for total consideration of RMB4,409,000. The amount has not been received as at 31 December 2014.

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

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 2013	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 [(a)]	(144,025)	–	–	(144,025)	–
At 31 December 2013	1,188,917	4,781	5,260	1,198,958	16,507
Additions	162,878	–	32	162,910	–
Acquisition of subsidiaries (Note 38)	453,574	–	6	453,580	–
Government grant utilised	(45,523)	–	–	(45,523)	–
Reclassification	1,157	–	(1,157)	–	–
Disposals	(23,174)	–	(115)	(23,289)	(10,471)
Disposals of subsidiaries	(29,887)	–	(269)	(30,156)	–
At 31 December 2014	1,707,942	4,781	3,757	1,716,480	6,036
Accumulated amortisation					
At 1 January 2013	108,726	3,199	2,597	114,522	1,197
Amortisation for the year	44,363	538	508	45,409	361
Disposals [(a)]	(40,360)	–	–	(40,360)	–
At 31 December 2013	112,729	3,737	3,105	119,571	1,558
Amortisation for the year	64,681	735	204	65,620	406
Disposals	(6,489)	–	(27)	(6,516)	(845)
Disposals of subsidiaries	(1,978)	–	(65)	(2,043)	–
Reclassification	213	–	(213)	–	–
At 31 December 2014	169,156	4,472	3,004	176,632	1,119
Accumulated impairment loss					
At 1 January 2013, 31 December 2013 and 31 December 2014	24,000	–	–	24,000	–
Carrying amount					
At 31 December 2014	1,514,786	309	753	1,515,848	4,917
At 31 December 2013	1,052,188	1,044	2,155	1,055,387	14,949

(a) The amount relates to assets disposed under finance leaseback arrangement (Note 32).

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

The relevant assets pledged by the Group including those under finance leaseback arrangements, are disclosed in Note 42 to the financial statements.

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 RMB322,000 (2013: RMB3,856,000) were capitalised at a borrowing rate ranging from 7.07% to 7.21% (2013: 7.07%) per annum during the financial year.

Amortisation expense

The amortisation of intangible assets and land use rights relating to operating concessions is mainly included in the "Cost of sales", the amortisation of other intangible assets is included in "Cost of sales", "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 2014.

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 2013	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
Charged (Credited) to profit or loss	26,306	792	(4,353)	1,738	(7,179)	17,304
Acquisition of subsidiaries (Note 38)	30,672	–	40,525	–	–	71,197
Disposal of subsidiaries	–	–	(6,977)	–	668	(6,309)
Exchange difference	–	4	–	–	–	4
At 31 December 2014	151,640	16,795	106,524	(1,710)	(21,484)	251,765

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	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax liabilities	270,122	185,488	–	–
Deferred tax assets	(18,357)	(15,919)	–	–
	251,765	169,569	–	–

At the end of the reporting period, the Group have unused tax losses of approximately RMB64,166,000 (2013: RMB42,509,000) available for offset against future assessable profits.

As at 31 December 2014, certain subsidiaries have unused tax losses of approximately RMB4,203,000, RMB14,743,000, RMB7,512,000, RMB21,821,000 and RMB15,887,000 (2013: RMB5,826,000, RMB14,501,000, RMB2,768,000, RMB7,078,000 and RMB12,336,000) expiring 2015, 2016, 2017, 2018 and 2019 (2013: 2014, 2015, 2016, 2017 and 2018) respectively.

A deferred tax asset amounting to approximately RMB1,710,000 (2013: RMB3,448,000) in respect of tax losses amounting to approximately RMB6,840,000 (2013: RMB13,792,000) has been recognised for the Group. No deferred tax asset was recognised in respect of the remaining tax losses of the Group of RMB57,326,000 (2013: RMB28,717,000) 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 RMB16,795,000 (2013: RMB15,999,000) in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

25. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity shares, at cost	783,929	518,693
Less: Impairment loss	–	(14,011)
	783,929	504,682
Effects of exchange rate changes	(67,920)	(56,269)
	716,009	448,413

25. INVESTMENT IN SUBSIDIARIES (cont'd)

In prior years, the Company recognised an impairment loss of RMB14,011,000 in respect of the cost of investment in Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi"), which mainly arose from the Group's expectations that margin would be deteriorated in view of the challenging market conditions and stiff competition. With the disposal of Wuhan Kaidi during the year, impairment loss of RMB14,011,000 is written-back for the year ended 31 December 2014.

Management assessed for indicators of impairment annually and is of view that there is no further impairment loss is required.

Particulars of the Group's significant subsidiaries as at 31 December are as follows:

Name of subsidiaries	Place of incorporation and operation	Nominal value of issued and fully paid share capital		Principal activities	Percentage of effective equity interest and voting power held by the Group	
		2014 RMB'000	2013 RMB'000		2014 %	2013 %
Dongguan Da Lang [(a)]	PRC	40,000	40,000	Waste water treatment	75.5	75.5
Huizhou Nanfang	PRC	65,000	65,000	Waste water treatment	76.4	76.4
Shenzhen Nanfang	PRC	150,000	150,000	Waste water treatment	76.4	76.4
SIIC Weifang	PRC	464,900	464,900	Investment holding, waste water treatment and reclaimed water treatment	75.5	75.5
Weifang Tap Water	PRC	153,125	153,125	Treatment and supply of potable water	51.3	51.3
Wuhan Hanxi	PRC	100,000	100,000	Waste water treatment	80.0	80.0
Wuhan Huang-Pi	PRC	242,500	168,000	Treatment and supply of potable water	100.0	100.0

(a) Based on its contribution to the Group's consolidated net assets and profit attributable to owners of the Company, Dongguan Da Lang ceased to be the Group's significant subsidiary as at 31 December 2014.

At the end of the reporting period, the Group has other subsidiaries that are not significant to the Group.

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.

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2014	2013
Investment holding	Singapore	1	1
	Hong Kong	8	5
	BVI	8	7
	PRC	1	1
	Seychelles	1	–
Waste water treatment	PRC	8	5
Water supply	PRC	3	3
Waste incineration	PRC	1	–
Others	PRC	2	3
		33	25

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries 2014	2013
Investment holding	PRC	1	1
Waste water treatment	PRC	30	26
Water supply	PRC	3	3
Others	PRC	4	7
		38	37

For the financial year ended 31 December 2014, none of the non-wholly owned subsidiary of the Group has material non-controlling interest.

	Profit allocated to non-controlling interests 2014 RMB'000	Accumulated non-controlling interests 2014 RMB'000
Individually immaterial subsidiaries with non-controlling interests	71,287	586,332
	71,287	586,332

25. INVESTMENT IN SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interest for the financial year ended 31 December 2013:

Name of subsidiary	Place of incorporation and operation	Proportion of effective equity interest and voting rights held by non-controlling interests 2013 %	Profit allocated to non-controlling interests 2013 RMB'000	Accumulated non-controlling interests 2013 RMB'000
SIIC Weifang	PRC	24.5	38,649	165,317
Individually immaterial subsidiaries with non-controlling interests			25,878	394,222
			64,527	559,539

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 RMB'000
Current assets	354,756
Non-current assets	520,753
Current liabilities	(197,285)
Non-current liabilities	(3,461)
Equity attributable to owners of the subsidiary	509,446
Non-controlling interests	165,317
Revenue	37,004
Profit for the year	157,750
Profit attributable to owners of the subsidiary	119,101
Profit attributable to non-controlling interests	38,649
Profit for the year, representing total comprehensive income for the year	157,750
Dividends declared to non-controlling interests	4,900
Net cash outflow from operating activities	(9,662)
Net cash outflow from investing activities	(129,920)
Net cash inflow from financing activities	273,749
Net cash inflow	134,167

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Change in the Group's ownership interest in subsidiaries

The following schedule shows the effects of change in the Group's ownership interests in the following subsidiaries without a change in control, on the equity attributable to owners of the Company.

