



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

新边疆 New Frontier

Annual Report 2016

二零一六年年报





CONTENTS

NEW FRONTIER

Corporate Mission 公司使命	2
Corporate Profile 公司简介	3
Business Structure 业务架构	4
Project Location Map 项目分部地图	5
Chairman's Statement 主席致辞	6
Financial Review 财务回顾	12
Project Overview 项目一览	16
Board of Directors 董事会	30
Key Management 高级管理人员	38
Business Unit Management 区域分部管理人员	40
Corporate Information 公司资料	42
Financial Contents 财务信息	44

CORPORATE MISSION

公司使命

Backed by an established corporate track record, technological excellence and strong mergers and acquisitions capabilities, SIIC Environment envisages itself as a leading investor and operator in the environmental industry in the People's Republic of China. In the pursuit of company growth, we remain committed to protecting the planet, conserving the environment and preserving natural resources.

上海实业环境控股有限公司拥有良好的经营业绩、出众的技术服务与强大的并购能力，致力于融产结合的发展模式，是中国环境产业运营与投资领域的领军者。在谋求企业发展的同时，我们也承担着维护地球、保护环境、珍惜自然资源的使命。

CORPORATE PROFILE

公司简介

SIIC Environment Holdings Ltd. (“SIIC Environment”, stock code: BHK.SG) is a top-tier integrated player in China’s water and environmental markets. It is engaged in water treatment, water supply, solid waste treatment and other environment-related businesses. It is previously known as Asia Water Technology Ltd. (“Asia Water”) which was listed on the SGX-ST Catalist in 2005. In 2010, Shanghai Industrial Holdings Ltd. (“SIHL”, stock code: 00363.HK) acquired a controlling stake and completed debt restructuring in Asia Water. It was renamed SIIC Environment and transferred to the SGX-ST Mainboard in 2012. Since the restructuring, SIIC Environment has shown tremendous growth and continues to increase its market share in China’s water and environmental sector.

SIIC Environment is an active investor and operator of environment-related assets and has been operating in China’s water sector for over a decade. Currently, it boasts an overall portfolio of 108 water treatment and supply projects and 4 waste incineration projects across 18 municipalities and provinces in China, namely Shandong, Guangdong, Hubei, Hunan, Jiangsu, Shanghai, Zhejiang, Jiangxi, Anhui, Fujian, Guangxi, Ningxia, Henan, Liaoning, Inner Mongolia, Shanxi, Sichuan and Heilongjiang.

Leveraging on its scalability and competencies, SIIC Environment will continue to expand its business and explore new markets such as industrial wastewater treatment, seawater desalination, sludge treatment and handling, soil treatment, renewable energy, water technology and pollution control, thereby strengthening its top-tier position in China’s water and environmental industry.

上海实业环境控股有限公司（简称“上实环境”，股票代码：BHK.SG）是一家在中国水务环保市场具有领先地位的综合性企业，主营业务涉及污水处理、供水、固废处理及其它环保相关产业。上实环境的前身为2005年在新交所凯利版上市的亚洲水务科技有限公司（简称“亚洲水务”）。2010年，上海实业控股有限公司（简称“上实控股”，股票代码：363.HK）收购亚洲水务，并启动一系列债务重组。2012年，亚洲水务更名为上实环境，并转新交所主板上市。重组以来，公司高速发展，规模迅速增长，在中国环保市场的占有份额不断提高。

上实环境是环保行业积极活跃的投资者与运营者，在中国水务行业有逾十年的经营历史。目前，公司在中国拥有108个污水处理与供水项目，以及4个固废焚烧发电项目，业务覆盖中国18个省及直辖市，即山东、广东、湖北、湖南、江苏、上海、浙江、江西、安徽、福建、广西、宁夏、河南、辽宁、内蒙古、山西、四川和黑龙江。

上实环境凭借其独特的战略定位与商业模式，将继续壮大水务与固废业务，并积极寻求其它环保领域的市场机会，如工业废水处理、海水淡化、污泥处理处置、土壤修复、再生能源、水处理技术与污染防治等领域。集团致力于不断拓展市场份额，提升规模与效益，巩固其在中国水务及环保产业第一梯队的领先地位。



BUSINESS STRUCTURE

业务架构



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



Water Treatment and Supply 水务处理



Central (Wuhan Business Unit)
华中 (武汉分部)



South (Nanfang Business Unit)
华南 (南方分部)



North (Weifang Business Unit)
华北 (潍坊分部)



Northeast
(Longjiang Business Unit)
东北 (龙江分部)



East (Fudan Business Unit)
华东 (复旦分部)



Waste Incineration 固废发电

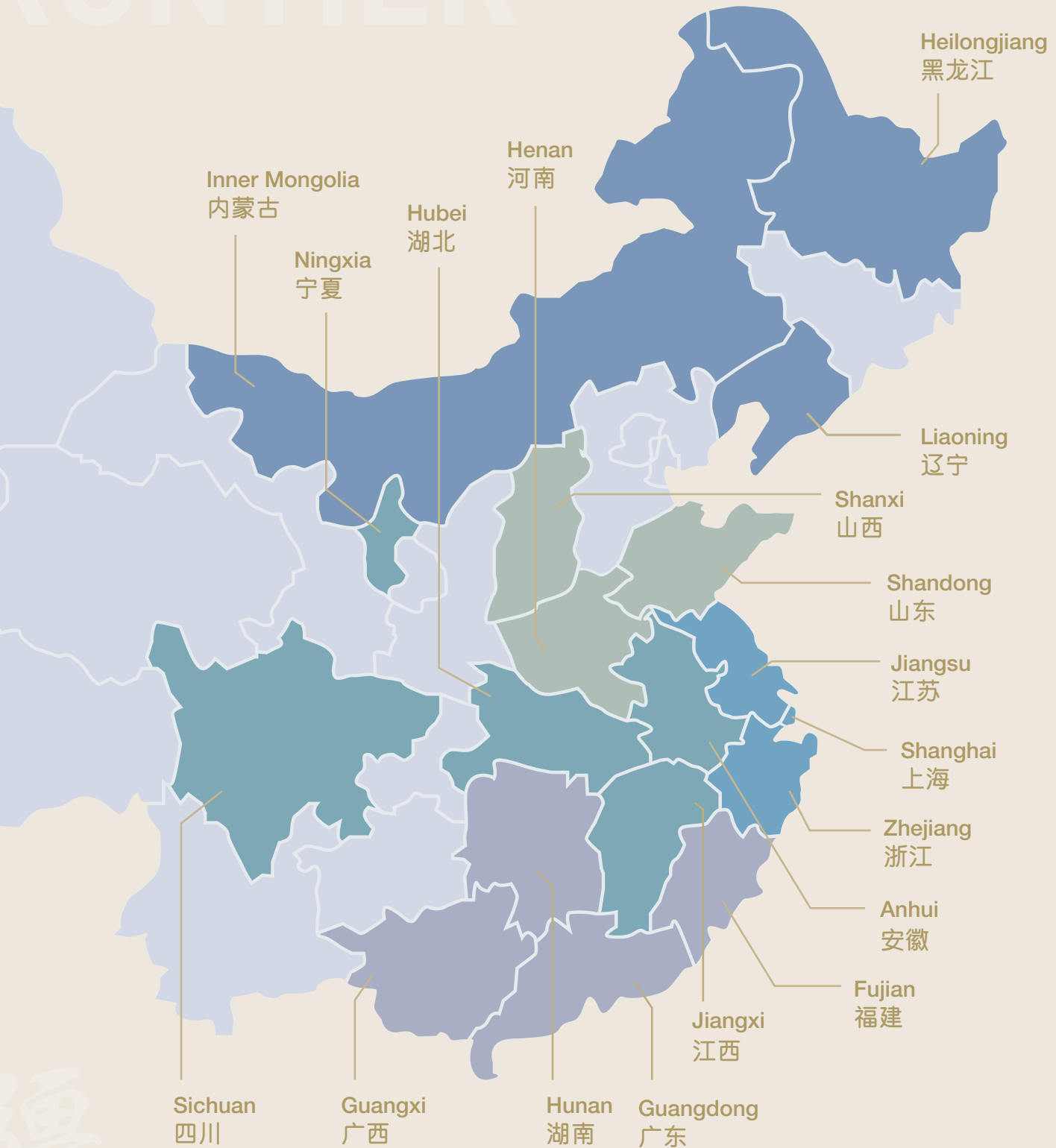
NEW F

新边

PROJECT LOCATION MAP

项目分布地图

FRONTIER



疆

CHAIRMAN'S STATEMENT

主席致辭

Dear Valued Shareholders,

On behalf of the Board of Directors, I am pleased to report that SIIC Environment Holdings Ltd. ("SIIC Environment" or the "Company", together with its subsidiaries, collectively the "Group") has ended the financial year on 31 December 2016 ("FY2016") with another set of sterling results.



GROWING FROM STRENGTH TO STRENGTH

2016 was characterised by a slowdown in the global economy and uncertainty in the markets, but SIIIC Environment continued to grow from strength to strength – the Group’s investment portfolio currently stands at 108 water treatment and supply projects with a total design capacity of over 10 million tons/day and 4 waste incineration plants with a total design capacity of 3,800 tons/day, reflecting the resilience of our core business and our ability to capture new opportunities in the water and environment sectors.

Along with design capacity growth, the Group achieved its seventh year of double-digit financial growth in FY2016 with total revenue recording a 46.8% year-on-year increase to RMB2.65 billion and net profit attributable to shareholders surging 26.2% to RMB454.93 million. In FY2016, the Group achieved an increase in revenue across all categories, and its newly acquired entities were main contributors to a strong performance for FY2016.

The Group’s strong performance is testament to the success of the two-pronged strategy of focusing on organic growth and acquisition-driven expansion in China, both of which have contributed to the increase in its market share and bottom line.

REACHING NEW FRONTIERS

Over the past fiscal year, the Group has been reaching new growth frontiers in different sectors and markets. It held off strong competition and made significant headway in organic growth and industry consolidation, entering into Heilongjiang, Henan, Jiangxi and Anhui markets.

In December 2016, the Group completed the acquisition of 60% of the issued and paid-up share capital of Ranhill Water (Hong Kong) Ltd (“Ranhill Water”). Ranhill Water is a wholly-owned subsidiary of Malaysian utility conglomerate Ranhill Holdings Berhad and provides wastewater treatment services mainly to industrial parks in China on concession contract basis, with a total design capacity of 260,000 tons/day. The acquisition effectively gives us a strong foothold in China’s industrial water treatment sector, immediately adding substantial treatment capacity to our portfolio.

In November 2016, we successfully acquired additional 32.7% of the equity interest in Longjiang Environmental Protection Group Co., Ltd. (“Longjiang Group”).

Following the acquisition, the Company owns an equity interest of 58% in Longjiang Group, for which Longjiang Group becomes a subsidiary of the Company. Longjiang Group holds more than 40 water treatment, water supply and sludge treatment projects in China, with a total water treatment and supply design capacity of 3.59 million tons/day. This acquisition is one of the landmark transactions in China’s water sector and is of strategic importance to the Group in the northeast region.

The Group is also focused on capturing new markets for sludge treatment in the near term. Currently, the Group has eight sludge disposal projects, with a total handling design capacity of 2,255 tons/day.

UPDATE ON THE UTILISATION OF NET PROCEEDS FROM SHARE PLACEMENT

The Group raised approximately S\$154.8 million from the placement of 1.0 billion new ordinary shares in July 2014, for which the net proceeds were used to enlarge general working capital and to finance the Group’s business expansion. The utilisation of the net proceeds is summarized on page 8 (please also refer to the latest SGXnet announcement dated 13 June 2016) and the Group will continue to update our shareholders on a timely basis.

CONQUERING UNCHARTED WATERS

The Chinese government remains steadfast in its commitment to environmental conservation and pollution reduction, and new policies and trends bode well for the Group’s overall operations and performance.

In December 2016, the Chinese government issued a 13th Five-Year plan outlining that China would invest about RMB560 billion in the wastewater treatment facilities and pipelines construction between 2016 and 2020. Its National People’s Congress (“NPC”) Standing Committee also approved China’s first Environmental Protection Tax (“EPT”) Law, which will replace the existing pollutant discharge fee system with a pollution tax as the main economic tool regulating environmental pollution by businesses.

According to the “Notice of Formulation and Adjustment of Sewage Treatment Fee Standards” published in 2015, China’s local governments were tasked to review and revise wastewater treatment fees by the end of 2016. This tariff revision programme has been carried out substantially. The price adjustment varies based on the different cities and locales, but is expected to

	Balance (S\$'million)
Net proceeds from the Placement	154.78
Purpose	
<i>Payment for:</i>	
Payment for the additional investment of approximately RMB74.5 million in Wuhan Huang-Pi Kaidi Water Services Co., Ltd.	(15.52)
Payment for the purchase consideration of approximately RMB195.0 million for the 12.1875% acquisition of Longjiang Environmental Protection Group Co., Ltd.	(41.06)
Payment for the additional investment of approximately RMB150 million into SIIC Environment Holdings (Wuhan) Co., Ltd.	(32.68)
Payment for the 70% equity of approximately RMB124 million for the incorporation of Yinchuan SIIC Environment Binhe Wastewater Treatment Co., Ltd. and SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	(26.55)
Payment for the subscription of approximately HK\$155.2 million in the capital of Canvest Environmental Protection Group Company Limited	(26.46)
Payment for the purchase consideration in relation to the acquisition of Gold Wisdom Holdings Limited	(2.2)
Payment for the additional capital injection into Dazhou Jiajing Environment Renewable Resource Co., Ltd.	(3.09)
General working capital use:	
a. Repayment of loan obtained from SIHL Finance Limited and professional fees for the acquisition of Global Envirotech Investment Ltd.	(3.93)
b. Repayment of bank borrowings	(1.41)
c. Payment of operating expenses and tax expenses	(1.66)
Net proceeds balance	0.22

increase by an average of 17% across the board. The Group believes the increase in fees will potentially lead to an increase in revenue for the wastewater treatment industry, which the Group is poised to capitalise on.

Conserving energy and protecting the environment are growing imperatives for China as it continues to urbanise rapidly. Despite continuing global uncertainty in 2017, the water and environment sector remains a bright spot and is one of the most attractive growth sectors in the Asian region. With our strong portfolio and the presence we have built in developed and emerging markets, we will continue to deliver quality service that protects the environment and are well-positioned to capture the extensive opportunities available for growth.

APPRECIATION

On behalf of the Group, I would like to extend our

deepest appreciation to our valued shareholders for your continued trust and support in us. We also want to thank our customers, suppliers, business partners and associates, who are integral to our success today and tomorrow.

In closing, I would also like to thank the management and staff for their immeasurable contribution towards achieving the Group's ambitions. It is a privilege to work with such a capable and resourceful team, and I am confident that we will embrace both the challenges and opportunities ahead, and conquer new frontiers along the way.

Mr. Zhou Jun

Executive Chairman

CHAIRMAN'S STATEMENT

主席致辞

各位尊敬的股东，

我谨代表董事会，荣幸地提呈上海实业环境控股有限公司（简称“上实环境”或“公司”或连同其附属公司，连称“本集团”）截至2016年12月31日整个财年（“2016财年”）的出众业绩。



继往开来

2016年全球经济放缓，市场不稳定因素增加，但上实环境继往开来，强势增长——目前集团拥有108个污水处理与供水项目，总设计处理能力超过每日1000万吨，亦拥有4个固废发电项目，总设计处理能力达每日3800吨，业务规模的增长反映了我们优异的核心竞争实力与新市场的拓展能力。

伴随着业务规模的增长，在2016财年，本集团实现了连续第七年的两位数业绩增长。2016财年营业额同比增长46.8%至人民币26.48亿元，股东应占净利达人民币4.55亿元，同比增长26.2%。本集团2016财年各细分业务的收入均实现同比增长，强劲的业绩表现主要源于新进资产的突出贡献。

本集团在2016财年的表现证明了我们的双轮驱动发展战略——并购扩张与有机增长结合的成功，集团的市场份额与净利润额均持续上升。

迈向新边疆

在2016财政年中，本集团开辟新的市场与新的领域，迈向发展的新边疆。在激烈的市场竞争中脱颖而出，实现有机增长，并加速对市场整合的步伐，成功拓展黑龙江、河南、江西、安徽等新市场。

在2016年12月，完成了对联熹水务（香港）有限公司60%的已发行与实收股本的收购。联熹水务（香港）是马来西亚上市的公用事业集团联熹控股的全资子公司，主要以特许经营合同模式在中国为工业园区提供废水处理服务，总设计处理能力为每日26

万吨。这次收购是我们在中国工业废水处理领域强有力的起点，大幅增加了我们资产组合中工业废水的处理规模。

在2016年11月，我们成功完成了对龙江环保集团有限公司32.7%的股权收购。目前，本公司拥有龙江集团58%的股权，是龙江集团的控股股东。龙江集团在中国拥有超过40个污水处理、供水和污泥处理项目，水务项目总设计处理能力为每日359万吨，此次收购是中国水务行业具有里程碑地位的交易，对上实环境在中国东北地区的业务发展具有重大战略意义。

近期，本集团亦关注在污泥处理领域的发展机会。目前，集团共有8个污泥处理项目，合计设计处理规模为2255吨/日。

配股募集资金使用情况

集团于2014年7月发行10亿股普通股，募集资金净额约新币1.548亿元。募集资金净额用于一般营运资金及集团的业务扩张。所得款项净额的使用情况汇总请参阅第11页(请参阅2016年6月13日在新加坡交易所的网站公告)，集团也将继续向股东们披露募集资金的后续使用情况。

拓展新水域

中国政府坚定地致力于发展环境保护和污染防治，新的行业政策与发展动向将有利于公司的整体运作及业绩表现。

	金额 (百万新币)
募集资金之净额	154.78
目的	
支付:	
支付人民币约7450万元作为武汉黄陂的股本增资	(15.52)
支付人民币约1.95亿元作为收购龙江12.1875%股权的收购代价	(41.06)
支付人民币约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)
支付人民币约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)
投资粤丰环保电力有限公司的款项港币约1.55亿	(26.46)
支付金智控股有限公司的收购代价	(2.2)
支付达州佳境环保再生资源有限公司的额外注资额	(3.09)
一般营运资金使用:	
a. 偿还SIHL财务有限公司的贷款与支付收购环投(香港)有限公司的专业服务费用	(3.93)
b. 偿还银行借款	(1.41)
c. 支付营业费用与税费	(1.66)
余额	0.22

在2016年12月，中国政府发布“十三五”全国城镇污水处理及再生利用设施建设规划，从2016年至2020年在污水处理设施和管道建设中投资约人民币5600亿元。中国人民代表大会（“NPC”）常务委员会批准了中国第一个环境保护税（“EPT”）法，以污染税代替现有的污染物排放费制度，作为监督企业环境污染的主要经济工具。

在2015年发布的关于制定和调整污水处理收费标准等有关问题的通知中，各地政府被要求在2016年底前审查和启动调整污水处理费的相关工作。这项水费调整工作正在实质性地开展中。水价调整的幅度因不同的城市 and 地区而异，但预计在全国范围内平均提高17%。水价调整或能促进污水处理板块未来的收入增长，本集团亦将受益。

随着中国城镇化的推进，节约能源与保护环境势在必行。2017年全球经济仍充满着不确定，而水与环境板块仍将是成长亮点，是亚洲地区极具吸引力的领域。凭借本集团现有的资产组合与行业地位，我

们将能够捕捉广泛的市场发展机会，并继续为保护环境提供高质量的服务。

致谢

借此机会，我谨代表集团，对一直以来信任并支持我们的股东表示最衷心的感谢。我也要感谢集团的客户、供应商、商业伙伴及经营伙伴，你们对本集团过去与未来的成功起着重要的作用，感谢你们长期以来的鼎力支持。

最后，我想感谢公司的管理层和员工的辛勤奉献。能与这样一支勤奋、高效、充满能量的团队共事，是一种荣幸。我坚信我们将能够一路应对挑战，抓住机遇，迈向新边疆！

周军先生
执行主席

FINANCIAL REVIEW

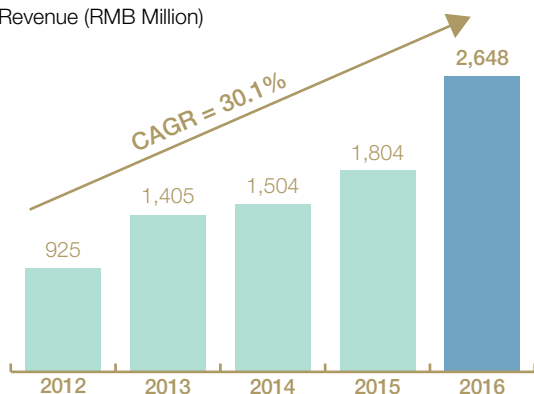
财务回顾

FINANCIAL HIGHLIGHTS

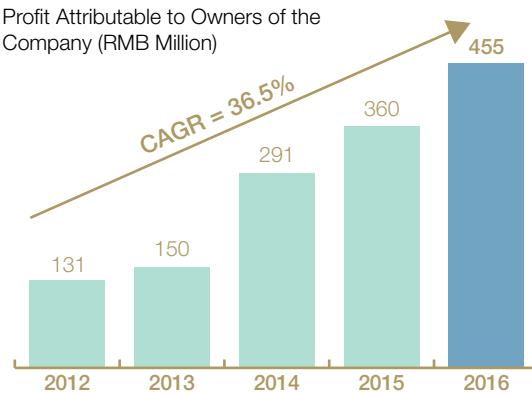
Since FY2012, the Group has seen a CAGR of 30.1%, 36.5% and 31.6% in our revenue, profit for the year attributable to owners of the Company and EBITDA to RMB2.6 billion, RMB454.9 million and RMB1.1 billion for FY2016 respectively. In addition, assets base in terms of both total assets and net assets have also increased significantly over the years to RMB23.0 billion and RMB8.5 billion respectively. Rapid growth in the profitability and strengthening of balance sheet position were attributed mainly to the expansion achieved through M&A as well as organic growth.

(A) STRONG GROWTH

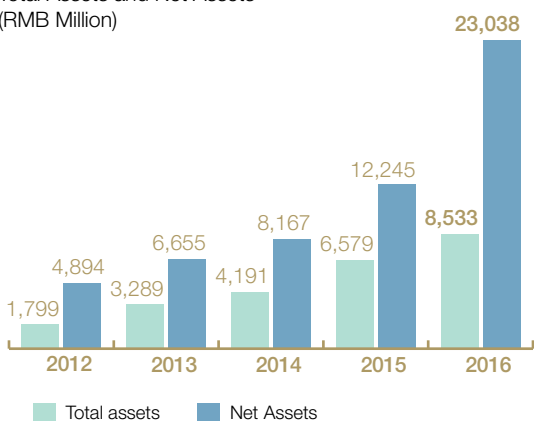
Revenue (RMB Million)



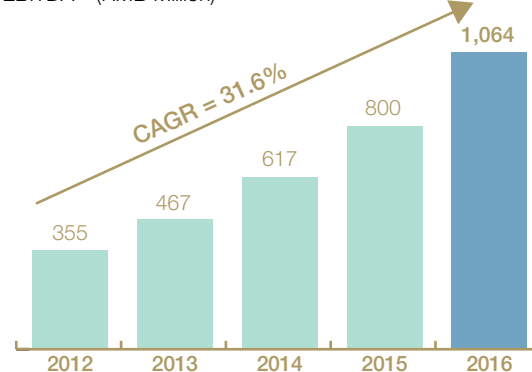
Profit Attributable to Owners of the Company (RMB Million)



Total Assets and Net Assets (RMB Million)



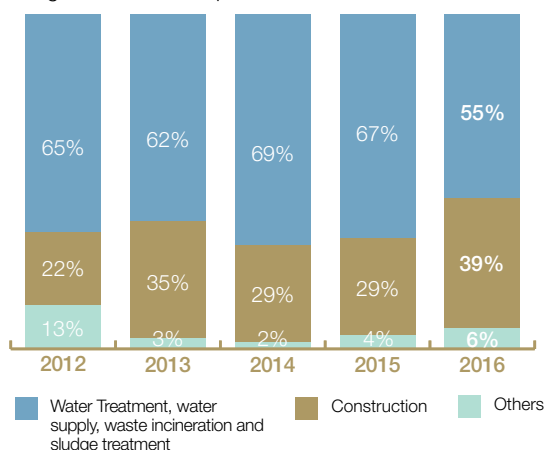
EBITDA⁽¹⁾ (RMB Million)



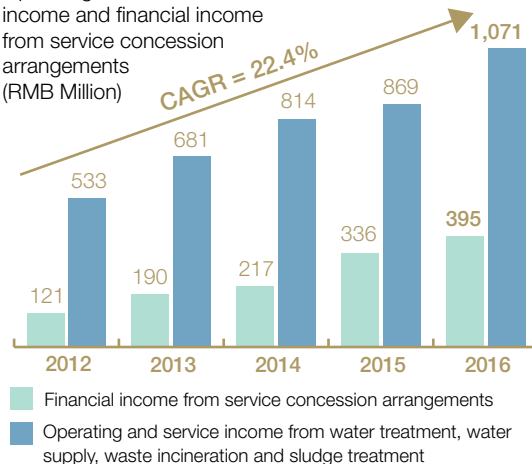
⁽¹⁾ EBITDA = profit before tax + financial expenses – financial income + depreciation & amortisation

(B) BOT, TOT, BOO AND TOO PROJECTS PROVIDE STABLE CASH FLOW, INCREASING VISIBILITY OF THE GROUP'S FUTURE EARNINGS

Change in revenue composition



Operating and service income and financial income from service concession arrangements (RMB Million)





Key Financial Data For the Financial Year Ended 31 December

Results (RMB'000)	2016	2015	Change %
Revenue	2,648,097	1,803,796	46.8%
Gross profit	812,296	712,130	14.1%
Profit from operations	548,717	542,458	1.2%
Profit for the year	540,418	424,412	27.3%
Profit for the year attributable to owners of the Company	454,926	360,390	26.2%
Earnings per share (RMB cents)			
- Basic ^(a)	20.16	16.86	19.6%
- Diluted	20.16	16.86	19.6%

^(a) Computed based on weighted average number of ordinary shares outstanding for the respective financial year ended 31 December

Financial Position (RMB'000)	2016	2015	Change %
Total assets	23,038,285	12,244,818	88.1%
Net assets (Total equity)	8,533,177	6,579,449	29.7%
Equity attributable to owners of the Company	5,972,733	5,511,562	8.4%
Net assets per share ^(a) (RMB cents)	264.7	244.2	8.4%
Number of shares (excluding treasury shares)	2,256,588,726	2,256,588,726	-

^(a) Equity attributable to owners of the Company divided by the outstanding number of ordinary shares (excluding treasury shares)

OVERALL

The Group recorded an increase in revenue from RMB1.8 billion in FY2015 to RMB2.6 billion in FY2016, representing an increase of 46.8% 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.

Other income increased 66.4% yoy to RMB113.0 million for FY2016 largely due to the higher amount of government subsidies received by some of the Group's subsidiaries.

The Group recorded a fair value gain from revaluation of previously held interest in Longjiang Group amounting to RMB155.4 million for FY2016. In November 2016, the Group had acquired 32.7% of additional equity interest in Longjiang Group. Consequently, Longjiang Group becomes a subsidiary of the Group for the financial year ended 31 December 2016.

Overall, the Group recorded an increase in profit attributable to owners of the Company from RMB360.4 million for FY2015 to RMB454.9 million for FY2016, representing a yoy increase of 26.2%.

EQUITY

The Group's total equity as at 31 December 2016 amounted to RMB8.5 billion, strengthened significantly from RMB6.6

billion as at 31 December 2015. The increase was due mainly to (i) total comprehensive income of RMB536.7 million recorded for FY2016; and (ii) non-controlling interest of RMB1.4 billion from newly acquired entities.

CASH FLOW

During the financial year ended 31 December 2016, the followings were being recorded:

- (1) healthy net cash generated from the Group's operating activities amounted to RMB357.5 million, after adjusting for addition of/ prepayment for receivables under service consession agreements and refundable deposit;
- (2) net cash used in the Group's investing activities amounted to RMB176.2 million due mainly to (i) net cash outflow on acquisition of subsidiaries; and (ii) purchase of intangibles; This was partially offset by dividends received from Shanghai Pucheng and Wenling; and
- (3) net cash generated from financing activities of RMB1.1 billion due mainly to the net proceed from bank borrowings and finance leaseback arrangement. This is partially offset by (i) interest paid; (ii) dividend paid to non-controlling interest shareholders; and (iii) settlement of payables to a former shareholder.

As at 31 December 2016, the Group's cash and cash equivalents stood at RMB1.6 billion (31 December 2015: RMB795.2 million).

FINANCIAL REVIEW

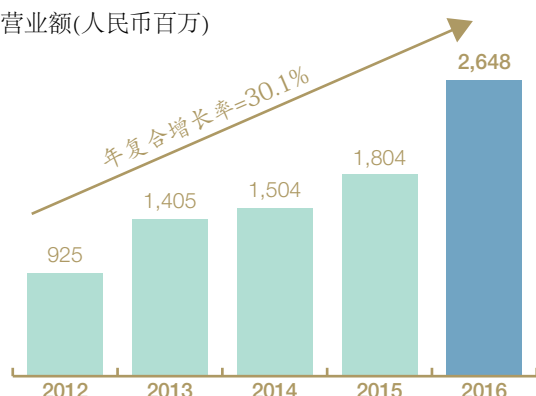
财务回顾

财务亮点

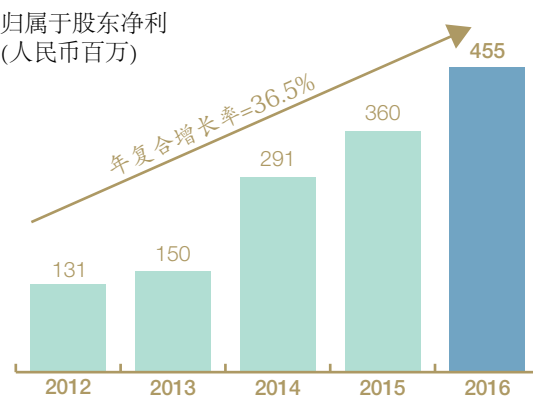
自2012财年起，集团营业额、归属于股东净利、息税折旧及摊销前利润（EBITDA）的年复合增长率（CAGR）分别为30.1%、36.5%和31.6%；2016财年分别为人民币26亿元、4.55亿元和11亿元。此外，资产总额和净资产都大幅增加，分别达人民币230亿元和人民币85亿元。快速增长的集团盈利能力和持续强劲的资产负债表主要是因为通过并购和有机增长扩大了集团的业务规模。

(A) 强劲的增长

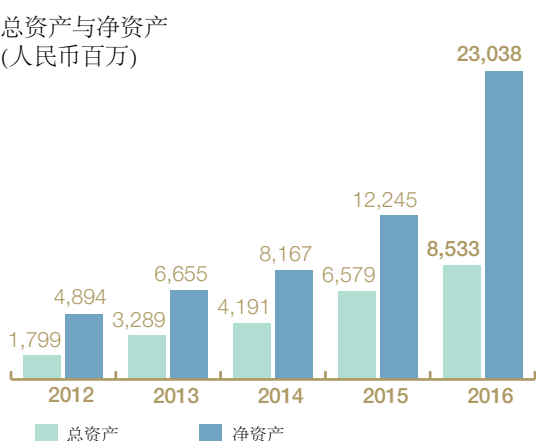
营业额(人民币百万)



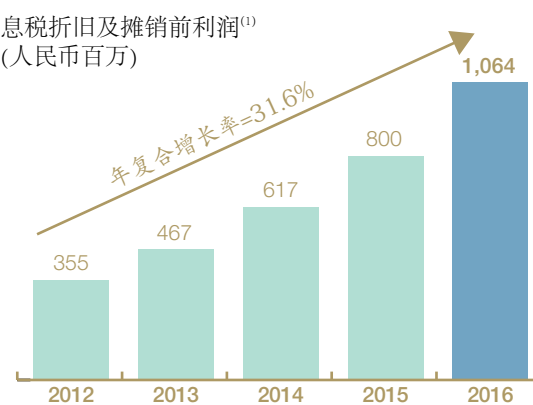
归属于股东净利
(人民币百万)



总资产与净资产
(人民币百万)



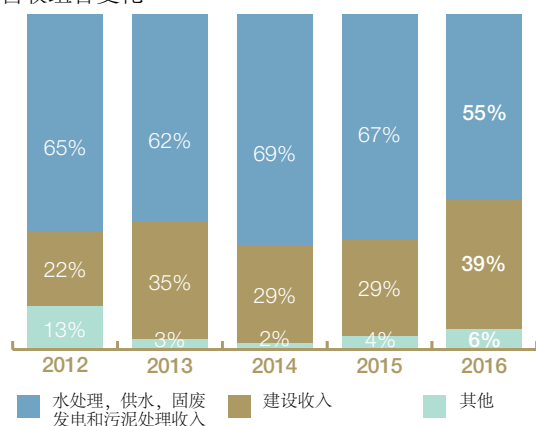
息税折旧及摊销前利润⁽¹⁾
(人民币百万)



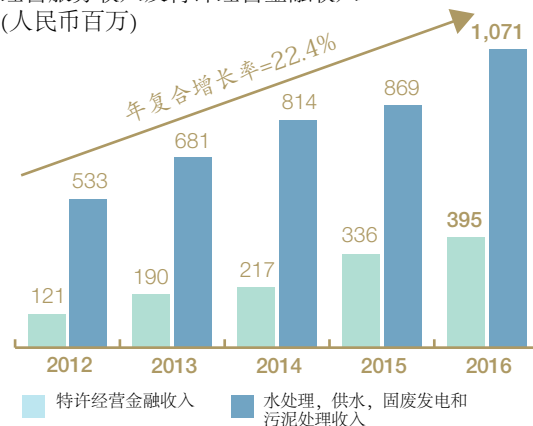
⁽¹⁾ 息税折旧及摊销前利润 = 税前盈利 + 财务费用 - 财务收入 + 折旧摊销

(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



经营服务收入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

业绩 (人民币: 千元)	2016	2015	变动 %
营业额	2,648,097	1,803,796	46.8%
毛利	812,296	712,130	14.1%
经营活动净利	548,717	542,458	1.2%
年度净利	540,418	424,412	27.3%
归属于股东净利	454,926	360,390	26.2%
每股净利 (人民币分)			
-基本 ^(a)	20.16	16.86	19.6%
-稀释后	20.16	16.86	19.6%