	2014	2013				
	SIIC Dalian RMB'000	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	(6,900)	(112,330)	(15,088)	(5,424)	250	(132,592)
Non-controlling interest acquired (interest disposed)	7,389	110,635	12,555	10,743	(1,164)	132,769
Difference recognised in equity	489	(1,695)	(2,533)	5,319	(914)	177

For the financial year ended 31 December 2014

SIIC Dalian

In June 2014, the Group's 75.5% subsidiary, SIIC Weifang, acquired the remaining 30% equity interest in SIIC Dalian for total consideration of RMB6,900,000, increasing its continuing effective interest from 70% as at 31 December 2013 to 92.6% as at 31 December 2014.

For the financial year ended 31 December 2013

(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.

(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.

25. INVESTMENT IN SUBSIDIARIES (cont'd)

Change in the Group's ownership interest in subsidiaries (cont'd)

(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.

Deregistration of subsidiaries

During the year ended 31 December 2014, non-wholly owned subsidiary, Chenzhou City Haijiya Drink Co., Ltd. was deregistered.

During the year ended 31 December 2013, wholly-owned subsidiaries Bengbu Xinya Water Services Co., Ltd. and Wuhan Kaidi Management & Operation Co., Ltd. and non-wholly owned subsidiary Zunyi Lianhe Runtong Water Treatment Co., Ltd. were 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 VENTURES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in joint ventures	657,840	127,840	530,000	–
Share of post-acquisition reserves, net of dividend received	14,876	5,318	–	–
Foreign exchange difference	(15,524)	(1,673)	(12,362)	–
	657,192	131,485	517,638	–

The joint ventures are accounted for using the equity method in these consolidated financial statements.

26. INTEREST IN JOINT VENTURES (cont'd)

Particulars of the Group's joint ventures at the end of the reporting period 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 2014 %	2013 %
Shanghai Pucheng Thermal Power Energy Co., Ltd [(a)] ("Shanghai Pucheng")	PRC	Waste incineration power generation	50[(b)]	–
Wenling Hanyang [(a)]	PRC	Waste incineration power generation	50	50

(a) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

(b) Change in the Group's ownership interest in joint venture

In January 2014, the Company acquired 50% equity interest in Shanghai Pucheng for purchase consideration of RMB530 million. The purchase price allocation of acquisition of Shanghai Pucheng is completed and finalised. The fair value of net identifiable assets (as determined by independent valuation valuer) of Shanghai Pucheng at date of completion equals to the purchase consideration. Accordingly, no goodwill is recognised.

Summarised financial information in respect of the Group's material interest in joint venture, namely Shanghai Pucheng, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with FRS.

	Shanghai Pucheng 2014 RMB'000
Current assets	617,888
Non-current assets	521,178
Current liabilities	(54,983)
Non-current liabilities	(77,722)
Non-controlling interests	(4,559)
	1,001,802

26. INTEREST IN JOINT VENTURES (cont'd)

	Shanghai Pucheng 2014 RMB'000
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	578,354
Current financial liabilities (exclude trade and other payables and provisions)	(137)
Non-current financial liabilities (exclude trade and other payables and provisions)	–
Revenue	257,884
Profit for the year	75,787
Other comprehensive income for the year	–
Total comprehensive income for the year	75,787
Dividends paid during the year	65,048
The above profit for the year includes the following:	
Depreciation and amortisation	(17,638)
Interest income [(a)]	(42,456)
Interest expenses	–
Income tax expenses	(25,312)

(a) Inclusive of financial income from service concession arrangements of RMB23,018,000.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Shanghai Pucheng 2014 RMB'000
Equity attributable to owners of the joint venture	1,001,802
Proportion of the Group's ownership interest	50%
	500,901
Purchase price allocation adjustments	31,944
Other adjustments	(650)
	532,195
Foreign exchange difference	(12,362)
Carrying amount of the Group's interest in the joint venture	519,833

26. INTEREST IN JOINT VENTURES (cont'd)

Reconciliation of the cost of investment recognised at the company's statement of financial position to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Shanghai Pucheng 2014 RMB'000
Carrying amount recorded at Company's statement of financial position	517,638
Share of profit	36,992
Dividend received	(32,524)
Purchase price allocation adjustment	(1,623)
Other adjustment	(650)
Carrying amount of the Group's interest in the joint venture	519,833

Aggregate information of joint venture that is not individually material

	Group	
	2014 RMB'000	2013 RMB'000
The Group's share of profit	17,363	11,087
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	17,363	11,087
Dividend declared by joint venture	10,000	15,000
Aggregate carrying amount of the Group's interest in the joint venture	137,359	131,485

27. INTEREST IN ASSOCIATES

	Group	
	2014 RMB'000	2013 RMB'000
Cost of unlisted investment in associates	418,905	13,905
Share of post-acquisition profits, net of dividend received	8,284	629
Foreign exchange difference	(12,664)	–
	414,525	14,534

27. INTEREST IN ASSOCIATES (cont'd)

Based on contractual arrangements between the Group and other investors, the Group does not hold power over the associates via voting rights from majority of the board of directors, where the relevant activities of the entities are determined by the board of directors based on majority votes. Therefore, the management of the Group concluded that the Group has no control over the associates, and thus, all associates are accounted for using the equity method in these consolidated financial statements.

Particulars of the Group's associates at the end of the reporting period is as follows:-

Name of associate	Place of incorporation and operations	Principal activities	Percentage of effective equity interest and voting power held by the Group 2014 %	2013 %
Longjiang Environmental Protection Group Co., Ltd ("Longjiang Group") [(a)]	PRC	Waste water treatment and water supply	25.3[(c)]	–
Linwu County Nanfang Water Co., Ltd [(b)]	PRC	Waste water treatment	15.3	13.9
Sichuan SIIC Environment Investment Development Co., Ltd [(b)]	PRC	Investment Holding	30	30

(a) Not audited as the associate is not considered material for consolidation purposes.

(b) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

(c) Change in the Group's ownership interest in associates

In June and November 2014, the Group's wholly-own subsidiary Thrive Far Limited has acquired 13.1% and 12.2% of equity interest in Longjiang Group for purchase consideration of RMB210 million and RMB195 million respectively. The Group exercises significant influence over Longjiang Group by virtue of its contractual right to appoint two out of nine directors to the board of that company. The purchase price allocation to determine the fair value of the assets and liabilities of Longjiang Group as at date of completion has not commenced.

27. INTEREST IN ASSOCIATES (cont'd)

Summarised financial information in respect of the Group's' material interest in associate, namely Longjiang Group, is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS.

	Longjiang Group 2014 RMB'000
Current assets	845,729
Non-current assets	3,877,975
Current liabilities	(2,016,600)
Non-current liabilities	(1,744,488)
Non-controlling interests	(5,303)
	957,313
Revenue	242,440
Profit for the year	35,602
Other comprehensive income for the year	–
Total comprehensive income for the year	35,602
Dividends paid during the year	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Longjiang Group 2014 RMB'000
Equity attributable to owners of the associate	957,313
Proportion of the Group's ownership interest	25.3125%
	242,320
Provisional purchase price allocation adjustments [(a)]	170,422
Foreign exchange difference	(12,664)
Carrying amount of the Group's interest in the associate	400,078

(a) The provisional purchase price allocation adjustments are based on management's assessment of the provisional fair value of assets and liabilities of Longjiang Group as at acquisition completion date, neither provisional goodwill nor gain from bargain purchase has been recognised.

27. INTEREST IN ASSOCIATES (cont'd)

Aggregate information of associates that are not individually material

	Group 2014 RMB'000	Group 2013 RMB'000
The Group's share of (loss) profit	(87)	452
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive (loss) income	(87)	452
Dividend declared by associates	–	–
Aggregate carrying amount of the Group's interests in these associates	14,447	14,534

28. GOODWILL ON CONSOLIDATION

	Group 2014 RMB'000	Group 2013 RMB'000
Cost		
At beginning and end of the year	45,908	45,908
Accumulated impairment losses		
At beginning of the year	36,358	25,624
Impairment loss during the year (Note 9)	–	10,734
At end of the year	36,358	36,358
Carrying amount	9,550	9,550

28. GOODWILL ON CONSOLIDATION (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generation units (CGUs) that are expected to benefit from that business combination. The carrying amount of the goodwill had been allocated as follows:

		Carrying amount of goodwill before recognition of impairment loss		Carrying amount of goodwill after recognition of impairment loss	
		2014	2013	2014	2013
Name of subsidiaries	CGU	RMB'000	RMB'000	RMB'000	RMB'000
SIIC Environment Holdings (Wuhan) Co., Ltd. [(a)]	Municipal EPC	36,358	36,358	–	–
Lap Yin International Limited [(b)]	Waste incineration power generation	6,692	6,692	6,692	6,692
Taizhou Kaidi Waste Water Treatment Co., Ltd. [(b)]	Waste water treatment	2,858	2,858	2,858	2,858
		45,908	45,908	9,550	9,550

(a) 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 goodwill in relation for the municipal EPC has been fully impaired as at 31 December 2013. The Group has divested its EPC business during the financial year ended 31 December 2014.

(b) 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 plant over the service concession period ranging from 20 to 25 years, using a discount rate of 9% (2013: 9.5%). Management believes that this forecast period is justifiable due to the long term nature of the projects. 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.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	241,930	228,958	–	–
Deferred consideration (Note 38)	80,000	–	–	–
Other payables and accruals	426,954	372,430	14,141	27,857
Provision	214	453	–	–
	749,098	601,841	14,141	27,857

(i) The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 30 days	28,940	69,469
Within 31 to 60 days	15,259	17,935
Within 61 to 90 days	13,795	12,713
Within 91 to 180 days	35,708	20,518
Within 181 to 365 days	55,162	24,998
Over 365 days	93,066	83,325
	241,930	228,958

(ii) Included in other payables and accruals as at 31 December 2014 were (i) customer advances of RMB102,930,000 (2013: RMB110,340,000); (ii) amount due to non-controlling shareholders of RMB4,900,000 (2013: RMB22,541,000); and (iii) sundry payables of RMB176,393,000 (2013: RMB101,804,000), mainly due to monies received on behalf by third parties (including government).

(iii) Provision relates to provision for warranty on certain products.

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		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Bank loans [(a)]	2,054,062	1,420,304	137,435	–
Other borrowings [(b)]	513,511	906,381	–	–
Government loans	58,235	62,323	–	–
	2,625,808	2,389,008	137,435	–
Analysed as:				
Current	922,958	1,408,462	10,709	–
Non-current	1,702,850	980,546	126,726	–
	2,625,808	2,389,008	137,435	–

(a) The Group's bank loans include interested party loans in the Group's subsidiaries entered into through intermediary banks of RMB360 million (2013: RMB40 million).

(b) Other borrowings relate to amount due to SII and SIHL Finance Limited ("SIHLFL") of RMB217,440,000 and RMB296,071,000 respectively (2013: RMB217,440,000 and RMB688,941,000 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, guarantees by third party individual and/or corporate guarantee by the Company (2013: 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). Relevant assets pledged by the Group are disclosed in Note 42 to the financial statements.

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Secured/guaranteed	1,881,456	2,099,002	–	–
Unsecured/unguaranteed	744,352	290,006	137,435	–
	2,625,808	2,389,008	137,435	–

31. BANK AND OTHER BORROWINGS (cont'd)

Details on interest rates

The table below summarises the interest rate categories of the Group's and the Company's borrowings at the end of the reporting period:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Interest-free borrowings	3,122	4,598	–	–
Fixed-rate borrowings	1,032,760	1,232,381	–	–
Variable-rate borrowings	1,589,926	1,152,029	137,435	–
	2,625,808	2,389,008	137,435	–

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's and the Company's borrowings are as follows:

	Group		Company	
	2014	2013	2014	2013
Fixed-rate borrowings (per annum)	4.35% to 7.20%	4.35% to 7.20%	–	–
Variable-rate borrowings (per annum)	2.55% to 8.16%	2.55% to 8.16%	3.31%	–

For the variable-rate borrowings, majority of the contracted interest rates are based on floating market rates at a discount of 10% to a markup of 20%, repriced at intervals ranging from monthly to annually.

Details on contractual maturity dates

The table below summarises the maturity profile of the Group's and the Company's borrowings at the end of the reporting period:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Carrying amount repayable:				
Within one year	922,958	1,408,462	10,709	–
More than one year but not more than five years	1,333,513	641,923	126,726	–
Over five years	369,337	338,623	–	–
	2,625,808	2,389,008	137,435	–

32. FINANCE LEASE

The effective interest rate for the finance lease is at 6.15% per annum for the year ended 31 December 2014 (2013: 6.15%). The contractual interest rate is variable based on PRC's prime lending interest rate and the net carrying amounts approximate the fair value as the interest rate approximates the market rate.

	Group			
	Minimum lease payments 2014 RMB'000	Present value of minimum lease payments 2014 RMB'000	Minimum lease payments 2013 RMB'000	Present value of minimum lease payments 2013 RMB'000
Amounts payable under finance leases:				
Within one year	35,640	33,333	38,715	34,330
In the second to fifth years inclusive	17,052	16,667	54,613	50,000
Total minimum lease payment	52,692	50,000	93,328	84,330
Less: Future finance charges	(2,692)		(8,998)	
Present value of lease obligations	50,000		84,330	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(33,333)		(34,330)
Amount due for settlement after 12 months		16,667		50,000

The relevant assets pledged under the finance lease comprise certain intangible assets, disclosed under Note 42 to the financial statements.

33. OTHER NON-CURRENT LIABILITIES

	Group	
	2014 RMB'000	2013 RMB'000
Accruals for benefits due to ex-employees	38,924	39,438
Provision for major overhaul (Note 17)	12,405	7,026
Grant received in advance	5,082	1,589
Others	2,789	4,719
	59,200	52,772

34. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	Amount RMB'000
Issued and paid up share capital		
At 1 January 2013	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
Share placement (net of issue costs)	1,000,000,000	766,103
At 31 December 2014	9,589,574,132	3,278,603

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.

As at 31 December 2014, there were 282,000 treasury shares held (2013: 282,000). 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.

36. OTHER RESERVES

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Capital reserve	24,465	24,465	–	–
General reserve	97,875	73,137	–	–
Investment revaluation reserve	2,099	–	–	–
Translation reserve	(39,525)	30,532	(141,574)	(38,104)
Effects of changes in ownership interests in subsidiaries where there is no change in control	(25,881)	(26,370)	–	–
Merger reserve	(200,315)	(200,315)	–	–
	(141,282)	(98,551)	(141,574)	(38,104)

36. OTHER RESERVES (cont'd)

(a) Capital reserve

In year 2012, the Group completed its acquisition of an indirect 69.378% equity interest in Nanfang Water, which together with its subsidiaries and an associate, collectively the "Nanfang Water Group", are principally engaged in the business of environment protection in the PRC, including waste water treatment.

The Group will need to pay maximum earn-out amount of RMB45 million in three tranches, by way of issuance of up to 133,652,038 new shares ("earn-out shares") at an issue price of S$0.068 per share if certain conditions are met, namely Nanfang Water Group achieving the agreed PRC statutory audited financial targets. The fair value of the earn-out amounts for each of the three years ended 31 December 2014 amounted to RMB24,465,000.