^(a) 根据各财务年度加权平均股数计算

财务状况 (人民币: 千元)	2016	2015	变动 %
总资产	23,038,285	12,244,818	88.1%
净资产 (总权益)	8,533,177	6,579,449	29.7%
归属于股东权益	5,972,733	5,511,562	8.4%
每股净资产 ^(a) (人民币分)	264.7	244.2	8.4%
股票数量 (不包括库存股)	2,256,588,726	2,256,588,726	-

^(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)

综述

2016财年集团通过提高本身的水处理规模及收购新的子公司，在污水处理及供水业务均获得了同比增长，全年实现销售收入人民币26.48亿元，同比增长46.8%。

2016财年集团实现其他收入人民币1.13亿元，同比增长66.4%，主要受益于集团部分子公司收到更多的政府补贴。

2016财年，集团确认了先前持有龙江集团的权益公允价值重估人民币1.55亿。2016年11月，集团进一步收购了龙江集团32.7%的股权，收购完成后，龙江集团在2016年12月31日已成为集团的子公司。

2016财年，归属于股东净利从2015财年的人民币3.60亿元增长至人民币4.55亿元，实现同比增长26.2%。

权益

截至2016年12月31日，集团总权益达人民币85亿元，与2015年12月31日的人民币66亿元相比，实现大幅提升，主要受益于：(i) 2016财年实现综合收益人民币5.37亿元；及(ii) 来自于新收购子公司的非控股股东权益人民币14亿元。

现金流

2016财年，集团现金流情况如下：

- (1) 集团经营活动保持健康的现金流，特许经营权相关金融应收款增加及预付和可退换特许经营权有关保证金调整后，实现净现金流入人民币3.58亿元；
- (2) 集团投资活动净现金流出为人民币1.76亿元，主要用于：(i) 收购子公司；及(ii) 购买无形资产。集团从合营公司收到的股利部分抵消了上述现金流出影响；及
- (3) 集团财务活动实现净现金流入人民币11亿元，主要来自于银行借款及金融租赁的资金支持。同时，利息支付，少数股东股利支付及支付子公司前股东款项部分抵消了上述现金流入。

截至2016年12月31日，集团现金和现金等价物达人民币16亿元（2015年12月31日：人民币7.95亿元）。

PROJECT OVERVIEW

项目一览

Wastewater Treatment / Reclaimed Water Treatment Projects

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
1	Fujian	Anxi County Longmen Town Wastewater Treatment	Wastewater Treatment	50,000	91.203%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
2	Guangdong	Dongguan City Dalang Wastewater Treatment	Wastewater Treatment	100,000	75.5%	The project is in operation.
3	Guangdong	Dongguan Shijie Shayao Wastewater Treatment	Wastewater Treatment	60,000	75.5%	The project is in operation.
4	Guangdong	Dongguan Fenggang Yantian Wastewater Treatment	Wastewater Treatment	50,000	75.5%	The project is in operation.
5	Guangdong	Dongguan Sanzhou Wastewater Treatment 1st and 2nd Stage	Wastewater Treatment	150,000	35.478%	The project is in operation.
6	Guangdong	Huizhou City Meihu Water Treatment Center 1st, 2nd and 3rd stage	Wastewater Treatment	300,000	91.203%	Phase 1 project and Phase 2 project are in operation. Phase 3 project is under construction.
7	Guangdong	Longgang Yibao Shenzhen City Wastewater Treatment	Wastewater Treatment	280,000	91.203%	The project is in operation.
8	Guangdong	Shenzhen City Henggang Recycling Water Treatment	Reclaimed Water Treatment	50,000	91.203%	The project is in operation.
9	Guangdong	Shenzhen City Banxuegang Wastewater Treatment	Wastewater Treatment	40,000	91.203%	The project is in operation.
10	Guangdong	Shenzhen City Guanlan Wastewater Treatment	Wastewater Treatment	260,000	54.722%	The project is in operation.
11	Guangdong	Shenzhen Guanlan River Pollution Emergency Operation and Management	Wastewater Treatment	400,000	54.722%	The project is in operation.
12	Guangdong	Zhanjiang Wuchuan Wastewater Treatment	Wastewater Treatment	40,000	91.203%	The project is in operation.
13	Guangxi	Beiliu City Wastewater Treatment	Wastewater Treatment	40,000	75.5%	The project is in operation.
14	Henan	Luohe City Dong Cheng Wastewater Treatment	Wastewater Treatment	20,000	75.5%	The project is in operation.
15	Henan	Nanyang City Baihenan Wastewater Treatment	Wastewater Treatment	100,000	69.113%	The project is in operation.
16	Henan	Xinxiang City Xiaodian Wastewater Treatment	Wastewater Treatment	50,000	60%	The project is in operation.
17	Hubei	Huangshi Cihu Wastewater Treatment	Wastewater Treatment	125,000	100%	The project is in operation.
18	Hubei	Wuhan Hanxi Wastewater Treatment	Wastewater Treatment	600,000	80%	Phase 1 project is in operation. Phase 1 upgrading project and Phase 2 expansion project are under construction.
19	Hubei	Wuhan Qianchuan Wastewater Treatment	Wastewater Treatment	30,000	100%	The project is in operation.

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
20	Hubei	Wuhan Panlong Wastewater Treatment	Wastewater Treatment	45,000	100%	Phase 1 project and Phase 2 project are in operation.
21	Hubei	Wuhan Xincheng Wastewater Treatment	Wastewater Treatment	60,000	100%	The project is in operation.
22	Hubei	Wuhan Wuhu Wastewater Treatment	Wastewater Treatment	25,000	100%	The project is under construction.
23	Hubei	Suizhou City Chen Nan Wastewater Treatment	Wastewater Treatment	50,000	92.15%	The project is under construction.
24	Hunan	Chenzhou City Linwu County Wastewater Treatment	Wastewater Treatment	10,000	18.241%	The project is in operation.
25	Hunan	Chenzhou City Wastewater Treatment	Wastewater Treatment	120,000	91.203%	The project is in operation.
26	Hunan	Taojiang County Tao Hua Jiang Wastewater Treatment	Wastewater Treatment	20,000	75.5%	The project is in operation.
27	Hunan	Yiyang City Gaoxin District Wastewater Treatment	Wastewater Treatment	30,000	75.5%	The project is in operation.
28	Hunan	Yiyang City Wastewater Treatment	Wastewater Treatment	80,000	75.5%	Phase 1 project is in operation. Construction of Phase 2 project is under construction.
29	Jiangsu	Jingjiang City Xingang District Wastewater Treatment	Wastewater Treatment	80,000	91.203%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
30	Jiangsu	Shuyang County Wastewater Treatment	Wastewater Treatment	60,000	91.203%	The project is in operation.
31	Jiangsu	Taixing City Huangqiao Wastewater Treatment	Wastewater Treatment	50,000	91.203%	Phase 1 project is in operation. Construction of Phase 2 project has yet to commence.
32	Jiangsu	Nantong City Guanyinshan Wastewater Treatment 1st and 2nd Stage	Wastewater Treatment	73,000	92.15%	The project is in operation.
33	Liaoning	Dalian Puwan New District Wastewater Treatment	Wastewater Treatment	40,000	92.65%	20,000 tons of the project are under construction. Construction for the remaining 20,000 tons of the project has yet to commence.
34	Liaoning	Dalian Wan Wastewater Treatment	Wastewater Treatment	40,000	75.5%	The project is under construction.
35	Liaoning	Dalian Quanshui River Wastewater Treatment	Wastewater Treatment	105,000	75.5%	Construction of the project has yet to commence.
36	Liaoning	Fuxin City Coal Chemical Industry Base Wastewater Treatment	Wastewater Treatment	20,000	60%	The project is under construction.
37	Liaoning	Yingkou City Economic and Technology Development Zone North Wastewater Treatment	Wastewater Treatment	30,000	60%	The project is under construction.

PROJECT OVERVIEW

项目一览

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
38	Ningxia Hui Autonomous Region	Yinchuan Fifth Wastewater Treatment	Wastewater Treatment	100,000	100%	50,000 tons of the project are in operation. The remaining 50,000 tons of the project are under construction.
39	Ningxia Hui Autonomous Region	Yinchuan Riverfront District Wastewater Treatment	Wastewater Treatment	50,000	100%	The project is under construction.
40	Ningxia Hui Autonomous Region	Yinchuan Riverfront District Reclaimed Water Treatment	Reclaimed Water Treatment	50,000	100%	Construction of the project has yet to commence.
41	Shandong	Dezhou City Wastewater Treatment	Wastewater Treatment	100,000	75.5%	The project is in operation.
42	Shandong	Weifang City Chengxi Wastewater Treatment	Wastewater Treatment	40,000	75.5%	The project is in operation.
43	Shandong	Weifang City High Technology Industrial Development District Wastewater Treatment	Wastewater Treatment	50,000	75.5%	The project is in operation.
44	Shandong	Weifang City Reclaimed Water Treatment	Reclaimed Water Treatment	38,500	75.5%	The project is in operation.
45	Shandong	Weifang City Wastewater Treatment	Wastewater Treatment	200,000	75.5%	The project is in operation.
46	Shandong	Zaozhuang City Shanting District Wastewater Treatment	Wastewater Treatment	20,000	75.5%	The project is in operation.
47	Shandong	Zaozhuang City Yicheng District Wastewater Treatment	Wastewater Treatment	40,000	75.5%	The project is in operation.
48	Shanghai	Qingpu Second Wastewater Treatment	Wastewater Treatment	180,000	100%	120,000 tons of the project are in operation. The remaining 60,000 tons of the project are under construction.
49	Shanghai	Fengxian West Wastewater Treatment 1st and 2nd Stage	Wastewater Treatment	200,000	73.72%	150,000 tons of the project are in operation. The remaining 50,000 tons of the project are under construction.
50	Zhejiang	Taizhou Kaidi Wastewater Treatment	Wastewater Treatment	25,000	100%	Phase 1 project is in operation. Phase 2 project is under construction.
51	Zhejiang	Yuyao City (Xiaocaoe) Wastewater Treatment	Wastewater Treatment	150,000	69.113%	The project is in operation.
52	Zhejiang	Yuyao City Preserved Pickle Preprocess Treatment	Wastewater Treatment	3,000	69.113%	The project is in operation.
53	Zhejiang	Ningbo City Huangjiabu Wastewater Treatment	Wastewater Treatment	30,000	64.505%	The project is in operation.
54	Zhejiang	Cixi City Hangzhouwan New District Water Purification	Wastewater Treatment	90,000	64.505%	The project is in operation.
55	Zhejiang	Cixi City North Wastewater Treatment	Wastewater Treatment	100,000	59.898%	The project is in operation.

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
56	Jiangxi	Fuzhou City Chongren County Industrial Park Wastewater Treatment	Wastewater Treatment	10,000	60%	The project is under construction.
57	Jiangxi	Fuzhou City Yihuang County Industrial Park Wastewater Treatment	Wastewater Treatment	5,000	60%	The project is in operation.
58	Jiangxi	Jian City Yongxin County Industry Development Zone Comprehensive Wastewater Treatment	Wastewater Treatment	10,000	60%	The project is under construction.
59	Jiangxi	Nanchang County Xiaolan Economic Development Zone Wastewater Treatment 1st & 2nd Stage	Wastewater Treatment	80,000	60%	The project is in operation.
60	Jiangxi	Yichun City Wanzai County Industrial Park Wastewater Treatment	Wastewater Treatment	5,000	60%	The project is in operation.
61	Anhui	Hefei City Chemical Industrial Park Wastewater Treatment	Wastewater Treatment	30,000	60%	The project is in operation.
62	Anhui	Hefei City Xiatang Heavy Industrial Park Wastewater Treatment	Wastewater Treatment	20,000	60%	The project is under construction.
63	Heilongjiang	Anda Wastewater Treatment TOT	Wastewater Treatment	45,000	57.7109%	The project is in operation.
64	Heilongjiang	Baoqing County Wastewater Treatment TOT	Wastewater Treatment	20,000	57.9687%	The project is in operation.
65	Heilongjiang	Fujin 2nd City Wastewater Treatment	Wastewater Treatment	10,000	57.9687%	The project is under construction.
66	Heilongjiang	Fujin Wastewater Treatment BOT	Wastewater Treatment	15,000	57.1307%	The project is in operation.
67	Heilongjiang	Harbin Acheng Wastewater Treatment 1st Stage TOT	Wastewater Treatment	50,000	57.9687%	The project is in operation.
68	Heilongjiang	Harbin Acheng Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	50,000	57.9687%	The project is under construction.
69	Heilongjiang	Harbin Hulan Wasterwater Treatment O&M	Wastewater Treatment	20,000	57.9687%	The project is in operation.
70	Heilongjiang	Harbin Pingfang Wastewater Treatment BOT	Wastewater Treatment	150,000	57.3241%	The project is in operation.
71	Heilongjiang	Harbin Taipin Wastewater Treatment BOT	Wastewater Treatment	325,000	57.9687%	The project is in operation.
72	Heilongjiang	Harbin Wenchang Wastewater Treatment TOT	Wastewater Treatment	325,000	57.9687%	The project is in operation.
73	Heilongjiang	Harbin Wenchang Upgrade BOT	Wastewater Treatment	650,000	57.9687%	The project is in operation.
74	Heilongjiang	Harbin Xinyi Wastewater Treatment BOT	Wastewater Treatment	100,000	57.3241%	The project is in operation.
75	Heilongjiang	Heihe Wastewater Treatment BOT	Wastewater Treatment	25,000	57.5819%	The project is in operation.

PROJECT OVERVIEW

项目一览

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
76	Heilongjiang	Jixi Wastewater Treatment TOT	Wastewater Treatment	50,000	57.9687%	The project is in operation.
77	Heilongjiang	Jixi Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	50,000	57.9687%	The project is under construction.
78	Heilongjiang	Jiamusi East Wastewater Treatment BOT	Wastewater Treatment	60,000	56.3572%	The project is in operation.
79	Heilongjiang	Jiamusi East Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	40,000	56.3572%	The project is under construction.
80	Heilongjiang	Jiamusi West Wastewater Treatment BOT	Wastewater Treatment	50,000	56.3572%	The project is under construction.
81	Heilongjiang	Mudanjiang Wastewater Treatment TOT	Wastewater Treatment	100,000	57.9687%	The project is under construction.
82	Heilongjiang	Mudanjiang Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	100,000	57.9687%	The project is in operation.
83	Heilongjiang	Ningan Wastewater Treatment BOT	Wastewater Treatment	20,000	57.5389%	The project is in operation.
84	Heilongjiang	Shangzhi Wastewater Treatment TOT	Wastewater Treatment	40,000	57.9687%	The project is in operation.
85	Heilongjiang	Shuangyashan Wastewater Treatment TOT	Wastewater Treatment	50,000	57.9687%	The project is in operation. The upgrading project is under construction.
86	Heilongjiang	Shuangyashan Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	50,000	57.9687%	The project is in operation.
87	Heilongjiang	Shuangyashan Youyi Wastewater Treatment O&M	Wastewater Treatment	10,000	57.9687%	The project is in operation.
88	Heilongjiang	Zhaodong Combined BOT	Wastewater Treatment	50,000	57.1307%	The project is in operation. The upgrading project is under construction.
89	Heilongjiang	Zhaodong City 2nd Wastewater Treatment Plant	Wastewater Treatment	20,000	57.1307%	The project is under construction.
90	Heilongjiang	Jiamusi Reclaimed Water Acquisition	Reclaimed Water Treatment	40,000	56.3572%	Construction of the project has yet to commence.
91	Heilongjiang	Jiamusi West Wastewater Treatment 2nd Stage BOT	Wastewater Treatment	50,000	56.3572%	Operation of the project has yet to commence.
92	Heilongjiang	Hegang West Wastewater Treatment	Wastewater Treatment	50,000	57.9687%	The project is in operation.
93	Heilongjiang	Hegang East Wastewater Treatment	Wastewater Treatment	30,000	57.9687%	The project is in operation.
94	Heilongjiang	Hegang Reclaimed Wastewater Treatment	Reclaimed Water Treatment	30,000	57.9687%	The project is in operation.
95	Heilongjiang	Jiamusi East Wastewater Treatment Plant Upgrade	Wastewater Treatment	100,000	56.3572%	The project is under construction.
96	Heilongjiang	Fuyuan Wastewater Treatment Plant	Wastewater Treatment	10,000	57.9687%	Operation of the project has yet to commence.