(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) Investment revaluation reserve

The investment revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in profit or loss. When a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in profit or loss.

(d) 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 and Company's presentation currency.

(e) 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.

(f) 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 adopted the SIIC Environment Share Option Scheme 2012 and SIIC Environment 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) SIIC Environment Share Option Scheme 2012 (the "ESOS 2012")/ SIIC Environment 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.

(b) SIIC Environment Share Option Scheme 2012 (the "ESOS 2012")/ SIIC Environment Share Award Scheme (the "ESAS") (cont'd)

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 2014 and 2013, no ESOS 2012 Options or ESAS Awards were granted.

38. ACQUISITION OF SUBSIDIARIES/ BUSINESS

For the year ended 31 December 2014

(a) Acquisition of 100% equity interest in Gold Wisdom Holdings Limited ("Gold Wisdom", together with its subsidiaries, collectively the "Gold Wisdom Group")

On 11 February 2014, the Group, through its wholly owned subsidiary, Thrive Bloom Limited, acquired 100% equity interest Gold Wisdom for a purchase consideration of RMB119,000,000, for the expansion of its business. Gold Wisdom owns 100% equity interest of Hong Kong Nany New Energy (Dazhou) Limited, which in turn owns 100% equity interest of Dazhou Jiajing Environment Renewable Resource Co., Ltd ("Dazhou Jiajing"), which is engaged in the business of refuse disposal and waste incineration power generation in the PRC.

<u>Impact of acquisition on profit or loss</u>

Transaction costs related to the acquisition amounting to RMB641,000 and RMB139,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013 and 2014 respectively.

From the date of acquisition, Gold Wisdom Group contributed revenue of RMB37,399,000 and net loss of RMB383,000 to the Group. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit net of tax would have been RMB1,288,719,000 and RMB330,845,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

(b) Acquisition of 100% equity interest in Shanghai Qingpu Second Wastewater Treatment Plant Co., Limited. ("Shanghai Qingpu")

On 18 February 2014, the Group, through its wholly owned subsidiary, S.I. United Water Holdings Limited, acquired 100% equity interest in Shanghai Qingpu for a purchase consideration of RMB180,070,000, for the expansion of its business. Shanghai Qingpu is principally engaged in waste water treatment in the PRC.

<u>Impact of acquisition on profit or loss</u>

Transaction costs related to the acquisition amounting to RMB988,000 and RMB94,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013 and 2014 respectively.

From the date of acquisition, Shanghai Qingpu contributed RMB19,605,000 and RMB13,228,000 to the Group's revenue and profit net of tax respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit net of tax would have been RMB1,289,067,000 and RMB333,686,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES/ BUSINESS (cont'd)

(c) Acquisition of 100% equity interest in Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. ("Dongguan Fenggang")

On 10 September 2014, the Group, through its 75.5% owned subsidiary, SIIC Weifang, acquired 100% equity interest in Dongguan Fenggang for a purchase consideration of RMB78,570,000, for expansion of business. Dongguan Fenggang is principally engaged in waste water treatment in the PRC.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB288,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

From the date of acquisition, Dongguan Fenggang contributed RMB3,434,000 and RMB960,000 to the Group's revenue and profit net of tax respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit net of tax would have been RMB1,294,646,000 and RMB335,623,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

(d) Acquisition of 100% equity interest in Dongguan Shijie Shayao Water Purification Co., Ltd. ("Dongguan Shijie")

On 10 September 2014, the Group, through its 75.5% owned subsidiary, SIIC Weifang acquired 100% equity interest in Dongguan Shijie for a purchase consideration of RMB87,985,000. Dongguan Shijie is principally engaged in waste water treatment in the PRC.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB287,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2014.

From the date of acquisition, Dongguan Shijie contributed RMB5,426,000 and RMB4,017,000 to the Group's revenue and profit net of tax respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit net of tax would have been RMB1,298,630,000 and RMB341,737,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and profit of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES/ BUSINESS (cont'd)

	Gold Wisdom Group RMB'000	Shanghai Qingpu RMB'000	Dongguan Fenggang RMB'000	Dongguan Shijie RMB'000	Total RMB'000
Consideration transferred:					
Cash	109,000	54,021	42,644	53,911	259,576
Deferred cash settlement	10,000	–	35,926	34,074	80,000
Cash prepaid in previous financial year	–	126,049	–	–	126,049
	119,000	180,070	78,570	87,985	465,625

Fair value of assets acquired and liabilities assumed (as determined by independent valuation reports) recognised at the respective dates of acquisition are as follows:

	Gold Wisdom Group RMB'000	Shanghai Qingpu RMB'000	Dongguan Fenggang RMB'000	Dongguan Shijie RMB'000	Total RMB'000
Property, plant and equipment	740	11,549	98	15	12,402
Intangible assets	273,196	24,656	78,472	77,256	453,580
Retention monies	–	–	520	532	1,052
Inventories	447	111	30	61	649
Receivables under service concession arrangements	132,910	275,749	46,260	65,416	520,335
Trade and other receivables	10,161	3,207	39,832	41,775	94,975
Prepayments	248	–	23	43	314
Cash and cash equivalents	4,307	24,991	851	885	31,034
Pledged bank deposits	6,053	–	–	–	6,053
Trade and other payables	(88,333)	(16,360)	(33,825)	(55,561)	(194,079)
Bank and other borrowings	(216,658)	(111,550)	(32,000)	(20,000)	(380,208)
Tax payable	–	–	(103)	(213)	(316)
Deferred tax liabilities	(4,071)	(23,314)	(21,588)	(22,224)	(71,197)
Non-current liabilities	–	(4,500)	–	–	(4,500)
	119,000	184,539	78,570	87,985	470,094

Gain from bargain purchase arising from acquisitions:

	Gold Wisdom Group RMB'000	Shanghai Qingpu RMB'000	Dongguan Fenggang RMB'000	Dongguan Shijie RMB'000	Total RMB'000
Consideration transferred	119,000	180,070	78,570	87,985	465,625
Less: net assets required	(119,000)	(184,539)	(78,570)	(87,985)	(470,094)
	–	(4,469)	–	–	(4,469)

Net cash outflow arising from acquisition:

	Gold Wisdom Group RMB'000	Shanghai Qingpu RMB'000	Dongguan Fenggang RMB'000	Dongguan Shijie RMB'000	Total RMB'000
Cash consideration paid	109,000	54,021	42,644	53,911	259,576
Less: bank balances and cash acquired	(4,307)	(24,991)	(851)	(885)	(31,034)
	104,693	29,030	41,793	53,026	228,542

39. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries during the year ended 31 December 2014

In March 2014, the Group completed the disposal of its entire 52% equity interest in Kunming Nanfang for considerations of RMB14,503,000 to its non-controlling shareholder. Kunming Nanfang is principally engaged in the business of waste water treatment in the PRC.

In August 2014, the Group completed the disposal of its 100% equity interest in Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi") for considerations of RMB16,782,000. Wuhan Kaidi is principally engaged in the business of Engineering, Procurement & Commissioning of water purification and treatment systems and facilities in the PRC.

Further details of the consideration, and assets and liabilities disposed of in respect of the disposed subsidiaries during the year ended 31 December 2014 are set out below:

	Kunming Nanfang RMB'000	Wuhan Kaidi RMB'000	Total RMB'000
Analysis of assets and liabilities over which control was lost			
Property, plant and equipment	281	228	509
Intangible assets	3	201	204
Deferred tax assets	–	668	668
Inventories	65	560	625
Amounts due from customers for contract work	–	8,571	8,571
Trade and other receivables	18,547	43,786	62,333
Prepayments	–	1,215	1,215
Cash and cash equivalents	368	4,111	4,479
Pledged bank deposits	–	3,333	3,333
Trade and other payables	(20)	(51,069)	(51,089)
Amount due to customer for contract work	–	(3,870)	(3,870)
	19,244	7,734	26,978
Gain (Loss) on disposal			
Consideration	14,503	16,782	31,285
Less: Net assets disposed of	(19,244)	(7,734)	(26,978)
Less: Non-controlling interests	9,237	–	9,237
Less: Reversal of purchase price allocation adjustments following the disposal	(8,317)	–	(8,317)
	(3,821)	9,048	5,227
Net cash inflow (outflow) arising on disposal			
Cash consideration received	–	16,782	16,782
Less: Bank balances and cash disposed of	(368)	(4,111)	(4,479)
	(368)	12,671	12,303

The subsidiaries disposed of during both years did not have significant contribution to the results and cash flows of the Group during the period prior to the disposals.

40. OPERATING LEASES

The Group as lessee

Leases are negotiated for an average term of 6 years and rentals are fixed for a period for 1 to 30 years (2013: 3 to 30 years). 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	
	2014	2013
	RMB'000	RMB'000
Within one year	5,159	9,579
In the second to fifth year inclusive	14,194	34,603
After five years	41,028	83,430
	60,381	127,612

The Group as lessor

The Group has entered into commercial property leases on its office premises (2013: investment property and office premises). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	Group	
	2014	2013
	RMB'000	RMB'000
Within one year	1,577	1,954
In the second to fifth year inclusive	4,396	6,320
After five years	1,473	1,813
	7,446	10,087

41. CAPITAL COMMITMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of				
- Additions in construction-in-progress relating to service concession arrangement	119,682	454,653	–	–
- Acquisition of subsidiaries	–	173,021	–	–
- Acquisition of a joint venture	–	530,000	–	530,000
- Capital injection into an associate	48,000	48,000	–	–
Capital expenditure authorised but not contracted for in respect of				
- additions in construction-in-progress relating to service concession arrangement	81,435	15,000	–	–
	249,117	1,220,674	–	530,000

42. PLEDGE ON ASSETS

The aggregate carrying value of assets pledged by the Group to secure banking facilities granted by these banks, leased assets by leasing company and use of certain operating concession assets are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Pledged bank deposits	63,404	23,982
Intangible assets	317,882	535,837
Trade receivables	153,717	187,653
Receivables under service concession arrangements	1,725,742	1,256,504
	2,260,745	2,003,976

43. 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 2014 RMB'000	Group 2013 RMB'000
Wholly-owned subsidiaries of the Company's intermediate holding company	Interest paid for borrowings:		
	- SII	(9,600)	(9,592)
	- SIHLFL	(16,751)	(16,170)
	- Shanghai Lu Qiao Development Co., Ltd.	–	(3,418)
	- SIIC Management (Shanghai) Ltd.	(168)	(994)
	- Shanghai Shen-Yu Development Co., Ltd.	(2,952)	–
	- Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd	(1,366)	–

Compensation of Directors and key management personnel

	Group 2014 RMB'000	Group 2013 RMB'000
Wages, salaries and bonus	16,713	17,408
Defined benefit contributions	996	1,046
Others	235	244
	17,944	18,698

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 2014 was approximately RMB1,453,000 (2013: RMB1,214,000). No amount was outstanding at the end of the reporting period (2013: RMB Nil).

44. SEGMENT INFORMATION

For management purposes, the Group is organised into business segments based on their products and services, and has three reportable segments as follows:

(i) Construction:

Principal activities include design, assembly, construction, installation and commissioning of water supply or waste water treatment systems/plants for industrials and municipals. Exclude construction margin recognised in relation to construction of the Group's service concession arrangements related assets by external parties.

(ii) Water Treatment and Water Supply:

Principal activities include construct, manage and operate of water related infrastructure under service concession arrangements and manage and operate of water related infrastructure under non-service concession arrangements.

(iii) Waste incineration:

Principal activities include construct, manage and operate of waste incineration related infrastructure under service concession arrangements.

Other operations include design and consultancy on the projects and installation of water meters. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2014 or 2013.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Group's financing and income taxes are managed on a Group basis and are not allocated to operating segments. Unallocated assets/liabilities mainly comprise of corporate assets and liabilities, tax assets and liabilities and interest income and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets other than goodwill.

Transfer prices between operating segments are on agreed-term basis in a manner similar to transactions with third parties.

44. SEGMENT INFORMATION (cont'd)

Business segments

All amount in RMB'000	Construction 2014	Water Treatment and Water Supply 2014	Waste Incineration 2014	Total for reportable Segments 2014	Others segment 2014	Unallocated 2014	Consolidated 2014
Revenue	209,704	1,008,077	37,399	**1,255,180**	32,598	–	**1,287,778**
Reportable segment (loss) profit from operations	(2,418)	223,093	11,353	**232,028**	(4,219)	(15,174)	**212,635**
Finance income	–	246,547	7,959	**254,506**	–	10,997	**265,503**
Finance expenses	–	–	–	–	–	(151,295)	**(151,295)**
Other income	–	–	–	–	–	17,952	**17,952**
Gain from bargain purchase of investment in a subsidiary	–	4,469	–	**4,469**	–	–	**4,469**
Share of results of joint ventures	–	–	52,723	**52,732**	–	–	**52,732**
Share of results of associates	–	8,245	–	**8,245**	(590)	–	**7,655**
Income tax expense	(182)	(71,154)	(255)	**(71,591)**	(1,930)	(2,427)	**(75,948)**
Profit after tax							**333,703**
Segment depreciation and amortisation	2,622	64,229	8,959	**75,810**	586	208	**76,604**
Segment non-cash income	11,768	7,206	–	**18,974**	2,470	–	**21,444**
Segment non-cash expenses	3,551	4,091	–	**7,642**	–	282	**7,924**
Segment assets	270,099	5,790,337	439,696	**6,500,132**	261,673	206,351	**6,968,156**
Interest in joint ventures	–	–	657,192	**657,192**	–	–	**657,192**
Interest in associates	–	403,142	–	**403,142**	11,383	–	**414,525**
Available-for-sale financial instruments	–	–	–	–	–	126,748	**126,748**
Total assets							**8,166,621**
Segment liabilities	145,882	2,511,547	247,564	**2,904,993**	301,448	683,221	**3,889,662**
Segment capital expenditure	62	126,829	461	**127,352**	1,130	31	**128,513**

44. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

All amount in RMB'000	Construction 2013	Water Treatment and Water Supply 2013	Waste Incineration 2013	Total for reportable Segments 2013	Others segment 2013	Unallocated 2013	Group 2013
Revenue	485,740	681,349	–	**1,167,089**	47,385	–	**1,214,474**
Reportable segment (loss) profit from operations	17,384	217,787	–	**235,171**	12,675	(40,784)	**207,062**
Finance income	–	190,056	–	**190,056**	–	4,365	**194,421**
Finance expenses	–	–	–	**–**	–	(125,723)	**(125,723)**
Other income	–	–	–	**–**	–	12,299	**12,299**
Other expenses	(10,734)	–	–	**(10,734)**	–	–	**(10,734)**
Share of results of joint venture	–	–	–	**478**	(26)	–	**452**
Share of results of associates	–	478	11,087	**11,087**	–	–	**11,087**
Income tax expense	(659)	(54,698)	–	**(55,357)**	(8,399)	(10,486)	**(74,242)**
Profit after tax							**214,622**
Segment depreciation and amortisation	2,446	52,193	–	**54,639**	1,841	208	**56,688**
Segment non-cash income	25	26,925	–	**26,950**	117	–	**27,067**
Segment non-cash expenses	14,456	2,189	–	**16,645**	–	–	**16,645**
Segment assets	199,150	4,680,349	6,692	**4,886,191**	91,996	1,402,095	**6,380,282**
Interest in joint venture	–	–	131,485	**131,485**	–	–	**131,485**
Interest in associates	–	2,560	–	**2,560**	11,974	–	**14,534**
Investment property	–	–	–	**–**	–	4,409	**4,409**
Available-for-sale financial instruments	–	–	–	**–**	–	2,394	**2,394**
Prepayment for investment in a subsidiary	–	122,147	–	**122,147**	–	–	**122,147**
Total assets							**6,655,251**
Segment liabilities	150,372	2,148,896	–	**2,299,268**	122,077	944,790	**3,366,135**
Segment capital expenditure	285	364,708	–	**364,993**	165	19	**365,177**

44. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

(i) Revenue under Water Treatment and Water Supply for the financial year ended 31 December 2014 include construction revenue arising from the construction of the Group's service concession arrangements related assets of RMB231.9 million (2013: RMB306.1 million).