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
97	Heilongjiang	Shuangyashan Reclaimed Water Acquisition	Reclaimed Water Treatment	40,000	29.5640%	Construction of the project has yet to commence.
98	Inner Mongolia	Xilinhaote Dazhuangyuan Meat Processing Plant Wastewater Treatment BOT	Wastewater Treatment	3,500	57.9687%	The project is under construction.
99	Inner Mongolia	Xilinhaote Wastewater Treatment BOT	Wastewater Treatment	40,000	57.9687%	The project is under construction.
Subtotal				8,178,000		

Water Supply Projects

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
1	Hubei	Tianmen Kaidi Water Supply	Water Supply	200,000	100%	The project is in operation.
2	Hubei	Tianmen Kaidi Xinnong Water Supply	Water Supply	Not applicable	70%	The project is in operation.
3	Hubei	Wuhan Huang-Pi Kaidi Water Supply	Water Supply	220,000	100%	The project is in operation.
4	Hunan	Yiyang City Water Supply	Water Supply	320,000	90%	The project is in operation.
5	Shandong	Weifang City Hanting District Water Supply	Water Supply	60,000	26.183%	The project is in operation.
6	Shandong	Weifang City Tap Water Supply	Water Supply	320,000	51.34%	The project is in operation.
7	Shanxi	Lv Liang Xinya Water Supply	Water Supply	55,000	100%	The project is in operation.
8	Heilongjiang	Mudanjiang Water Supply TOT	Water Supply	360,000	57.9623%	The project is in operation.
9	Heilongjiang	Jiamusi Water Supply TOT	Water Supply	360,000	57.9623%	The project is in operation.
Subtotal				1,895,000		
Total				10,073,000		

PROJECT OVERVIEW

项目一览

Waste Incineration Projects

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
1	Shanghai	Pucheng Waste Incineration Thermal Power Generation	Waste Incineration	1,050	50%	The project is in operation.
2	Sichuan	Dazhou Waste Incineration Power Generation	Waste Incineration	1,050	100%	Existing plant of 700 tons/day design capacity is in operation. Construction of Phase 2 has yet to commence.
3	Zhejiang	Wenling Waste Incineration Power Generation	Waste Incineration	1,100	50%	The project is in operation.
4	Shandong	Wulian BOT 600 Tons Waste Incineration Power Generation	Waste Incineration	600	82.94%	The project is under construction.
Total				3,800		

Sludge Treatment Projects

	Province/ Municipality	Project Name	Type	Daily Designed Capacity (tons)	SIIC Env's Effective Interests	Project Progress
1	Henan	Xinxiang Sludge Treatment	Sludge Treatment	300	69.1125%	The project is in operation.
2	Henan	Nanyang Sludge Treatment	Sludge Treatment	300	69.1125%	The project is under construction.
3	Heilongjiang	Harbin Sludge Treatment Phase 1 and Phase 2	Sludge Treatment	1,000	57.9687%	The Phase 1 project is in operation. The Phase 2 project is under construction.
4	Heilongjiang	Heihe Sludge Treatment	Sludge Treatment	40	57.5819%	The project is under construction.
5	Heilongjiang	Jiamusi Sludge Treatment	Sludge Treatment	100	56.3572%	The project is under construction.
6	Heilongjiang	Mudanjiang Sludge Treatment	Sludge Treatment	150	57.9687%	The project is under construction.
7	Heilongjiang	Ningan Sludge Treatment	Sludge Treatment	40	57.5389%	The project is under construction.
8	Hubei	Hanxi Sludge Treatment	Sludge Treatment	325	80%	The project is under construction.
Total				2,255		

污水处理/中水回用项目

	省份	上实环境项目名称	项目类型	日产能(吨)	上实环境所占权益	项目进展
1	福建	泉州市安溪龙门镇污水处理厂BOT项目	污水处理	50,000	91.203%	项目一期已投入营运,项目二期待建。
2	广东	东莞市大朗污水处理厂BOT项目	污水处理	100,000	75.5%	项目已投入营运。
3	广东	东莞市石碣沙腰污水处理厂BOT项目	污水处理	60,000	75.5%	项目已投入营运。
4	广东	东莞市凤岗雁田污水处理厂项目	污水处理	50,000	75.5%	项目已投入营运。
5	广东	东莞市长安三洲BOT一、二期项目	污水处理	150,000	35.478%	项目已投入营运。
6	广东	惠州市梅湖水处理一、二、三期项目	污水处理	300,000	91.203%	项目一、二期已投入营运,项目三期在建。
7	广东	深圳市龙岗一包污水处理项目	污水处理	280,000	91.203%	项目已投入营运。
8	广东	深圳市横岗再生水厂项目	中水回用	50,000	91.203%	项目已投入营运。
9	广东	深圳市坂雪岗污水处理厂项目	污水处理	40,000	91.203%	项目已投入营运。
10	广东	深圳市观澜污水处理厂项目	污水处理	260,000	54.722%	项目已投入营运。
11	广东	深圳市观澜河污染治理应急工程委托运营项目	污水处理	400,000	54.722%	项目已投入营运。
12	广东	湛江市吴川污水处理厂TOT项目	污水处理	40,000	91.203%	项目已投入营运。
13	广西	北流市城区污水处理厂BOT项目	污水处理	40,000	75.5%	项目已投入营运。
14	河南	漯河市东城污水处理厂BOT项目	污水处理	20,000	75.5%	项目已投入营运。
15	河南	南阳市白河南污水处理项目	污水处理	100,000	69.113%	项目已投入营运。
16	河南	新乡市小店污水处理项目	污水处理	50,000	60%	项目已投入营运。
17	湖北	黄石市磁湖污水处理项目	污水处理	125,000	100%	项目已投入营运。
18	湖北	武汉市汉西污水处理项目	污水处理	600,000	80%	项目一期已投入营运,项目一期提标及项目二期在建。
19	湖北	武汉市前川污水处理项目	污水处理	30,000	100%	项目已投入营运。
20	湖北	武汉市盘龙污水处理项目	污水处理	45,000	100%	项目一期、二期均已投入营运。
21	湖北	武汉市新城污水处理项目	污水处理	60,000	100%	项目已投入营运。
22	湖北	武汉市武湖污水处理厂项目	污水处理	25,000	100%	项目在建。
23	湖北	随州市城南污水处理厂项目	污水处理	50,000	92.15%	项目在建。
24	湖南	郴州市临武县污水处理BOT项目	污水处理	10,000	18.241%	项目已投入营运。
25	湖南	郴州市污水处理项目	污水处理	120,000	91.203%	项目已投入营运。
26	湖南	桃江县桃花江污水处理厂BOT项目	污水处理	20,000	75.5%	项目已投入营运。
27	湖南	益阳市高新区东部新区污水处理厂BOT项目	污水处理	30,000	75.5%	项目已投入营运。
28	湖南	益阳市城北污水处理厂BOT项目	污水处理	80,000	75.5%	项目一期已投入营运,项目二期在建。
29	江苏	靖江市新港园区污水处理特许经营权以及污水处理厂BOT项目	污水处理	80,000	91.203%	项目一期已投入营运,项目二期待建。
30	江苏	沭阳县城南污水处理厂项目	污水处理	60,000	91.203%	项目已投入营运。
31	江苏	泰兴市黄桥污水处理厂特许经营项目	污水处理	50,000	91.203%	项目一期已投入营运,项目二期待建。

PROJECT OVERVIEW

项目一览

	省份/直辖市	上实环境项目名称	项目类型	日产能(吨)	上实环境所占权益	项目进展
32	江苏	南通市观音山污水处理厂一、二期项目	污水处理	73,000	92.15%	项目已投入营运。
33	辽宁	大连市普湾新区污水处理项目	污水处理	40,000	92.65%	2万吨在建, 2万吨待建。
34	辽宁	大连市大连湾污水处理厂BOT项目	污水处理	40,000	75.5%	项目在建。
35	辽宁	大连市泉水河污水处理厂BOT项目	污水处理	105,000	75.5%	项目待建。
36	辽宁	阜新市煤化工产业基地污水处理项目	污水处理	20,000	60%	项目在建。
37	辽宁	营口市经济技术开发区北部污水处理项目	污水处理	30,000	60%	项目在建。
38	宁夏回族自治区	银川市第五污水处理厂项目	污水处理	100,000	100%	5万吨已投入营运, 5万吨在建。
39	宁夏回族自治区	银川市滨河新区污水处理厂BOT项目	污水处理	50,000	100%	项目在建。
40	宁夏回族自治区	银川市第五污水处理厂配套中水项目	中水回用	50,000	100%	项目已投入营运。
41	山东	德州市污水处理厂TOT项目	污水处理	100,000	75.5%	项目已投入营运。
42	山东	潍坊市城西污水处理厂BOT项目	污水处理	40,000	75.5%	项目已投入营运。
43	山东	潍坊市高新区污水处理厂BOT项目	污水处理	50,000	75.5%	项目已投入营运。
44	山东	潍坊市污水处理厂中水回用项目	中水回用	38,500	75.5%	项目已投入营运。
45	山东	潍坊市污水处理厂项目	污水处理	200,000	75.5%	项目已投入营运。
46	山东	枣庄市山亭区污水处理厂特许经营项目	污水处理	20,000	75.5%	项目已投入营运。
47	山东	枣庄市峰城区污水处理厂TOT+BOT项目	污水处理	40,000	75.5%	项目已投入营运。
48	上海	上海市青浦区第二污水处理厂项目	污水处理	180,000	100%	12万吨已投入营运, 6万吨在建。
49	上海	上海市奉贤区西部污水处理BOT一期、二期项目	污水处理	200,000	73.72%	15万吨已投入营运, 5万吨在建。
50	浙江	台州市杜桥医化工业园污水处理项目	污水处理	25,000	100%	项目一期已投入营运, 项目二期在建。
51	浙江	余姚市(小曹娥)污水处理厂BOT项目	污水处理	150,000	69.113%	项目已投入营运。
52	浙江	余姚市榨菜废水预处理BOT项目	污水处理	3,000	69.113%	项目已投入营运。
53	浙江	宁波市黄家埠滨海污水处理厂BOT项目	污水处理	30,000	64.505%	项目已投入营运。
54	浙江	慈溪市杭州湾新区水质净水厂项目	污水处理	90,000	64.505%	项目已投入营运。
55	浙江	慈溪市北部污水处理厂项目	污水处理	100,000	59.898%	项目已投入营运。

	省份/直辖市	上实环境项目名称	项目类型	日产能(吨)	上实环境所占权益	项目进展
56	江西	抚州市崇仁县工业园区污水处理项目	污水处理	10,000	60%	项目在建。
57	江西	抚州市宜黄县工业园区污水处理厂项目	污水处理	5,000	60%	项目已投入营运。
58	江西	吉安市永新县工业开发区综合污水处理厂项目	污水处理	10,000	60%	项目在建。
59	江西	南昌县小蓝经济开发区污水处理厂一、二期项目	污水处理	80,000	60%	项目已投入营运。
60	江西	宜春市万载县工业园区污水处理厂项目	污水处理	5,000	60%	项目已投入营运。
61	安徽	合肥市化学工业园区污水处理项目	污水处理	30,000	60%	项目已投入营运。
62	安徽	合肥市下塘重工业园区污水处理工程	污水处理	20,000	60%	项目在建。
63	黑龙江	安达市污水厂TOT项目	污水处理	45,000	57.7109%	项目已投入营运。
64	黑龙江	宝清县污水厂TOT项目	污水处理	20,000	57.9687%	项目已投入营运。
65	黑龙江	富锦市第二城市污水处理厂	污水处理	10,000	57.9687%	项目在建。
66	黑龙江	富锦市污水厂BOT项目	污水处理	15,000	57.1307%	项目已投入营运。
67	黑龙江	哈尔滨市阿城污水厂一期TOT项目	污水处理	50,000	57.9687%	项目已投入营运。
68	黑龙江	哈尔滨市阿城污水厂二期BOT项目	污水处理	50,000	57.9687%	项目在建。
69	黑龙江	哈尔滨市呼兰污水委托运营项目	污水处理	20,000	57.9687%	项目已投入营运。
70	黑龙江	哈尔滨市平房污水厂BOT项目	污水处理	150,000	57.3241%	项目已投入营运。
71	黑龙江	哈尔滨市太平污水厂BOT项目	污水处理	325,000	57.9687%	项目已投入营运。
72	黑龙江	哈尔滨市文昌污水厂TOT项目	污水处理	325,000	57.9687%	项目已投入营运。
73	黑龙江	哈尔滨市文昌升级BOT项目	污水处理	650,000	57.9687%	项目已投入营运。
74	黑龙江	哈尔滨市信义污水厂BOT项目	污水处理	100,000	57.3241%	项目已投入营运。
75	黑龙江	黑河市污水厂BOT项目	污水处理	25,000	57.5819%	项目已投入营运。
76	黑龙江	鸡西市污水厂BOT项目	污水处理	50,000	57.9687%	项目已投入营运。
77	黑龙江	鸡西市污水厂二期BOT项目	污水处理	50,000	57.9687%	项目在建。
78	黑龙江	佳木斯市东区污水厂BOT项目	污水处理	60,000	56.3572%	项目已投入营运。
79	黑龙江	佳木斯市东区污水厂二期BOT项目	污水处理	40,000	56.3572%	项目在建。
80	黑龙江	佳木斯市西区污水厂BOT项目	污水处理	50,000	56.3572%	项目已投入营运。
81	黑龙江	牡丹江市污水厂TOT项目	污水处理	100,000	57.9687%	项目已投入营运。
82	黑龙江	牡丹江市污水厂二期BOT项目	污水处理	100,000	57.9687%	项目已投入营运。

PROJECT OVERVIEW

项目一览

	省份/直辖市	上实环境项目名称	项目类型	日产能 (吨)	上实环境所占权益	项目进展
83	黑龙江	宁安市污水厂BOT项目	污水处理	20,000	57.5389%	项目已投入营运。
84	黑龙江	尚志市污水厂TOT项目	污水处理	40,000	57.9687%	项目已投入营运。
85	黑龙江	双鸭山市污水厂TOT项目	污水处理	50,000	57.9687%	双鸭山一期项目已投入营运，一期升级在建。
86	黑龙江	双鸭山市污水厂二期BOT项目	污水处理	50,000	57.9687%	项目已投入营运。
87	黑龙江	双鸭山市友谊污水委托运营项目	污水处理	10,000	57.9687%	项目已投入营运。
88	黑龙江	肇东市合并BOT项目	污水处理	50,000	57.1307%	肇东污水厂项目已投入营运，升级项目在建。
89	黑龙江	肇东市第二污水处理厂	污水处理	20,000	57.1307%	项目在建。
90	黑龙江	佳木斯再生水并购	中水回用	40,000	56.3572%	项目待建。
91	黑龙江	佳木斯西区污水处理厂 (二期)	污水处理	50,000	56.3572%	项目待营运。
92	黑龙江	鹤岗市西区污水处理厂	污水处理	50,000	57.9687%	项目已投入营运。
93	黑龙江	鹤岗市东区污水处理厂	污水处理	30,000	57.9687%	项目已投入营运。
94	黑龙江	鹤岗市再生水厂	中水回用	30,000	57.9687%	项目已投入营运。
95	黑龙江	佳木斯东区污水处理厂升级改造	污水处理	100,000	56.3572%	项目在建。
96	黑龙江	抚远市污水处理厂	污水处理	10,000	57.9687%	项目待营运。
97	黑龙江	双鸭山再生水并购	中水回用	40,000	29.5640%	项目待建。
98	内蒙古	锡林浩特市大庄园肉联厂污水处理BOT	污水处理	3,500	57.9687%	项目在建。
99	内蒙古	锡林浩特市污水厂BOT项目	污水处理	40,000	57.9687%	项目在建。
总计				8,178,000		

供水项目

	省份	上实环境项目名称	项目类型	日产能 (吨)	上实环境所占权益	项目进展
1	湖北	天门市城区供水项目	供水	200,000	100%	项目已投入营运。
2	湖北	天门市新农村供水项目	供水	不适用	70%	项目已投入营运。
3	湖北	武汉市黄陂区供水项目	供水	220,000	100%	项目已投入营运。
4	湖南	益阳市供水项目	供水	320,000	90%	项目已投入营运。
5	山东	潍坊市寒亭区供水项目	供水	60,000	26.183%	项目已投入营运。
6	山东	潍坊市自来水供水项目	供水	320,000	51.34%	项目已投入营运。
7	山西	吕梁市供水项目	供水	55,000	100%	项目已投入营运。
8	黑龙江	牡丹江市自来水厂TOT项目	供水	360,000	57.9623%	项目已投入营运。
9	黑龙江	佳木斯市自来水厂TOT项目	供水	360,000	57.9623%	项目已投入营运。
总计				1,895,000		
水务项目总计				10,073,000		

固废发电项目

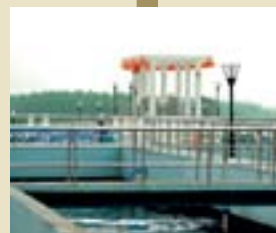
	省份/直辖市	上实环境项目名称	项目类型	日产能 (吨)	上实环境 所占权益	项目进展
1	上海	上海市浦城固废发电项目	固废	1,050	50%	项目已投入营运。
2	四川	达州市固废发电项目	固废	1,050	100%	一期700吨/日已投入营运，二期350吨/日待建。
3	浙江	温岭市固废发电项目	固废	1,100	50%	项目已投入营运。
4	山东	五莲BOT特许经营600吨垃圾发电	固废	600	82.94%	项目在建。
固废发电项目总计				3,800		

污泥处理项目

	省份/直辖市	上实环境项目名称	项目类型	日产能 (吨)	上实环境 所占权益	项目进展
1	河南	新乡污泥处理项目	污泥处理	300	69.1125%	项目已投入营运。
2	河南	南阳污泥处理项目	污泥处理	300	69.1125%	项目在建。
3	黑龙江	哈尔滨污泥一期+二期	污泥处理	1,000	57.9687%	一期已投入营运，二期在建。
4	黑龙江	黑河污泥处理项目	污泥处理	40	57.5819%	项目在建。
5	黑龙江	佳木斯污泥处理项目	污泥处理	100	56.3572%	项目在建。
6	黑龙江	牡丹江污泥处理项目	污泥处理	150	57.9687%	项目在建。
7	黑龙江	宁安污泥处理项目	污泥处理	40	57.5389%	项目在建。
8	湖北	汉西污泥处理项目	污泥处理	325	80%	项目在建。
污泥处理项目总计				2,255		

PROJECT OVERVIEW

项目一览





BOARD OF DIRECTORS

董事会



*Seated from left to right : Mr. Tay Ah Kong Bernard, Mr. Zhou Jun, Mr. Yeo Guat Kwang
Standing from left to right: Mr. Tan Chong Huat, Mr. Tan Gim Soo, Mr. Xu Zhan, Mr. Xu Xiaobing, Mr. Feng Jun
The directors not included in the picture are Mr. Yang Changmin and Mr. Li Zengfu.*

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 2015. Mr. Zhou is the Executive Chairman of the Board, the Chairman of the Executive Committee and a member of the Remuneration Committee.

Mr. Zhou has over 20 years of professional experience in investment, mergers and acquisitions and corporate management. He is the President and an Executive Director of Shanghai Industrial Investment (Holdings) Company Ltd. ("SIIC") and the Vice Chairman and the Chief Executive Officer of Shanghai Industrial Holdings Ltd. ("SIHL", stock code: 00363.HK). He also serves as the Chairman of Shanghai Pharmaceuticals Holding Co., Ltd. (stock code: 601607.SH and 02607.HK), SIIC Management (Shanghai) Ltd., SIIC Infrastructure Holdings Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and an Executive Director of Shanghai Industrial Urban Development Group Limited (stock code: 00563.HK), and the Directors of certain other subsidiaries of SIIC Group. He is currently an Independent Non-executive Director of Zhejiang Expressway Co., Ltd. (stock code: 00576.HK).

Mr. Zhou holds a Bachelor of Arts from the Nanjing University, China and a Master of Economics (International Finance) from the Fudan University, China. He is also qualified as an economist. He is currently a member of the Executive Committee of the 12th Chinese People's Political Consultative Conference in Shanghai and serves as the Chairman of Shanghai Shengtai Investment and Management Ltd. under the Shanghai Charity Foundation.

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 2016. He is a member of the Executive Committee.

Mr. Feng is the General Manager of the Shanghai Office of SIHL and SIIC Management (Shanghai) Ltd. He was appointed the Assistant CEO and the Chief Investment Officer of SIHL in June 2013. He started his investment career 30 years ago when he was with Shanghai International Trust Co., in 1987. Since then, he has taken on senior positions with Shanghai International Trust Co., and SIHL. Mr. Feng's experience and extensive knowledge in the capital markets are of high value to the Group in its future developments. Mr. Feng has previously served as a board member of Shanghai SITICO Enterprise Co., Ltd., SIIC Investment Co., Ltd., Tien Chu (Hong Kong) Co., Ltd., and Nanyang Brothers Tobacco Company Ltd.

He graduated from the Economics and Management School of Wuhan University and holds a Master of Economics.

MR. YANG CHANGMIN

Executive Director

Mr. Yang was first appointed to the Board of Directors on 17 February 2012 and was last re-elected on 27 April 2016. He is a member of the Executive Committee.

Mr. Yang founded United Environment Co., Ltd. (renamed SIIC Environment Holdings (Weifang) Co., Ltd.) in 2003 and has been its Chairman and General Manager for many years. He also serves as the Chairman of Fudan Water Engineering and Technology Co., Ltd. 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. He has over 20 years of experience in operation and management of water business.

Mr. Yang graduated from Tongji University with a Bachelor in Environmental Engineering and he holds a Master of Business Administration (Executive MBA Program, School of Economic and Management) from the Tsinghua University, China.

MR. LI ZENGFU

Executive Director

Mr. Li was first appointed to the Board of Directors on 12 May 2016.

Mr. Li is the Director of Capital Operation Department at China Energy Conservation and Environmental Protection Group ("CECEP Group"). He has more than 30 years of experience in enterprise operation and management, capital management and investment.

Mr. Li started his career with the Management Office of State Infrastructure Materials Supply Bureau as staff member in 1986. He was the principal staff member of the Infrastructure Materials Contracting & Supply Company under the National Materials Department of China and the Futures Department Manager of Infrastructure Materials Company under the Ministry of Internal Trade Department of China. In 1999, he joined CECEP Group. He was the Manager of the Enterprise Management Department, a Deputy Director of the Capital Operation Department and a Director of the Infrastructure Management Department. He was also the Chief Economist of China National Environmental Protection Group under CECEP Group and the General Manager of Shanghai International Energy Conservation & Environment Protection Development Co., Ltd.

Mr. Li holds a Bachelor of Economics from Shanghai University of Finance and Economics, China and a Master of Business Administration from the Open University of Hong Kong.

MR. XU XIAOBING

Executive Director

Mr. Xu was first appointed to the Board of Directors on 5 November 2014 and was last re-elected on 27 April 2015. He is a member of the Executive Committee.

Mr. Xu is the Deputy CEO of SIHL. He is also the Vice Chairman of General Water of China Co., Ltd. He has over 20 years of experience in corporate management and investment planning. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group and the Deputy Head of the Investment Planning Department, the Head of the Enterprise Management Department and the Deputy General Manager of SIIC Management Ltd.

Mr. Xu holds a Bachelor of Economics and a Master of Business Administration from the Peking University, China.

BOARD OF DIRECTORS

董事会

MR. XU ZHAN

Executive Director

Mr. Xu was first appointed to the Board of Directors on 5 November 2014 and was last re-elected on 27 April 2015. He is a member of the Executive Committee.

Mr. Xu is the Assistant President of SIIC and an Executive Director of SIHL. He also serves as the Chairman of Longjiang Environmental Protection Group Co., Ltd. He has many years of experience in finance and investment financing. Since he joined SIIC in 1997, he has held different positions of finance, investment and integrated management. He worked as the Manager for the Investment Department of SIIC Real Estate Holdings (Shanghai) Co., Ltd., the Assistant General Manager for the Finance Planning Department of SIIC and the General Manager of Shanghai Cyber Galaxy Investment Co., Ltd.

Mr. Xu graduated from Shanghai Jiaotong University and BI Norwegian School of Management with a Bachelor in engineering and a Master's in management studies. He started his career as an Assistant Engineer in the 701 Research House of China State Shipyard Corporation. He then joined Shanghai Zhang Jiang Hi-tech Park Development Company before joining Deloitte Touche Tohmatsu Certified Public Accountants LLP. He is a fellow member of the Association of the Chartered Certified Accountants.

MR. YEO GUAT KWANG

Lead Independent Director

Mr. Yeo was first appointed to the Board of Directors on 23 September 2009 and was last re-elected on 27 April 2016. Mr. Yeo is the Lead Independent Director, a member of the Nominating Committee, Audit Committee and Remuneration Committee.

Mr. Yeo is the Assistant Director-General of National Trades Union Congress (NTUC) and the Chairman of the Migrant Workers Centre and Centre for Domestic Employees. He was a Member of Parliament from 1997 to 2015. 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 2015. Mr. Tay is the Chairman of the Audit Committee and 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, a Non-Executive Director of RHT Rajan Menon Foundation Limited and an independent Non-Executive Chairman of the Board and a member of the Risk Committee of RHT Capital Pte Ltd (RHT). RHT is a Capital Market Services (CMS) license holder from the MAS and a Full Sponsor approved by the SGX. Mr. Tay is an Independent Director of several public companies listed on the SGX 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 and Nominating Committees. Currently, he is the Vice-President of the Singapore Productivity Association and a Member of Ministry of Home Affairs – Community Involvement Steering Committee. He was appointed as 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 The 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 served 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 over 40 years.

MR. TAN CHONG HUAT

Independent Director

Mr. Tan Chong Huat was first appointed to the Board of Directors on 7 April 2010 and was last re-elected on 27 April 2016.

Chong Huat is the Senior Partner and one of the founding members of RHTLaw Taylor Wessing. He also serves as a member of the International Management Board of Taylor Wessing and as the Managing Partner of RHTLaw Taylor Wessing.

His experience and track record, as a leading finance and corporate lawyer, successful entrepreneur and investor, reputable corporate leader and public service champion, and dedicated law professor coupled with his strong practical and academic grounding throughout his career has made Chong Huat the trusted go-to expert for complex financing (corporate finance and project finance) transactions, deals structuring, funding and matching, corporate governance and board matters, and reputational management matters for corporate leaders and major corporates in the region and internationally.

Chong Huat has extensive experience in corporate, banking and project finance law in Singapore and the region, and acted in numerous significant corporate transactions in the areas of IPOs, RTOs, MBOs, restructuring, M&As, and financing of major real estate and infrastructure. 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.

Chong Huat has been helping business owners and family businesses throughout his successful career. He has advised Asian and European high net worth clients in their M&A, listing, divestment, business succession planning, probate, wealth and asset preservation and protection, and family governance. As a trusted adviser, Chong Huat has been appointed as administrator and trustee for the estate of his high net worth clients, as well as counsel in estate disputes involving families of leading Asian conglomerates.

Chong Huat is a Fellow with the Singapore Institute of Directors and sits on the boards as Non-Executive Chairman, and Independent Director of several listed companies in Singapore. Some of them are government linked entities. He is a director of Ascendas Hospitality Fund Management Pte Ltd and Ascendas Hospitality Trust Management Pte Ltd which collectively have about S\$1.6 billion asset under management currently. He also co-founded RHT group of companies which is the leading professional services group in Asia. Over the years, he has successfully invested in start-ups, SMEs and listed companies.

Chong Huat is also active in public service and charity work. He sits as a Lay Person on the Institute of Singapore Chartered Accountants' Investigation and Disciplinary Panel. The Financial Planning Association of Singapore has also recently conferred on Chong Huat an honorary membership. Chong Huat was recently invited to be a member of the Selection Panel of SIM University Law School. He was until recently a council member of the Corporate Governance Council set up by the Monetary Authority of Singapore. He is the council member of the Singapore Road Safety Council as well as Chairman of the The Road Safety Park Committee. He is also a member of the International Affairs Committee of Singapore Chinese Chamber of Commerce & Industry. Chong Huat is also chairman of the RHT Rajan Menon Foundation. He is currently a council member and fund raising committee chairman of the Singapore Red Cross. He was previously a board member of World Wide Fund for Nature (WWF) Singapore and council member and audit committee chairman of the Football Association of Singapore. He has also established a National University of Singapore Grant in favour of the Law Faculty under the name of his deceased father. An award named RHT Tan Chong Huat Corporate Crime Award has also been established by the School of Law, Singapore Management University.

Despite his active practice, management duties and public service, Chong Huat continues to serve as an adjunct professorial faculty and lecture on a regular basis locally and overseas. He taught at the Law Faculty, National University of Singapore (AY 2007- 2013), Business School, National University of Singapore (AY 2008/2009), Nanyang Business School, Nanyang Technological University (AY 2008-2012) and various other universities in Asia. Besides authoring two leading literature on PRC Investment laws, he has co-authored leading titles on Corporate Governance and Corporate Finance Law.

MR. TAN GIM SOO

Independent Director

Mr. Tan was first appointed to the Board of Directors on 14 March 2011 and was last re-appointed on 27 April 2015. Mr. Tan is the Chairman of the Nominating Committee and is a member of the Audit Committee.

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



坐者从左到右: 郑桢光先生、周军先生、杨木光先生
站者从左到右: 陈聪发先生、陈锦书先生、许瞻先生、徐晓冰先生、冯骏先生
照片中未包括的董事有杨长民先生、李增福先生。

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2015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。

周先生在产业投资、收购兼并及企业管理等方面拥有逾20年的工作经验。周先生还担任上海实业（集团）有限公司（“上实集团”）的执行董事及总裁、上海实业控股有限公司（“上实控股”，股票代码：00363.HK）执行董事兼行政副总裁。同时担任上海医药集团股份有限公司（股票代码：601607.SH和02607.HK）、上实管理（上海）有限公司、上实基建控股有限公司、上海沪宁高速公路（上海段）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。此外，周先生担任上海实业城市开发集团有限公司（股票代码：00563.HK）执行董事及上实集团若干其他附属公司之董事。他现为浙江沪杭甬高速公路股份有限公司（股票代码：00576.HK）独立非执行董事。

周先生先后毕业于南京大学与复旦大学，获文学士与国际金融专业经济学硕士学位，并获授经济师职称。周先生现为中国人民政治协商会议上海市第十二届委员会常务委员。并担任上海市慈善基金会下属上海盛太投资管理有限公司董事长。

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2016年4月27日被重选为董事会成员。冯先生同时为执行委员会成员。

冯先生现为上海实业控股上海地区总部与上实管理（上海）有限公司总经理。并于2013年6月被任命为上实控股助理行政总裁及投资总监。冯先生30年前于1987年在上海国际信托公司开始其投资职业生涯。此后，他在上海国际信托公司及上实控股担任高职。

冯先生在资本市场积累的多年经验与知识助益本集团的发展。他曾担任上海上投国际咨询有限公司、上海实业投资有限公司、香港天厨有限公司和南洋兄弟烟草股份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2016年4月27日被重选为董事会成员。杨先生同时为执行委员会成员。

杨先生于2003年创办联合润通水务有限公司（现更名为上实环境水务股份有限公司），并历任公司董事长及总经理。同时，他目前担任上海复旦水务工程技术有限公司董事长。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。他拥有20多年的水务运营与管理经验。

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。

李增福先生 **执行董事**

李先生于2016年5月12日首次获任董事会成员。

李先生现任中国节能环保集团公司（“中节能集团”）资本运营部主任。李先生拥有超过30年的企业经营管理、资本运营与投资经验。于1986年加入国家物资局基建物资局经营处科员。曾任物资部中国基建物资配套承包供应公司主任科员、国内贸易部中国基建物资总公司期货部经理。于1999年加入中节能集团，历任中节能集团企管部业务经理、资本运营部副主任、基建管理部主任。他也曾担任中节能集团旗下中国环境保护公司总经理、上海国际节能环保发展有限公司总经理。

李增福先生毕业于上海财经大学，获经济学学士学位，并拥有香港公开大学工商管理硕士学位。

徐晓冰先生 **执行董事**

徐先生于2014年11月5日首次获任董事会成员，并于2015年4月27日被重选为董事会成员。徐先生同时为执行委员会成员。

徐先生现任上实控股副行政总裁与中环保水务投资有限公司副董事长。在企业管理和投资策划方面逾20年工作经验。他曾任北京京放经济发展公司，担任投资及财务分析师。曾任北京首都创业集团北京京放投资管理顾问有限责任公司投资及财务分析师、上实管理（上海）有限公司投资策划部副主管、企业管理部主管与副总经理等职。

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。

BOARD OF DIRECTORS

董事会

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。并于2015年4月27日被重选为董事会成员。许先生同时为执行委员会成员。

现为上实集团助理总裁与上实控股执行董事，以及龙江环保集团股份有限公司董事长。许先生在财务及投融资方面，积逾多年工作经验。许先生于1997年加入上海实业，历任财务、投资、综合管理等多个岗位，曾任上实置业集团（上海）有限公司的投资部经理、上实集团担任计划财务部助理总经理以及上海星河数码投资有限公司总经理。

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。许先生的职业生涯起于中国船舶工业总公司第701研究所助理工程师，后加入上海张江高科技园区开发公司与上海沪江德勤会计师事务所。他现为英国特许公认会计师公会资深会员。

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2016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。

杨先生是新加坡全国职工总会(NTUC)助理总干事，还担任外籍劳工中心与家庭佣工中心主席。他自1997年至2015年为新加坡国会议员。杨先生也是新加坡农粮局的董事以及工作场所安全与卫生理事会理事。

郑桺光先生

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2015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独立非执行主席及风险委员会的成员。瑞信德是MAS资本市场服务（CMS）执照持有人，是新交所批准的保监人公司。郑先生还担任几家新加坡主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和提名委员会成员。目前，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。曾任商业注册局下属多个委员会的成员，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和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40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2016年4月27日被重选为董事会成员。

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。他还担任了泰乐信的国际管理层委员会的委员和执行合伙人。

他的经验和业绩如下，领先的金融和企业律师，成功的企业家和投资者，有信誉的企业领导者和公共服务冠军，专业的法学教授。他强大的理论和学术依据，使得他为企业领导和本地区国际企业提供复杂融资（企业融资和项目融资）交易，交易结构、融资和配对，是公司治理和董事会事宜以及声誉管理事宜值得信赖的专家。

陈先生在新加坡地区拥有丰富的企业、银行和项目融资法律的经验，并且参与多个重大企业交易。他先后被众多的著名专业刊物评为领先的实践者，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。

陈先生在其职业生涯中一直在帮助企业家和家族企业，他曾为亚洲和欧洲的高净值客户在并购、上市、资产剥离、企业继任计划、遗嘱、财富、资产保全和保护以及家庭治理提出建议。作为一个值得信赖的顾问，陈先生已被任命为高净值客户的遗产管理人和受托人，以及亚洲领先企业集团家族的房地产纠纷方面的律师。

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 的董事，目前管理约16亿新币的资产。共同创立亚洲领先的专业服务机构瑞信德。多年来，成功投资了初创企业，中小企业和上市公司。

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。新加坡财政规划协会最近也授予陈先生荣誉会员资格。他被新加坡管理学院法学院应邀成为遴选小组成员。最近，他成为新加坡金融管理局所成立的企业管理理事会的理事会委员成员。他也是新加坡中华总商会国际事务委员会成员。是RHT Rajan Menon基金会的主席。目前也是新加坡红十字会的理事会成员和筹款委员会主席。他曾是新加坡世界自然基金会（“WWF”）的董事会成员，新加坡足球协会的理事会成员和审计委员会主席。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。新加坡管理大学法学院设立名为RHT陈聪发企业犯罪学科奖。

尽管陈先生积极于实践和管理职责，他继续在新加坡和海外担任兼职教授做演讲。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）商学院和南洋理工大学（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。

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2015年4月27日再次当选。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。1974年至1976年，他在设立公司前，曾是一家贸易集团的执行董事。陈先生也是新交所上市公司P99控股有限公司的独立董事。

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。

KEY MANAGEMENT

高级管理人員

MR. TAN KAI TECK

Chief Financial Officer

Mr. Tan was appointed the Chief Financial Officer in February 2017. He is responsible for the financial management and reporting functions of the Group. Prior to joining the Group, Mr. Tan was the Chief Financial officer of China Medical (International) Group Limited, Auric Pacific Group Limited and Midas Holdings Limited.