(ii) The segment non-cash items consist of the follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Segment non-cash income		
Write-back of allowances of doubtful receivables	7,927	26,940
Reversal of provision for foreseeable loss	–	127
Gain from bargain purchase of investment in a subsidiary	4,469	–
Gain on disposal of a subsidiary	9,048	–
	21,444	27,067
Segment non-cash expenses		
Allowance for doubtful receivables	4,055	5,521
Bad debts written off	48	390
Impairment loss on goodwill on consolidation	–	10,734
Loss on disposal of a subsidiary	3,821	–
	7,924	16,645

(iii) The nature of unallocated segment assets is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Amounts due from joint venture	1,437	–
Amounts due from associate	–	89
Property, plant and equipment	220	401
Trade and other receivables	748	3,047
Prepayments	3,099	222
Cash and cash equivalents	200,847	1,398,336
Total unallocated assets	206,351	1,402,095

44. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

(iv) The nature of unallocated segment liabilities is as follows:

	Group 2014 RMB'000	Group 2013 RMB'000
Bank and other borrowings	650,947	906,381
Trade and other payables	32,274	38,409
Total unallocated liabilities	683,221	944,790

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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
PRC	1,287,778	1,214,474	6,208,844	4,114,239
Singapore	–	–	220	401
	1,287,778	1,214,474	6,209,064	4,114,640

Information about major customers

Revenue from PRC government amounted to RMB527,021,000 (2013: RMB450,998,000) arising from water treatment, water supply and waste incineration segment.

45. 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 Notes 31 and 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.

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(a) Capital risk management (cont'd)

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 2014 and 2013.

	Group	
	2014 RMB'000	2013 RMB'000
Total borrowings [1]	2,675,808	2,473,338
Less: Cash and cash equivalents	(1,119,272)	(1,878,834)
Net debt	1,556,536	594,504
Equity attributable to owners of the Company	3,690,627	2,729,577
Non-controlling interests	586,332	559,539
Total equity	4,276,959	3,289,116
Net debt/Equity attributable to owners of the Company	0.42	0.22
Net debt/Total equity	0.36	0.18

(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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Financial assets				
Loans and receivables	5,156,856	5,130,919	2,165,115	2,112,383
Available-for-sale financial instruments	126,748	2,394	–	–
	5,283,604	5,133,313	2,165,115	2,112,383
Financial liabilities				
Amortised cost	(3,545,725)	(3,135,946)	(155,846)	(31,877)

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(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.

(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 (2013: Nil%) denominated in foreign currencies other than RMB whilst none (2013: Nil%) 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	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SGD (against RMB)	632,847	759,855	525,427	536,553	86,236	658,085	1,211	17,509
SGD (against USD)	8,567	11,389	–	–	1,403	118,064	–	–
SGD (against HKD)	95,388	97,430	122,528	117,031	102,268	77,110	2,752	2,237
RMB (against USD)	8,263	–	14,193	14,169	–	–	–	–
HKD (against SGD)	–	–	16,566	98,988	–	–	–	–
HKD (against RMB)	312,074	304,808	403,964	400,000	–	–	–	–

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2013: 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% (2013: 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% (2013: 5%) against the functional currency of Group's entities.

45. 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	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Increase in (loss) profit before tax				
SGD (against RMB)	5,371	11,165	4,251	32,029
SGD (against USD)	428	569	70	5,903
SGD (against HKD)	(1,357)	(980)	4,976	3,744
RMB (against USD)	(297)	(708)	–	–
HKD (against SGD)	(828)	(4,949)	–	–
HKD (against RMB)	(4,595)	(4,760)	–	–

(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 borrowings at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming that the amount of 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 (2013: 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 RMB6,643,000 (2013: RMB5,153,000) lower/higher.

45. 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. The table include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

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
2014					
Financial liabilities					
Non-interest bearing	831,326	24,904	35,787	892,017	873,038
Fixed interest rate instruments [a]	686,455	401,493	–	1,087,948	1,032,761
Variable interest rate instruments [b]	397,720	1,200,765	420,805	2,019,290	1,639,926
Total	1,915,501	1,627,162	456,592	3,999,255	3,545,725
2013					
Financial liabilities					
Non-interest bearing	623,049	21,690	33,768	678,507	667,206
Fixed interest rate instrument [a]	1,229,121	31,808	–	1,260,929	1,232,381
Variable interest rate instrument [b]	308,094	893,378	402,150	1,603,622	1,236,359
Total	2,160,264	946,876	435,918	3,543,058	3,135,946

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

Company	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
2014					
Financial liabilities					
Non-interest bearing	18,411	–	–	18,411	18,411
Variable interest rate instrument [(c)]	15,076	131,655	–	146,731	137,435
Total	33,487	131,655	–	165,142	155,846
2013					
Financial liabilities					
Non-interest bearing	31,877	–	–	31,877	31,877

(a) The effective interest rates ranged from 4.35% to 7.20% (2013: 4.35% to 7.20%) per annum.

(b) The effective interest rates ranged from 2.55% to 8.16% (2013: 2.55% to 8.16%) per annum.

(c) The effective interest rate is 3.31% (2013: nil) per annum.

(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.

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (cont'd)

(c) Financial risk management objectives and policies (cont'd)

(iv) ***Credit risk (cont'd)***

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 (2013: 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/ waste incineration plant and are generally considered as having low risk of default.

The Group's and the Company's credit risk on cash and cash equivalents and pledged bank deposits is limited because the counterparties are banks with good reputation.

46. FAIR VALUE OF ASSETS AND LIABILITIES

Except as detailed in the following tables below, the directors of the Company consider that the carrying amounts of all other financial assets and financial liabilities that are recorded at amortised cost in the consolidated financial statements to approximate their fair value, due to their short-term nature, that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period, or the discount rate used to amortise the instruments approximates the prevailing market interest rates.

(i) Fair value of financial assets that are measured at fair value on a recurring basis

	Fair value				
Financial assets	**2014**	**2013**	**Fair value hierarchy**	**Value technique and key inputs**	**Significant unobservable input**
Available-for-sale financial investments					
Listed equity security	124,354	–	Level 1	Quoted price in an active market	Not applicable

There was no transfer amongst Levels 1 and 2 in 2014.

46. FAIR VALUE OF ASSETS AND LIABILITIES (cont'd)

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis and whose carrying amounts are not reasonable approximation of fair value

	2014		2013	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Receivables under service concession arrangements	3,325,717	3,482,865	2,715,086	2,715,086[a]
Available-for-sale financial instruments:				
- Unlisted equity security [b]	2,394	Not applicable[b]	2,394	Not applicable[b]
Financial liabilities				
Bank and other borrowings:				
- Fixed rate borrowings [c]	(1,032,760)	(1,026,919)	(1,232,381)	(1,354,256)
Other non-current liabilities	(41,713)	(41,681)	(44,157)	(55,458)

(a) For the financial year ended 31 December 2013, the discount rate used to amortise the instruments approximates the prevailing market interest rates and therefore, the Group has concluded that the carrying amounts are reasonable approximation of its fair value.

(b) 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).

(c) The fair values of receivables under service concession arrangements, 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.

47. EVENTS AFTER THE REPORTING PERIOD

De-registration of Yunnan Nanfang Water Management Co., Ltd. ("Yunnan Nanfang")

Subsequent to year end, Yunnan Nanfang, an indirect subsidiary of the Company, was de-registered (the "De-registration"). Prior to the De-registration, Yunnan Nanfang is held wholly by the Group's 76.419% subsidiary, Nanfang Water. Yunnan Nanfang was incorporated in the PRC in year 2010 to engage to undertake certain Design-Build-Operate wastewater projects ("Projects") in Yunnan province. The Projects have been completed and accordingly, Yunnan Nanfang is dormant prior to the De-registration.

List of Entities under Each Business Unit

No.	Business Unit	Name of entities	Effective interest held by the Group (%)	Accounted for as
1	**Wuhan**	SIIC Environment Holdings (Wuhan) Co., Ltd.	100	Subsidiary
2		Wuhan Kaidi Project & Engineering Co., Ltd.	100	Subsidiary
3		Wuhan Hanxi Wastewater Treatment Co., Ltd.	80	Subsidiary
4		Tianmen Kaidi Water Services Co., Ltd.	100	Subsidiary
5		SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	100	Subsidiary
6		SIIC Environment (Yinchuan) Binhe Wastewater Treatment Co., Ltd.	100	Subsidiary
7		Sichuan SIIC Environment Investment Development Co., Ltd.	100	Subsidiary
8		Wuhan Huang-Pi Kaidi Water Services Co., Ltd.	100	Subsidiary
9		Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd.	100	Subsidiary
10		Wuhan Kaidi Xinchuan Wastewater Treatment Co., Ltd.	100	Subsidiary
11		Lv Liang Xinya Water Services Co., Ltd.	100	Subsidiary
12		Wuhan Xincheng Wastewater Treatment Co., Ltd.	100	Subsidiary
13		Taizhou Kaidi Wastewater Treatment Co., Ltd.	100	Subsidiary
14		Huangshi Kaidi Water Services Co., Ltd.	100	Subsidiary
15		Tianmen Kaidi Xinnong Water Services Co., Ltd.	70	Subsidiary
16		Wuhan Dongxihu Kaidi Wastewater Management Co., Ltd.	70	Subsidiary
17	**Weifang**	SIIC Environment Holdings (Weifang) Co., Ltd.	75.5	Subsidiary
18		Weifang City Tap Water Co., Ltd.	51.34	Subsidiary
19		Weifang City Han Ting District SIIC Environment Water Co., Ltd.	26.18	Subsidiary
20		Dongguan City Da Lang Shui Kou Xing Bao Water Treatment Co., Ltd.	75.5	Subsidiary
21		SIIC Environment (Weifang) Construction Co., Ltd.	75.5	Subsidiary
22		SIIC Environment (Luohe) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
23		SIIC Environment (Yiyang North City) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
24		SIIC Environment (Taojiang) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
25		SIIC Environment (Dezhou) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
26		SIIC Environment (Zaozhuang Yicheng) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
27		SIIC Environment (Zaozhuang Shanting) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
28		SIIC Environment Cheng Xi (Weifang) Wastewater Treatment Co., Ltd.	75.5	Subsidiary

No.	Business Unit	Name of entities	Effective interest held by the Group (%)	Accounted for as
29	**Weifang**	SIIC Environment (Yiyang Eastern New District) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
30		SIIC Environment Technology (Weifang) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
31		Hunan Lianhe Runtong Environment Protection Co., Ltd.	75.5	Subsidiary
32		SIIC Environment (Beiliu) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
33		Weifang Shangshi Environment Wastewater Treatment Co., Ltd.	75.5	Subsidiary
34		SIIC Environment (Dalian) Wastewater Treatment Co., Ltd.	75.5	Subsidiary
35		Dongguan Shijie Shayao Water Purification Co., Ltd.	75.5	Subsidiary
36		Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd.	75.5	Subsidiary
37		Shanghai Qingpu Second Wastewater Treatment Co., Limited	100	Subsidiary
38		SIIC Environment (Dalian) Co., Ltd.	92.65	Subsidiary
39	**Nanfang**	Nanfang Water Co., Ltd.	76.42	Subsidiary
40		Shenzhen City Nanfang Water Co., Ltd.	76.42	Subsidiary
41		Chenzhou Nanfang Wastewater Treatment Co., Ltd.	76.42	Subsidiary
42		Huizhou City Nanfang Water Co., Ltd.	76.42	Subsidiary
43		Anxi Nanfang Water Co., Ltd.	76.42	Subsidiary
44		Yunnan Nanfang Water Management Co., Ltd.	76.42	Subsidiary
45		Chenzhou City Runfa Tap Water Furnishment Co., Ltd.	76.42	Subsidiary
46		Shuyang Nanfang Co., Ltd.	76.42	Subsidiary
47		Beihai City Nanfang Co., Ltd.	76.42	Subsidiary
48		Zhanjiang City Nanfang Water Co., Ltd.	76.42	Subsidiary
49		Jiangsu Nanfang Water Co., Ltd.	76.42	Subsidiary
50		Jingjiang City Xingang Wastewater Treatment Co., Ltd.	76.42	Subsidiary
51		Yancheng Nanfang Water Co., Ltd.	53.49	Subsidiary
52		Shenzhen City Guan Lan Nanfang Water Co., Ltd.	45.85	Subsidiary
53		Linwu County Nanfang Water Co., Ltd.	15.28	Associate

Statistics of Shareholdings

As at 31 March 2015

Number of issued shares	:	9,589,574,132
Number of shares (excluding treasury shares)	:	9,589,292,132
Number of treasury shares and percentage	:	282,000 (0.003%)
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

Distribution of Shareholdings

Range of Shareholdings	Number of Shareholders	%*	Number of Shares	%*
1 – 99	48	2.92	682	0.0
100 – 1,000	80	4.87	67,182	0.0
1,001 – 10,000	308	18.76	2,015,654	0.02
10,001 – 1,000,000	1,153	70.22	117,812,425	1.23
1,000,001 and above	53	3.23	9,469,396,189	98.75
TOTAL:	**1,642**	**100.0**	**9,589,292,132**	**100.0**

Twenty Largest Shareholders

No.	Name	Number of Shares	%*
1.	Triumph Power Limited	3,184,647,757	33.21
2.	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co Ltd	1,118,564,586	11.66
3.	Citibank Nominees Singapore Pte Ltd	994,843,107	10.37
4.	HSBC (Singapore) Nominees Pte Ltd	937,127,540	9.77
5.	S.I. Infrastructure Holdings Limited	827,092,375	8.63
6.	Raffles Nominees (Pte) Limited	726,230,214	7.57
7.	DBS Nominees (Private) Limited	510,344,545	5.32
8.	DB Nominees (Singapore) Pte Ltd	485,728,287	5.07
9.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	120,087,451	1.25
10.	Yang Changmin	75,418,474	0.79
11.	DBSN Services Pte. Ltd.	68,908,300	0.72
12.	Philip Securities Pte Ltd	67,614,339	0.71
13.	Ye Qin	60,878,319	0.63
14.	Cheong Sae Peng	43,000,000	0.45
15.	Bao Yidong	30,950,000	0.32
16.	Time Wheel International Limited	25,200,000	0.26
17.	Maybank Kim Eng Securities Pte. Ltd.	21,604,202	0.23
18.	OCBC Securities Private Limited	15,629,000	0.16
19.	DBS Vickers Securities (Singapore) Pte Ltd	14,795,000	0.15
20.	Ye Yutong	14,283,219	0.15
	TOTAL	**9,342,946,715**	**97.42**

* Based on 9,589,292,132 ordinary shares issued as at 31 March 2015 (this is based on 9,589,574,132 shares issued, excluding the 282,000 treasury shares).