Mr. Tan has over 20 years of experience in finance and accounting. He is a fellow member of The Institute of Singapore Chartered Accountants. He holds a Bachelor of Accountancy degree (Second Upper Class Honours) from the Nanyang Technological University.

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, China. 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 and the Chairman of Ranhill Water (Hong Kong) 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 China 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 stepped down from this position in October 2004. For the period between 1993 and 2002, Mr. Huang was also appointed as Director and/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. 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, China. 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, China. 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 in Technology from Wuhan University and a Master's in Management Science from Renmin University of China. He also holds a Senior Engineer Certification.

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 in Engineering from Nanjing Dongnan University and a Master's in Business Administration from Guang Hua Economic and Management College of Peking University.

KEY MANAGEMENT

高级管理人员

陈开德先生

首席财务官

陈先生于2017年2月获委任为首席财务官负责本集团的财务管理及申报职能。在加入本集团前，陈先生为中国医疗（国际）集团有限公司，金利太平洋集团有限公司及麦达斯控股有限公司首席财务官。

陈先生在财务和会计方面有超过20年的经验。他是新加坡特许会计师协会的资深成员。他拥有南洋理工大学会计学士学位（二等甲级荣誉毕业）。

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）有限公司与联熹水务（香港）有限公司董事长。

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

黄先生毕业于武汉大学，电厂化学工程专业，获学士学位。

王培刚先生

副总经理

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

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

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

吴斌先生

行政总裁助理/总经理（固废发电业务部）

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

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

吴先生持有南京东南大学工学学士学位及北京大学光华管理学院工商管理硕士学位。

BUSINESS UNIT MANAGEMENT

区域分部管理人员

MR. ZHOU HEPING

Chairman and General Manager of Nanfang Water Co.,Ltd.

Mr. Zhou joined the company in 2012. He was responsible for the Group's businesses and operations in South China.

Mr. Zhou has more than 40 years of experience in project construction, investment, operation management and corporate administration. He served as the party secretary, director and general manager in Chenzhou City Water Company and Chenzhou Shanhe Industrial Group Co., Ltd. Mr. Zhou is a Deputy Director of the Hunan Water and Wastewater Engineering Society, and was granted national "May 1st" labor medals, Model Worker and "Top Ten Outstanding Entrepreneurs" in Hunan Province. He was the ninth and tenth National People's Congress Deputy in Hunan Province.

Mr. Zhou majored in Water Supply and Drainage and is a qualified senior engineer (with a rank of professor) at the Hunan University.

MR. PIAO YONGJIAN

Vice Chairman and President of Longjiang Environment Protection Group Co.,Ltd.

Mr. Piao has more than 30 years of operation and management experience in water and environmental protection sectors. He started his career with the third Harbin Tap Water Plant in 1985 and was promoted to the General Production Scheduling Controller and the Director of the Production Department in Harbin Tap Water Group Co., Ltd. In 1997, he was transferred to Harbin Drainage Co., Ltd. as the Chief Engineer and the Vice General Manager. From 2004 to 2010, Mr. Piao successively held the posts of Director, Vice General Manager, General Manager of Tongfang (Harbin) Water Engineering Co., Ltd. Mr. Piao served as Director and Vice President of Long Jiang Environment Protection Group Co., Ltd. from April 2010. He was appointed as the Vice Chairman and President in August 2014.

Mr. Piao holds a Bachelor Degree in Water Supply and Drainage from the Harbin Institute of Technology and is a qualified engineer (with a rank of researcher).

BUSINESS UNIT MANAGEMENT

区域分部管理人员

周和平先生

南方水务董事长及总经理

周先生于2012年加入本公司，主要负责集团华南地区的业务与运营。

周先生拥有40多年的水务及环保项目建设、投资、运营管理及行政管理的经验。曾任郴州市自来水公司、郴州山河实业集团有限公司党委书记、董事长及总经理。2002年创办南方水务有限公司，历任公司董事长及总经理。周先生是湖南省土木协会给排水学术委员会副主任委员，曾获全国“五一劳动奖章”、湖南省劳动模范、湖南省“十大杰出企业家”，曾任湖南省第九、十届人大代表。

周先生毕业于湖南大学给水排水专业，教授级高级工程师，并为湖南大学给水排水专业兼职教授。

朴庸健先生

龙江环保副董事长

朴先生拥有超过30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。1985年，朴先生在哈尔滨自来水三厂参加工作，并最终提升为哈尔滨自来水集团有限责任公司总生产调度长、生产处处长。1997年调至哈尔滨排水有限责任公司，职位为公司总工程师、副总经理。2004年4月至2010年9月历任同方（哈尔滨）水务有限公司董事、副总经理、总经理。2010年4月龙江环保集团股份有限公司成立，担任董事、总裁。2014年8月当选为副董事长、总裁，现任至今。

朴先生拥有哈尔滨工业大学给排水专业硕士学位，是研究员级工程师。

CORPORATE INFORMATION

公司资料

Board of Directors

Mr. Zhou Jun	(Executive Chairman)
Mr. Feng Jun	(Executive Director)
Mr. Yang Changmin	(Executive Director)
Mr. Li Zengfu	(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

Ms. Shirley Tan Sey Liy	(ACIS)
-------------------------	--------

Registered Office

One Temasek Avenue #37-02
Millenia Tower
Singapore 039192
Tel: (65) 6538 2598
Fax: (65) 6538 2896
Email: info@siicenv.com
Website: www.siicenv.com

Share Registrar

RHT Corporate Advisory Pte. Ltd.

9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel: (65) 6381 6888
Fax: (65) 6381 6899

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)
Industrial Bank (PRC)
Shanghai Pudong Development Bank (PRC)

董事会

周军先生 (执行主席)
冯骏先生 (执行董事)
杨长民先生 (执行董事)
李增福先生 (执行董事)
徐晓冰先生 (执行董事)
许瞻先生 (执行董事)
杨木光先生 (首席独立董事)
郑榷光先生 (独立董事)
陈聪发先生 (独立董事)
陈锦书先生 (独立董事)

提名委员会

陈锦书先生 (主席)
杨木光先生
郑榷光先生

薪酬委员会

陈聪发先生 (主席)
周军先生
杨木光先生
郑榷光先生

审计委员会

郑榷光先生 (主席)
杨木光先生
陈聪发先生
陈锦书先生

公司秘书

陈雪莉女士 (ACIS)

注册办事处

淡马锡道1号
美年大厦3702室
新加坡 039192
电话: (65) 6538 2598
传真: (65) 6538 2896
电邮: info@siicenv.com
网址: www.siicenv.com

股权登记

RHT Corporate Advisory Pte. Ltd.

9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

电话: (65) 6381 6888
传真: (65) 6381 6899

审计师

Deloitte & Touche LLP

6 Shenton Way, #33-00
OUE Downtown 2
Singapore 068809

项目合伙人: 简耀强博士
(2012年11月28日起担任项目合伙人)

主要往来银行

渣打银行(新加坡)
大华银行(新加坡)
中国银行(香港)
中国农业银行(中国)
交通银行(中国)
潍坊银行(中国)
中信银行(中国)
招商银行(中国)
华夏银行(中国)
中国工商银行(中国)
南洋商业银行(中国)
兴业银行(中国)
上海浦东发展银行(中国)



新边疆 FINANCIAL CONTENTS

Corporate Governance Report	45
Directors' Statement	70
Independent Auditor's Report	75
Consolidated Statement of Profit or Loss	81
Consolidated Statement of Profit or Loss and Other Comprehensive Income	82
Statements of Financial Position	83
Statements of Changes in Equity	85
Consolidated Statement of Cash Flows	91
Notes to the Financial Statements	93
Statistics of Shareholders	185
Notice of Annual General Meeting	187

CORPORATE GOVERNANCE REPORT

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

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

This report sets out the Group’s main corporate governance practices that were in place throughout 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 includes 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.

CORPORATE GOVERNANCE REPORT

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 and 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. Adhoc 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 Constitution.

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 2016 (“**FY2016**”):

	Board Meetings	Board Committee Meetings		
		AC	NC	RC
Zhou Jun	5	3*	1*	1
Feng Jun	5	5*	-	-
Yang Changmin	4	4*	-	-
Yang Yihua ⁽¹⁾	1	-	-	-
Li Zengfu ⁽²⁾	2	1*	-	-
Xu Xiaobing	5	3*	-	-
Xu Zhan	5	5*	-	-
Yeo Guat Kwang	5	5	1	1
Tay Ah Kong Bernard	5	5	1	1
Tan Chong Huat	5	5	-	1
Tan Gim Soo	5	5	1	1*
No. of Meetings Held	5	5	1	1

*By invitation

- (1) Mr. Yang Yihua had resigned as an Executive Director of the Company on 12 May 2016.
- (2) Mr. Li Zengfu was appointed as an Executive Director of the Company on 12 May 2016.

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.

CORPORATE GOVERNANCE REPORT

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 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. During FY2016, the Company had arranged the training for Directors on crisis management.

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
Li Zengfu ⁽¹⁾	Executive Director	-	-	-	-
Xu Xiaobing	Executive Director	-	-	-	Member
Xu Zhan	Executive Director	-	-	-	Member
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	-	-

(1) Mr. Li Zengfu was appointed as an Executive Director of the Company on 12 May 2016.

CORPORATE GOVERNANCE REPORT

Executive Committee

The EC comprises the following members:

Mr. Zhou Jun (Chairman)

Mr. Feng Jun

Mr. Yang Changmin

Mr. Xu Xiaobing

Mr. Xu Zhan

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 did not exceed S\$200,000 for the financial year ended 31 December 2016.

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.

CORPORATE GOVERNANCE REPORT

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.

CORPORATE GOVERNANCE REPORT

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 reappointment 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;

CORPORATE GOVERNANCE REPORT

- (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 Constitution 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 Regulation 97 of the Company’s Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

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. Xu Xiaobing, Mr. Xu Zhan, Mr. Li Zengfu and Mr. Tay Ah Kong Bernard, be nominated for re-election 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.

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.

CORPORATE GOVERNANCE REPORT

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 66 to 69 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 NC had reviewed the overall performance of the Board for FY2016 and is of the view that the performance of the Board as a whole has been satisfactory. No external facilitator was used in the evaluation process.

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.

The NC had recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the NC's recommendation and the formal annual evaluation form for the Board Committees would be adopted for the financial year ended 31 December 2017.

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 fulfil 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.

CORPORATE GOVERNANCE REPORT

The Company Secretary or her 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 and the relevant requirements of the Companies Act, Chapter 50 (“**Companies Act**”) and Listing Rules are complied with. 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

CORPORATE GOVERNANCE REPORT

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 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 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.

CORPORATE GOVERNANCE REPORT

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 FY2016 are as follows:

Remuneration Band	Number of Directors of the Company
Below S\$250,000	10

Directors	Fees %	Salary %	Bonus %	Benefits %	Total %
Below S\$250,000					
Zhou Jun	100	-	-	-	100
Feng Jun	100	-	-	-	100
Yang Changmin	-	81	19	-	100
Yang Yihua ⁽¹⁾	100	-	-	-	100
Li Zengfu ⁽²⁾	100	-	-	-	100
Xu Xiaobing	100	-	-	-	100
Xu Zhan	100	-	-	-	100
Yeo Guat Kwang	100	-	-	-	100
Tay Ah Kong Bernard	100	-	-	-	100
Tan Chong Huat	100	-	-	-	100
Tan Gim Soo	100	-	-	-	100

(1) Mr. Yang Yihua had resigned as an Executive Director of the Company on 12 May 2016.

(2) Mr. Li Zengfu was appointed as an Executive Director of the Company on 12 May 2016.

- (b) The details of the remuneration of 3 key management personnel identified by the Company disclosed in bands for services rendered during FY2016 are as follows:

Remuneration Band	Number of Relevant Key Management Personnel of the Company
Below S\$250,000	3

Relevant Key Management Personnel of the Company	Fees %	Salary %	Bonus %	Benefits %	Total %
Below S\$250,000					
Huang Hanguang	-	72	17	11	100
Wang Peigang	-	81	19	-	100
Wu Bin	-	81	19	-	100

For FY2016 the aggregate total remuneration paid/payable to the relevant key management personnel (who are not Directors or the CEO) amounted to S\$403,000.

CORPORATE GOVERNANCE REPORT

- (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 FY2016, 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.

CORPORATE GOVERNANCE REPORT

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 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 is working with its appointed consultants, PricewaterhouseCoopers Risk Services Pte Ltd, to perform an Enterprise Risk Management framework review in the next Financial Year.

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 FY2016 give a true and fair view in all material respects, of the Company's operations and finances; and
- b. The Group's internal control and risk management 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 and representations made 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 2016.

CORPORATE GOVERNANCE REPORT

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; and
 - (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;

CORPORATE GOVERNANCE REPORT

- (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 SGXST) 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.

In the review of the financial statements for FY2016, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "Key Audit Matters". Following the review, the AC is satisfied that those matters, including service concession arrangements and revenue recognition, purchase price allocation of acquisitions of companies and impairment review of goodwill, had been properly dealt with. The Board had approved the financial statements.

CORPORATE GOVERNANCE REPORT

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 FY2016 amounted to S\$99,000 and S\$1,190,000 respectively. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the engagement of its auditors.

The Group has implemented a 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 Risk Services Pte Ltd ("**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, covering financial, operational and compliance risks 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. The Management will update the AC on the implementation 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 assessing if the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular risk-based audits covering higher risk areas. The AC approves the hiring, removal, evaluation and compensation of the internal audit function. The Internal Auditor have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The AC is satisfied that the internal auditor has adequate resources to perform its function effectively.

CORPORATE GOVERNANCE REPORT

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 internal 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 Constitution does not include the nominee or custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as “Relevant Intermediary” to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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;

CORPORATE GOVERNANCE REPORT

- 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.

The Board has recommended a final dividend of S\$0.01 per share for the financial year ended 31 December 2016 which is subject to shareholders’ approval at the forthcoming AGM of the Company.

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.

CORPORATE GOVERNANCE REPORT

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. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code, all resolutions at the Company's general meetings held on or after 1 August 2015, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings. The Company had adopted electronic poll for all the resolutions voted at the AGM held in FY2016.

(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 FY2016, save for the following:

CORPORATE GOVERNANCE REPORT

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	28,406 ⁽⁵⁾	- ⁽⁶⁾
Shanghai Shen-Yu Expressway (Shanghai Section) Co., Ltd. (“ Shanghai Shen-Yu ”) ⁽⁴⁾	Nanfang Water Co., Ltd. (“ Nanfang Water ”)	Extension of repayment period of existing loan to Nanfang Water	11,489 ⁽⁵⁾	- ⁽⁶⁾
Shanghai Shen-Yu Expressway (Shanghai Section) Co., Ltd. (“ Shanghai Shen-Yu ”) ⁽⁴⁾	SIIC Environment (Shenzhen) Co., Ltd. (“ SIIC Shenzhen ”)	Extension of repayment period of existing loan to SIIC Shenzhen	4,656 ⁽⁵⁾	- ⁽⁶⁾
SIHL Finance Limited (“ SIHLFL ”) ⁽²⁾	Rise Thrive Limited (“ RTL ”)	Extension of repayment period of existing loan to RTL	13,878 ⁽⁵⁾	- ⁽⁶⁾
S.I. Infrastructure Holdings Limited (“ SII ”) ⁽²⁾	Thrive Key Limited (“ TKL ”)	Extension of repayment period of existing loan to TKL	9,616 ⁽⁵⁾	- ⁽⁶⁾
Shanghai Luqiao Development Co., Ltd. (“ Shanghai Luqiao ”) ⁽³⁾	SIIC Environment Holdings (Shenzhen) Co., Ltd. (“ SIIC Shenzhen ”)	Loan to SIIC Shenzhen	18,249 ⁽⁵⁾	- ⁽⁶⁾
Shanghai Luqiao Development Co., Ltd. (“ Shanghai Luqiao ”) ⁽³⁾	Dazhou Jiajing Environment Renewable Resource Co., Ltd. (“ Dazhou Jiajing ”)	Loan to Dazhou Jiajing	9,362 ⁽⁵⁾	- ⁽⁶⁾
SIHL Finance Limited (“ SIHLFL ”) ⁽²⁾	Rise Thrive Limited (“ RTL ”)	Loan to RTL	3,597 ⁽⁵⁾	- ⁽⁶⁾
Total			99,253	

⁽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 Luqiao is a wholly-owned subsidiary of SIHL. The loans were entered into through an intermediary bank, Bank of Ningbo.

⁽⁴⁾ Shanghai Shen-Yu 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.

CORPORATE GOVERNANCE REPORT

(G) RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights 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 FY2016, there were no material contracts entered into by the Company or its subsidiaries during FY2016, or still subsisting as at 31 December 2016, which involved the interests of any Director or controlling shareholders of the Company.

(I) NON-CONFLICT OF INTERESTS

Mr. Tan Chong Huat, independent director of the Company has declared to the Directors that he is the Managing Partner of RHTLaw Taylor Wessing LLP (“**RHTLaw Taylor Wessing**”). Mr. Tan Chong Huat has also declared to the Directors that he is a Director and Shareholder of RHT Lex Ultra Pte. Ltd., the legal and beneficial shareholder of RHT Group of Companies (“**RHT GOC**”) which includes RHT Corporate Advisory Pte. Ltd. (“**RHT Corporate Advisory**”) and RHT Capital Pte. Ltd. (“**RHT Capital**”). We are not presently aware of any conflict of interest arising from his aforesaid roles. He abstains from any voting on any resolution where it relates to the appointment of RHTLaw Taylor Wessing or RHT Corporate Advisory and their related companies.

Mr. Tay Ah Kong Bernard, AC Chairman of the Company, has declared to the Directors that he is a Non-Executive Director of RHT Rajan Menon Foundation Limited and RHT Capital. Mr. Tay Ah Kong Bernard is appointed as the independent Non-Executive Chairman of the Board and a 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 Ah Kong Bernard is not a shareholder 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 Taylor Wessing or RHT Corporate Advisory or any companies related to RHT GOC.

(J) UTILISATION OF PROCEEDS

The Company has progressively announced via SGXNet on the utilisation of the net proceeds raised from the FY2014 Share Placement amounted to S\$154.78 million in July 2014. As at date of report, the balance of net proceeds from FY2014 Share Placement amounted to approximately S\$0.22 million. The Company will continue to provide periodic updates through SGXNet as and when the proceeds are being materially disbursed.

CORPORATE GOVERNANCE REPORT

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Zhou Jun	Master's 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 2015	<ul style="list-style-type: none"> Shanghai Industrial Investment (Holdings) Co., Ltd. Shanghai Industrial Holdings Limited Shanghai Industrial Urban Development Group Limited Shanghai Pharmaceuticals Holding Co., Ltd. 	Nil
Mr. Feng Jun	Master's 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 2016	Nil	Nil
Mr. Yang Changmin	Master's Degree in Executive MBA from Tsinghua University School of Economics and Management	Executive Director	Board Member and Member of the Executive Committee	17 February 2012	27 April 2016	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Li Zengfu	Bachelor's Degree in Economics from Shanghai University of Finance and Economics	Executive Director	Board Member	12 May 2016	-	<ul style="list-style-type: none"> Xi'an Qiuyuan Mechanical and Electrical Equipment Co., Ltd. CECEP Solar Energy Technology Co., Ltd. 	Nil
Mr. Xu Xiaobing	Bachelor's Degree in Economics and Master Degree in Business Administration from Peking University	Executive Director	Board Member	5 November 2014	27 April 2015	Nil	Nil
Mr. Xu Zhan	Bachelor's Degree in Engineering from Shanghai Jiao Tong University and Master Degree in Business Administration from Norwegian School of Management. He is also a Fellow of the Association of the Chartered Certified Accountants	Executive Director	Board Member	5 November 2014	27 April 2015	<ul style="list-style-type: none"> Shanghai Industrial Investment (Holdings) Co., Ltd. Shanghai Industrial Holdings Limited 	Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Yeo Guat Kwang	<ul style="list-style-type: none"> Bachelor of Arts (2nd Upper Honours) from the National University of Singapore Post graduate Diploma in Education (with Merit) from the National Institute of Education Master in Public Administration and Management, NUS Business School and LKY School of Public Policy Doctor of Business Administration, United Business Institutes, Brussels 	Lead Independent Director	Board Member, Member of Nominating Committee, Member of Audit Committee and Member of Remuneration Committee	23 September 2009	27 April 2016	<ul style="list-style-type: none"> Koyo International Limited 	<ul style="list-style-type: none"> 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 20125	<ul style="list-style-type: none"> China Hongxing Sports Limited Ramba Energy Limited 	<ul style="list-style-type: none"> Hengxin Technology Ltd. China Yongsheng Limited OEL (Holdings) Limited

CORPORATE GOVERNANCE REPORT

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Tan 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	27 April 2016	<ul style="list-style-type: none"> Ramba Energy Limited P99 Holdings Limited 	Nil
Mr. Tan Gim Soo	Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of the Institute of Singapore Chartered Accountants and a member of Singapore Institute of Directors	Independent Director	Board Member, Chairman of Nominating Committee and Member of Audit Committee	14 March 2011	27 April 2016	<ul style="list-style-type: none"> P99 Holdings Limited 	<ul style="list-style-type: none"> Enviro-Hub Holdings Ltd China Yongsheng Limited

The details on shareholdings of the Directors are disclosed on page 71 of the Annual Report under Directors' Interest in Ordinary Shares, Share Options and Debentures section of the Directors' Statement.

DIRECTORS' STATEMENT

The Directors present their statement 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 2016.

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 81 to 184 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and the financial performance, 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.

1 DIRECTORS

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

Zhou Jun	–	Executive Chairman
Feng Jun	–	Executive Director
Yang Changmin	–	Executive Director
Xu Xiaobing	–	Executive Director
Xu Zhan	–	Executive Director
Li Zengfu	–	Executive Director (Appointed on 12 May 2016)
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 Regulations 91 and 97 of the Company's Constitution, all the Directors who retire and, being eligible, may offer themselves for re-election.

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

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	At end of year
SIIC Environment Holdings Ltd.		
<u>Ordinary shares</u>		
Yang Changmin	11,083,694	11,083,694
Shanghai Industrial Holdings Limited		
<u>Ordinary shares</u>		
Zhou Jun	195,000	195,000
<u>Options to subscribe for ordinary shares</u>		
Zhou Jun	600,000	-
Feng Jun	648,000	-
Xu Xiaobing	756,000	-
Xu Zhan	264,000	-
Shanghai Industrial Urban Development Group Limited		
<u>Options to subscribe for ordinary shares</u>		
Zhou Jun	7,000,000	7,000,000

There were no changes in any of the above mentioned interests between the end of the financial year and 21 January 2017.

4 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 statement, 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

DIRECTORS' STATEMENT

4 EQUITY COMPENSATION PLANS OF THE COMPANY (CONT'D)

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.

5 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 2016 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;
- (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;

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (CONT'D)

- (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.

DIRECTORS' STATEMENT

6 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

29 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated 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 the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 184.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Key Audit Matters

Service concession arrangements and revenue recognition

The Group's core business of waste water treatment and waste incineration are dependent on the service concession arrangements entered into with the local government authorities in the People's Republic of China. The Group applies INT FRS 112 *Service Concession Arrangements* ("INT FRS 112") in its recognition of revenue from waste water treatment services and waste incineration power generation from service concession arrangements.

We have identified the determination of whether the service concessions arrangements fall under the scope of INT FRS 112 for new service concession contracts as a significant risk. This could mean that the Group may inappropriately recognise the consideration received from the local government authorities in exchange for the construction services as financial asset and/or intangible asset for service concession arrangements within the scope of INT FRS 112 or vice versa. The amounts are material and significant judgement are required, particularly in relation to the identification and application of the appropriate accounting treatment for the recording of revenue and associated assets under INT FRS 112.

In addition, the Group allocates the consideration for the services provided under all the concession arrangements by reference to their relative fair values. The determination of the fair values of the receivables under these agreements includes complex calculations and significant estimations required such as discounts rates, future cash flows and other factors used in the determination of the amortised cost of financial asset and corresponding financial income.

The accounting policies for revenue recognition are set out in Note 2.10 to the financial statements and the disclosure in relation to service concession arrangements for the Group have been disclosed in Note 17 to the financial statements.

Our Audit Procedures Performed and Responses Thereon

Our audit approach included both evaluating the design and implementation of the relevant internal controls and performing substantive procedures as follows:

- We evaluated the Group's process in assessing the applicability of INT FRS 112 and reviewed the associated agreements to assess whether these agreements are properly identified to be service concession arrangement within the scope of INT FRS 112;
- We verified the key terms of the significant agreements related to service concession arrangement, by sending confirmations to the grantor.
- We evaluated the design and implementation of the relevant internal controls over the capture and recording of these revenue transactions.
- We reviewed the nature of costs of constructions and inspected the underlying documentation including estimated total contract costs approved by management in support of the cost incurred.
- We reviewed the management computation of amortised cost of financial receivables and intangible assets and allocation of consideration between financial receivables and intangible assets and the related revenue recognition and tested key management estimates including discount rates used by comparing to the relevant market interest rates to identify any inappropriate estimates.
- We have also assessed and validated the appropriateness of the related accounting entries by management and the related disclosures made in the financial statements.

We have validated and are satisfied with the computations and key management judgements and estimates adopted for the service concession arrangements and noted the service arrangements of the Group are reasonably determined to be within the scope of INT FRS 112 and are properly accounted for in accordance with INT FRS 112.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Key Audit Matters	Our Audit Procedures Performed and Responses Thereon
-------------------	--

Purchase price allocation of acquisitions of companies

In February 2016, the Group completed the purchase of 90.0% equity interest in Yiyang City Tap Water Co., Ltd. ("Yiyang Tap Water") for RMB288.19 million. In September 2016, the Group acquired 75.0% equity interest in Henan Zhonghui Lianhe Investment Co., Ltd. ("Henan Zhonghui") for RMB225 million. In August 2016, the Group acquired 90.0% equity interest in Wulian Xinneng Waste Power Plant Co., Ltd. ("Wulian Xinneng") for RMB45 million. In November 2016, the Group acquired 32.7% equity interest in Longjiang Environmental Protection Group Co., Ltd ("Longjiang Group") for RMB836 million. These acquisitions are significant acquisitions to the Group due to their significant total considerations in comparison to total equity of the Group as at 31 December 2016.

FRS 103 *Business Combinations* ("FRS 103") requires the purchase price to be allocated between the acquired assets and liabilities, resulting in the recognition of tangible and intangible assets and goodwill or recognition of gain on bargain purchase. This requires a significant amount of judgement in the Purchase Price Allocation Exercise ("PPA"), particularly in relation to the valuation of the service concession arrangements that the acquisitions possess and the assessment of the fair value of the acquired assets and liabilities at acquisition date and the recognition of the necessary goodwill or intangible asset from the acquisitions.

The Group's disclosure of the business combination accounting applied to the acquisition of Yiyang Tap Water, Henan Zhonghui, Wulian Xinneng and Longjiang Group are set out in Notes 2.4 and 39 to the consolidated financial statements respectively.

We have discussed with management and their external independent valuer on the purchase price allocation, and engaged our valuation specialists to assist in the audit of the purchase price allocation, including identification and valuation of the acquired receivables under service concession arrangements, intangible assets and goodwill. We also challenged the reasonableness of the key assumptions of the PPA exercise, such as the discount rates and estimates of future cash flows.

We reviewed the qualification of their external independent valuer and are satisfied that their external independent valuer is appropriately qualified and reputable.

Based on our procedures, we noted that the purchase price allocation has been performed in accordance with FRS 103, including the disclosures thereon, and that the receivables under service concession arrangements, intangible assets and goodwill identified are appropriate and within expectations for the industry. We also noted management's key assumptions applied in the purchase price allocation in arriving at the fair value of the assets acquired and liabilities assumed, including the fair valuation of receivables under service concession arrangements, intangible assets and goodwill, to be within a reasonable range of our audit expectations.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Key Audit Matters	Our Audit Procedures Performed and Responses Thereon
<p>Impairment review of goodwill</p> <p>Under FRS 36 <i>Impairment of Assets</i>, the Group is required to annually test goodwill for impairment or more frequently when there is an indication that the cash generating unit may be impaired. This assessment requires the exercise of significant judgement about future market conditions, including 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 and discount rates, particularly those affecting the business of Fudan Water Engineering and Technology Co., Ltd. ("Fudan Water"). The goodwill in Fudan Water constituted 1.94% of the Group's total assets at 31 December 2016.</p> <p>The key assumptions to the impairment test and the sensitivity of changes in these assumptions to the risk of impairment are disclosed in Note 29 to the financial statements.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by management in conducting the impairment review. These procedures included:</p> <ul style="list-style-type: none">• challenging the appropriateness of the discount rate by assessing the cost of capital for the company and comparable organisations in the industry, and where relevant, using our valuation specialists to independently develop expectations for the discount rate, and comparing the independent expectations to those used by management;• assessing the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations;• evaluating management's assessment of the sensitivity of the Group's impairment analysis to reasonably possible changes in the key assumptions; and• reviewing historical performance of the business units compared with the original forecasts and assessing whether the Group has achieved them. <p>Based on our procedures, we noted management's key assumptions to be within a reasonable range of our expectations.</p> <p>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Chairman's Statement, Financial Review, Project Overview, Corporate Governance Report and Statistics of Shareholders ("other information"), but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIIC ENVIRONMENT HOLDINGS LTD.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this Independent Auditor's Report is Kan Yaw Kiong.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 RMB'000	2015 RMB'000
Revenue	4	2,648,097	1,803,796
Cost of sales		(1,835,801)	(1,091,666)
Gross profit		812,296	712,130
Other operating income	5	44,442	31,827
Selling and distribution costs		(39,114)	(15,908)
Administrative expenses		(268,907)	(185,591)
Profit from operations	6	548,717	542,458
Finance income	8	11,357	10,441
Finance expenses	8	(234,611)	(169,853)
Other income	9	112,964	67,895
Other expenses	9	-	(5,190)
Far value gain from revaluation of previously held interest	39	155,389	-
Share of results of joint ventures	27	60,122	56,207
Share of results of associates	28	10,579	22,038
Profit before tax		664,517	523,996
Income tax expense	10	(124,099)	(99,584)
Profit for the year		540,418	424,412
Profit for the year, attributable to:			
Owners of the Company		454,926	360,390
Non-controlling interests	26	85,492	64,022
Profit for the year		540,418	424,412
Earnings per share			
Basic (RMB cents per share)	11	20.16	16.86
Diluted (RMB cents per share)	11	20.16	16.86

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 RMB'000	2015 RMB'000
Profit for the year		540,418	424,412
Other comprehensive income (loss):			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising from translation of foreign operations		(20,003)	(86,113)
Fair value change on available-for-sale financial instrument		16,329	54,763
Total other comprehensive loss for the year, net of tax		(3,674)	(31,350)
Total comprehensive income for the year		<u>536,744</u>	<u>393,062</u>
Total comprehensive income attributable to:			
Owners of the Company		451,252	329,040
Non-controlling interests	26	85,492	64,022
Total comprehensive income for the year		<u>536,744</u>	<u>393,062</u>

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2016

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Cash and cash equivalents	12	1,634,556	795,228	8,726	69,565
Pledged bank deposits	12	191,918	76,768	-	-
Trade and other receivables	13	1,628,685	864,194	710	7,228
Bills receivables	14	3,313	939	-	-
Prepayments	15	34,387	14,773	358	1,535
Inventories	16	73,371	20,768	-	-
Receivables under service concession arrangements – current portion	17	203,993	123,816	-	-
Amounts due from customers for contract work	18	57,581	68,780	-	-
Amounts due from subsidiaries	19	-	-	2,114,688	2,088,783
Amounts due from joint venture	19	137	1,437	137	1,437
Amounts due from associates	19	37,894	20,836	-	-
Held-for-trading investments	20	26,795	19,222	-	-
Total current assets		3,892,630	2,006,761	2,124,619	2,168,548
Non-current assets					
Available-for-sale financial instruments	21	206,288	191,836	13,189	12,567
Prepayments	15	68,072	336,363	-	-
Receivables under service concession arrangements - non-current portion	17	10,948,086	4,663,830	-	-
Property, plant and equipment	22	183,580	104,921	1,697	352
Intangible assets	23	6,439,239	3,219,714	-	-
Land use rights	23	6,451	4,720	-	-
Long term receivable	24	11,547	4,118	-	-
Deferred tax assets	25	22,376	16,940	-	-
Investment in subsidiaries	26	-	-	2,565,418	2,349,890
Interest in joint ventures	27	705,256	661,128	531,064	506,029
Interest in associates	28	82,976	557,703	-	-
Goodwill on consolidation	29	457,241	457,241	-	-
Amounts due from associate	19	14,543	19,543	-	-
Total non-current assets		19,145,655	10,238,057	3,111,368	2,868,838
Total assets		23,038,285	12,244,818	5,235,987	5,037,386

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2016

	Note	Group		Company	
		31 December	31 December	31 December	31 December
		2016	2015	2016	2015
		RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Trade and other payables	30	2,122,531	1,017,417	23,080	17,380
Bills payable to banks	31	18,342	12,376	-	-
Tax payable		55,444	32,125	-	-
Amounts due to customers for contract work	18	21,386	20,934	-	-
Amounts due to subsidiaries	19	-	-	137,132	133,193
Bank and other borrowings	32	3,838,382	1,937,976	119,026	10,469
Finance leases	33	96,988	16,667	-	-
Total current liabilities		6,153,073	3,037,495	279,238	161,042
Non-current liabilities					
Bank and other borrowings	32	6,275,862	1,768,875	-	113,415
Finance leases	33	331,433	-	-	-
Deferred tax liabilities	25	1,602,513	791,837	-	-
Other non-current liabilities	34	142,227	67,162	-	-
Total non-current liabilities		8,352,035	2,627,874	-	113,415
Capital, reserves and non-controlling interests					
Share capital	35	4,861,138	4,861,138	4,861,138	4,861,138
Treasury shares	36	(96)	(96)	(96)	(96)
Retained earnings		1,199,172	797,571	65,815	107,746
Other reserves	37	(87,481)	(147,051)	29,892	(205,859)
Equity attributable to owners of the Company		5,972,733	5,511,562	4,956,749	4,762,929
Non-controlling interests	26	2,560,444	1,067,887	-	-
Total equity		8,533,177	6,579,449	4,956,749	4,762,929
Total liabilities and equity		23,038,285	12,244,818	5,235,987	5,037,386