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct		Deemed	
	Number of Shares	%(1)	Number of Shares	%(1)
Triumph Power Limited ("**Triumph**")	3,184,647,757	33.21	–	–
Shanghai Industrial Holdings Limited ("**SIHL**") (2)	–	–	4,012,841,132	41.85
S.I Infrastructure Holdings Limited ("**SII**") (2)	827,092,375	8.63	3,184,647,757	33.21
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited ("**CECEPHK**")	1,118,564,586	11.66	–	–
China Energy Conservation and Environmental Protection Group ("**CECEP**") (3)	–	–	1,118,564,586	11.66
Value Partners Limited ("**VPL**") (4)	–	–	481,096,800	5.01
Value Partners Hong Kong Limited ("**VPLHK**") (4)	–	–	481,096,800	5.01
To Hau Yin (4)	–	–	481,096,800	5.01
Value Partners Group Limited ("**VPGL**") (4)	–	–	481,096,800	5.01
Cheah Capital Management Limited ("**CCML**") (4)	–	–	481,096,800	5.01
Cheah Cheng Hye (4)	–	–	481,096,800	5.01
Cheah Company Limited ("**CCL**") (4)	–	–	481,096,800	5.01
BNP Paribas Jersey Trust Corporation Ltd as trustee of The C H Cheah Family Trust (4)	–	–	481,096,800	5.01
BNP Paribas Jersey Nominee Company Limited ("**BNP Nominee**") (4)	–	–	481,096,800	5.01

Notes:

(1) As a percentage of 9,589,292,132 shares issued, excluding treasury shares of 282,000 as at 31 March 2015.

(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, South Pacific International Trading Limited and SIIC CM Development Limited, and Shanghai Investment Holdings Limited, holds more than 20% of the issued and paid-up share capital of Shanghai Industrial Holdings Limited, which owns all the issued and paid-up share capital of S.I. Infrastructure Holdings Limited, which in turn owns all the issued and paid-up share capital of Triumph Power Limited. In addition, Shanghai Industrial Holdings Limited 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, Shanghai Industrial Holdings Limited and S.I. Infrastructure Holdings Limited are deemed to be interested in the shares held by Triumph Power Limited and SIHL Treasury Limited (excluding S.I. Infrastructure Holdings Limited). 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) VPL is a fund manager deemed to be interested in the share of the Company by reason of shares held directly by the funds under its management. VPLHK is deemed to be interested in the shares of the Company via its 100% ownership in VPL. VPGL is deemed to be interested in the shares of the Company via its 100% ownership in VPLHK. CCML is deemed to be interested in the shares of the Company via its 27.16% ownership in VPGL. CCL is deemed to be interested in the shares of the Company via its 100% ownership in CCML. BNP Trust as trustee of the C H Cheah Family Trust is deemed to be interested in the shares of the Company via its holdings in BNP Nominee. BNP Nominee holds the shares in CCL as nominee for BNP Trust. To Hau Yin is deemed to be interested in the shares of the Company in her capacity as the beneficiary of a discretionary trust with BNP Paribas Jersey Trust Corporation Limited ("**BNP Trust**") as the trustee. Cheah Cheng Hye is deemed to be interested in the shares of the Company in his capacity as the founder of a discretionary trust with BNP Trust as the Trustee.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 31 March 2015, 40.7% of the issued ordinary shares of the Company are held by the public and, therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

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 6, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 27 April 2015 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 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$700,205 for the financial year ending 31 December 2015 (2014: S$615,000). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Articles 91 and 97 of the Articles of Association of the Company:

Mr. Zhou Jun	(Retiring under Article 91)	**(Resolution 3)**
Mr. Tay Ah Kong Bernard	(Retiring under Article 91)	**(Resolution 4)**
Mr. Yang Yihua	(Retiring under Article 97)	**(Resolution 5)**
Mr. Xu Xiaobing	(Retiring under Article 97)	**(Resolution 6)**
Mr. Xu Zhan	(Retiring under Article 97)	**(Resolution 7)**

[See Explanatory Note (i)]

4. To re-appoint Mr. Tan Gim Soo, a Director of the Company who is over 70 years of age, retiring pursuant to Section 153(6) of the Companies Act, Chapter 50, to hold office from the date of this Annual General Meeting ("**AGM**") until the next Annual General Meeting of the Company. **(Resolution 8)**

[See Explanatory Note (ii)]

5. 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 9)**

6. 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:

7. **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,

(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 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 (iii)] **(Resolution 10)**

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 the AGM 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 10 April 2015 (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 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 11)**

8. **Authority to issue shares under the SIIC Environment Share Option Scheme 2012 (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 (v)] **(Resolution 12)**

9. **Authority to issue shares under the SIIC Environment Share Award Scheme (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 (vi)] **(Resolution 13)**

By Order of the Board

Tan Kim Han, Raymond
Company Secretary

Singapore, 10 April 2015

Explanatory Notes:

(i) Mr. Tay Ah Kong Bernard will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent pursuant to Rule 704 (8) of the Listing Manual of the SGX-ST.

(ii) Mr. Tan Gim Soo will, upon re-appointment as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and will be considered independent pursuant to Rule 704 (8) of the Listing Manual of the SGX-ST.

(iii) Resolution 10, 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.

(iv) Resolution 11 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 2014 are set out in greater detail in the Appendix.

(v) Resolution 12 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 exceed 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 a 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 Share 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 the 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.

(vi) Resolution 13 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 exceed in total (for the entire duration of the 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.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 6, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Monday, 27 April 2015 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 2014		
2.	Approval of Directors' fees amounting to S$700,205 for the financial year ending 31 December 2015		
3.	Re-election of Mr. Zhou Jun as a Director		
4.	Re-election of Mr. Tay Ah Kong Bernard as a Director		
5.	Re-election of Mr. Yang Yihua as a Director		
6.	Re-election of Mr. Xu Xiaobing as a Director		
7.	Re-election of Mr. Xu Zhan as a Director		
8.	Re-appointment of Mr. Tan Gim Soo as a Director pursuant to Section 153(6) of the Companies Act, Chapter 50		
9.	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
	Special Business		
10.	Authority to allot and issue shares		
11.	Renewal of Share Purchase Mandate		
12.	Authority to issue shares under the SIIC Environment Share Option Scheme 2012		
13.	Authority to issue shares under the SIIC Environment Share Award Scheme		

Dated this __________ day of ______________ 2015

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 Companies Act, Chapter 50 of Singapore), 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 Companies Act, Chapter 50 of Singapore.

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.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.

Corporate Information

Board of Directors

Mr. Zhou Jun	(Executive Chairman)
Mr. Feng Jun	(Executive Director)
Mr. Yang Changmin	(Executive Director)
Mr. Yang Yihua	(Executive Director)
Mr. Xu Xiaobing	(Executive Director)
Mr. Xu Zhan	(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) 6438 8710

Auditors

Deloitte & Touche LLP
6 Shenton Way, #33-00
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)
Bank of Weifang (PRC)
China Citic Bank (PRC)
China Merchants Bank (PRC)
Huaxia Bank (PRC)
Industrial and Commercial Bank of China Limited (PRC)
Nanyang Commercial Bank (PRC)

SIIC ENVIRONMENT HOLDINGS LTD.

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