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company											
	Share capital	Treasury shares	Retained earnings	Other reserves, total	Effects of changes in ownership interests in subsidiaries where there is no change in control					Equity attributable to owners of the Company	Non-controlling interests	Total equity
					General reserve	Investment revaluation reserve	Translation reserve	Merger reserve	Merger reserve			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	4,861,138	(96)	797,571	(147,051)	152,213	56,862	(125,638)	(30,173)	(200,315)	5,511,562	1,067,887	6,579,449
Profit for the year	-	-	454,926	-	-	-	-	-	-	454,926	85,492	540,418
Other comprehensive income												
Exchange differences arising from translation of foreign operations	-	-	-	(20,003)	-	-	(20,003)	-	-	(20,003)	-	(20,003)
Fair value change on available-for-sale financial instruments	-	-	-	16,329	-	16,329 ⁽¹⁾	-	-	-	16,329	-	16,329
Other comprehensive income for the year, net of tax	-	-	-	(3,674)	-	16,329	(20,003)	-	-	(3,674)	-	(3,674)
Total comprehensive income for the year	-	-	454,926	(3,674)	-	16,329	(20,003)	-	-	451,252	85,492	536,744

⁽¹⁾ Includes gain on disposal of available-for-sale financial instruments amounting to RMB10,628,000 reclassified to profit or loss during the year.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company												
	Share capital	Treasury shares	Retained earnings	Other reserves, total	Effects of changes in ownership interests in subsidiaries where there is no change in control					Equity attributable to owners of the Company	Non-controlling interests	Total equity	
					General reserve	Investment revaluation reserve	Translation reserve	Merger reserve	RMB'000				RMB'000
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Group (cont'd)													
2016													
Transactions with owners recognised directly in equity													
Transfer to general reserve	-	-	(53,325)	53,325	53,325	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	9,919	-	-	9,919	-	-	9,919	(35,519)	(25,600)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,413,638	1,413,638	
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	-	46,000	46,000	
Total	-	-	(53,325)	63,244	53,325	-	9,919	-	-	9,919	1,424,119	1,434,038	
Others													
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(17,054)	(17,054)	
Total	-	-	-	-	-	-	-	-	-	-	(17,054)	(17,054)	
Balance at 31 December 2016	4,861,138	(96)	1,199,172	(87,481)	205,538	73,191	(145,641)	(20,254)	(200,315)	5,972,733	2,560,444	8,533,177	

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Other reserves, total RMB'000	Effects of changes in ownership interests in subsidiaries where there is no change in control					Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
					General reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Merger reserve RMB'000	Merger reserve RMB'000			
Balance at 1 January 2015	3,278,603	(96)	491,519	(165,747)	97,875	2,099	(39,525)	(25,881)	(200,315)	3,604,279	586,332	4,190,611
Profit for the year	-	-	360,390	-	-	-	-	-	-	360,390	64,022	424,412
Other comprehensive income												
Exchange differences arising from translation of foreign operations	-	-	-	(86,113)	-	-	(86,113)	-	-	(86,113)	-	(86,113)
Fair value change on available-for-sale financial instruments	-	-	-	54,763	-	54,763	-	-	-	54,763	-	54,763
Other comprehensive income for the year, net of tax	-	-	-	(31,350)	-	54,763	(86,113)	-	-	(31,350)	-	(31,350)
Total comprehensive income for the year	-	-	360,390	(31,350)	-	54,763	(86,113)	-	-	329,040	64,022	393,062

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company												
	Share capital	Treasury shares	Retained earnings	Other reserves, total	Effects of changes in ownership interests in subsidiaries where there is no change in control					Equity attributable to owners of the Company	Non-controlling interests	Total equity	
					General reserve	Investment revaluation reserve	Translation reserve	Merger reserve	Non-controlling interests				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Group (cont'd)													
2015													
Transactions with owners recognised directly in equity													
Transfer to general reserve	-	-	(54,338)	54,338	54,338	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests	-	-	-	(4,292)	-	-	(4,292)	-	-	(4,292)	(103,343)	(107,635)	(107,635)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	540,067	540,067	540,067
Issue of shares (Note 35)	1,582,535	-	-	-	-	-	-	-	-	-	1,582,535	-	1,582,535
Total	1,582,535	-	(54,338)	50,046	54,338	-	(4,292)	-	-	1,578,243	436,724	2,014,967	2,014,967
Others													
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(19,191)	(19,191)	(19,191)
Total	-	-	-	-	-	-	-	-	-	-	(19,191)	(19,191)	(19,191)
Balance at 31 December 2015	4,861,138	(96)	797,571	(147,051)	152,213	56,862	(30,173)	(200,315)	(200,315)	5,511,562	1,067,887	6,579,449	6,579,449

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company				Total equity
	Share capital	Treasury shares	Retained earnings	Other reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	4,861,138	(96)	107,746	(205,859)	4,762,929
Loss for the year	-	-	(41,931)	-	(41,931)
<u>Other comprehensive income</u>					
Exchange differences arising from translation of foreign operations representing other comprehensive income for the year	-	-	-	235,751	235,751
Total comprehensive income for the year	-	-	(41,931)	235,751	193,820
Balance at 31 December 2016	4,861,138	(96)	65,815	29,892	4,956,749

Company
2016

Balance at 1 January 2016

Loss for the year

Other comprehensive income

Exchange differences arising from translation of foreign operations representing other comprehensive income for the year
Total comprehensive income for the year

Balance at 31 December 2016

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company				Total equity
	Share capital	Treasury shares	Retained earnings	Other reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	3,278,603	(96)	109,251	(141,574)	3,246,184
Loss for the year	-	-	(1,505)	-	(1,505)
<u>Other comprehensive income</u>					
Exchange differences arising from translation of foreign operations representing other comprehensive loss for the year	-	-	-	(64,285)	(64,285)
Total comprehensive loss for the year	-	-	(1,505)	(64,285)	(65,790)
<u>Transactions with owners recognised directly in equity</u>					
Issue of shares	1,582,535	-	-	-	1,582,535
Balance at 31 December 2015	4,861,138	(96)	107,746	(205,859)	4,762,929

Company
2015

Balance at 1 January 2015

Loss for the year

Other comprehensive income

Exchange differences arising from translation of foreign operations representing other comprehensive loss for the year
Total comprehensive loss for the year

Transactions with owners recognised directly in equity
Issue of shares

Balance at 31 December 2015

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities:		
Profit before tax	664,517	523,996
Adjustments:		
Allowance for doubtful receivables, net (trade)	506	144
Reversal of doubtful receivables, net (non-trade)	(8,307)	(9,003)
Bad debts written off (trade)	170	-
(Reversal of) Allowance for inventories	(7)	1,046
Reversal of provision for foreseeable loss	(11)	-
Amortisation of intangible assets	162,235	105,291
Amortisation of land use rights	256	197
Depreciation of property, plant and equipment	13,368	11,162
Loss (Gain) on disposal of property, plant and equipment	139	(873)
Gain on disposal of intangible assets	(2,529)	-
Finance income	(11,357)	(10,441)
Finance expenses	234,611	169,853
Gain on disposal of available-for-sale financial instruments	(10,628)	-
Share of results of joint ventures	(60,122)	(56,207)
Share of results of associates	(10,579)	(22,038)
Foreign exchange gain	(10,783)	(8,570)
Fair value changes of other liability	-	5,190
Fair value gain from revaluation of previously held interest	(155,389)	-
Fair value gain from held-for-trading investments	(1,105)	(278)
Operating cash flows before working capital changes	804,985	709,469
(Increase) Decrease in:		
Inventories	(30,692)	(722)
Amounts due from (to) customers for contract work, net	37,715	(2,576)
Trade receivables, other receivables and prepayments	303,394	(118,778)
Bills receivables	(2,374)	2,040
Receivables under service concession arrangements	(1,208,856)	(609,495)
Amounts due from associates	(41,943)	(20,243)
Amounts due from joint venture	1,080	(150)
Increase (Decrease) in:		
Trade and other payables (inclusive of non-current liabilities)	104,269	100,116
Bills payable	5,966	(66,944)
Cash used in operations	(26,456)	(7,283)
Interest received	8,485	8,729
Income tax paid	(67,287)	(65,112)
Net cash used in operating activities	(85,258)	(63,666)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	RMB'000	RMB'000
Cash flows from investing activities:		
Purchase of property, plant and equipment	(20,117)	(21,257)
Purchase of intangible assets and land use rights	(72,303)	(41,230)
Proceeds from grants	-	7,300
Increase in prepayment for property, plant and equipment and intangible assets	(445)	(3,620)
Proceeds from disposal of property, plant and equipment	438	16,375
Net cash outflow on acquisition of subsidiaries (Note 39) (Note B)	(156,365)	(598,542)
Prepayment for investment in a subsidiary	-	(288,188)
Proceeds from disposal of available-for-sale financial instruments	30,906	-
Investment in available-for-sale financial instruments	-	(12,567)
Net cash outflow on incorporation of an associate	(150)	-
Investment in held-for-trading financial instrument	-	(18,476)
Dividend received from joint ventures	41,835	36,454
Net cash used in investing activities	(176,201)	(923,751)
Cash flows from financing activities:		
Proceeds from bank and other borrowings	5,209,793	1,485,525
Repayment of bank and other borrowings	(2,049,179)	(531,792)
Repayment under finance lease arrangement	(10,902)	(33,333)
Interest paid	(231,115)	(174,732)
Settlement of payables due to former shareholder	(1,698,050)	-
Advanced contribution from non-controlling interests for future additional capital injection of a subsidiary	-	46,000
Acquisition of non-controlling interests in subsidiaries	(5,000)	(107,634)
Dividend paid to non-controlling interests in subsidiaries (Note A)	(12,154)	(18,591)
Decrease in pledged bank deposits	(112,145)	(9,364)
Net cash from financing activities	1,091,248	656,079
Net increase (decrease) in cash and cash equivalents	829,789	(331,338)
Cash and cash equivalents at beginning of year	795,228	1,119,272
Effects of exchange rate changes on cash and cash equivalents	9,539	7,294
Cash and cash equivalents at end of year	1,634,556	795,228

Non-cash transactions

Note A:

During the financial year ended 31 December 2015, the Group's subsidiaries had declared RMB19,191,000 of dividend to non-controlling interests, of which RMB13,691,000 had been paid during the financial year ended 31 December 2015 and the remaining RMB5,500,000 was unsettled as at year end. In addition, the Group has paid RMB4,900,000 to non-controlling interest in respect of dividend declared in 2014.

During the financial year ended 31 December 2016, the Group's subsidiaries have declared RMB17,054,000 of dividend to non-controlling interests, of which RMB12,154,000 has been paid and the remaining of RMB4,900,000 is unsettled as at year end.

Note B:

During the financial year ended 31 December 2016, the Group acquired Wulian Xinneng and Henan Zhonghui through subscription of new shares issued by Wulian Xinneng and Henan Zhonghui amounted to RMB45 million and RMB74.69 million respectively (Note 39).

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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, #37-02 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 26, 27 and 28 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 2016 were authorised for issue by the Board of Directors on 29 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of accounting (cont'd)

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

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

2.2 Adoption of new and revised standards

During the financial year ended 31 December 2016, the Group has adopted all the new and revised FRSs and Interpretation of FRS ("INT FRS") that are effective and are relevant to its operations.

The adoption of these new or revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, certain new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective include:

- FRS 109 *Financial Instruments*²
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*²
- FRS 116 *Leases*³
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*¹

¹ Applies to annual periods beginning on or after 1 January 2017, with early application permitted.

² Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

³ Applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if FRS 115 is adopted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

FRS 109 Financial Instruments

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

On the initial application of the new FRS 109, management anticipates that the Group will need to account for expected credit losses and expect to use historical experience, modified by any future change such as credit risk of the customers. Additional disclosures may be made with respect of loans and receivables, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 Revenue from Contracts with Customers

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective. Further clarifications to FRS 115 were also issued in June 2016.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

Management anticipates that the initial application of the new FRS 115 may not result in material changes to the accounting policies relating to revenue recognition. Additional disclosures may be made with respect of revenue recognition. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. The management does not plan to early adopt the new FRS 115.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

FRS 116 *Leases*

FRS 116 was issued in June 2016 and will supersede FRS 17 *Leases* and its associated interpretative guidance.

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management anticipates that the initial application of the new FRS 116 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. A lease asset will be recognised on the statement of financial position, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding liability to make lease payments. Additional disclosures may be made with respect of the Group's exposure to asset risk and credit risk, where the Group is the lessor. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 116.

Other than the above, management has considered and is of the view that the adoption of the amendments to FRSs that are issued as at date of authorisation of these financial statements but effective only in future periods will not have a material impact on the financial statements in the period of their initial adoption.

IFRS Convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs.

Management is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS 1, and the preliminary assessment above may be subject to change arising from the detailed analysis.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the beginning 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Interest in associates and joint ventures (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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Service concession arrangements (cont'd)

Consideration given by the grantor (cont'd)

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

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

Construction of service concession related infrastructure

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

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, 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Construction contracts (cont'd)

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.

2.10 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Revenue recognition (cont'd)

Other revenue

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

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

Financial income

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

2.11 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Property, plant and equipment (cont'd)

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.

2.12 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 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 Singapore Dollars ("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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Foreign currencies (cont'd)

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.

2.14 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.

2.15 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 as 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.

2.16 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Income tax (cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 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

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 waste water treatment allows the Group to receive and treat waste water 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 waste water 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial instruments (cont'd)

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 three categories, including loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. 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.

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 associates

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial instruments (cont'd)

Financial assets (cont'd)

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 recognised 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.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- On initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial instruments (cont'd)

Financial assets (cont'd)

Financial assets at fair value through profit or loss (FVTPL) (cont'd)

- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note 20.

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial instruments (cont'd)

Financial assets (cont'd)

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.

Financial liabilities and equity instruments

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Financial instruments (cont'd)

Financial liabilities at fair value through profit or loss (FVTPL) (cont'd)

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss.

Other financial liabilities

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 and customer advances)
- 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, 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 above).

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 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 purchased 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.

2.23 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, contingent liabilities accounted for as financial liabilities are remeasured at fair value, with changes in fair value recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

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.

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 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.

As explained in Note 2.8 to the financial statements, the Group recognises the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset under public-to-private concession arrangement. However, if the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, it is necessary to account separately for each component of the operator's consideration. The consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable (see below).

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.

Determination of material entities (subsidiaries, joint ventures and associates) and non-wholly owned subsidiaries with 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 with material non-controlling interest. Management had assessed the disclosure requirements of non-wholly owned subsidiaries with material non-controlling interest and determined such disclosure to be made at a sub-group level. Information as required under FRS 112 are disclosed under Notes 26, 27 and 28.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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 RMB1,030,663,000 (2015: RMB523,373,000) from construction contracts, of which RMB982,808,000 (2015: RMB472,734,000) 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 11.5% (2015: 12.5%), of which the gross profit margin recognised for third party constructed infrastructure in relation to service concession arrangements is 12% (2015: 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

Service concession arrangements (cont'd)

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 RMB952,752,000 (2015: RMB751,172,000).

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 2016, the provision for major overhauls amounted to RMB28,233,000 (2015: RMB12,601,000) (Note 17).

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 RMB7,801,000 (2015: Net write-back of RMB8,859,000).

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 of 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, 19 and 24 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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

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, property, plant and equipment, 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.

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 29 to the financial statements. The carrying amounts of the available-for-sale financial instruments and non-financial assets are disclosed in Notes 21, 22, 23, 26, 27, 28 and 29 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, including taxable temporary differences arising on investments in subsidiaries and associates, and interests 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 the foreseeable future, 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 25.

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 2016 is RMB55,444,000 (2015: RMB32,125,000).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Key sources of estimation uncertainty (cont'd)

Purchase price allocation

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

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

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

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 39 to the financial statements.

4. REVENUE

	Group	
	2016	2015
	RMB'000	RMB'000
Construction revenue	1,030,663	523,373
Operating and maintenance income from service concession arrangements	952,752	751,172
Financial income from service concession arrangements	395,187	336,171
Service income	118,671	117,986
Others	150,824	75,094
	<u>2,648,097</u>	<u>1,803,796</u>

5. OTHER OPERATING INCOME

	Group	
	2016	2015
	RMB'000	RMB'000
Installation of water meters	22,028	17,716
Others	22,414	14,111
	<u>44,442</u>	<u>31,827</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

6. PROFIT FROM OPERATIONS

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

	Note	Group	
		2016 RMB'000	2015 RMB'000
Allowance for doubtful receivables (trade)	13	2,158	906
Reversal of allowance for doubtful receivables (trade)	13	(1,652)	(762)
Allowance for doubtful receivables (non-trade)	13	-	92
Reversal of allowance for doubtful receivables (non-trade)	13	(8,307)	(9,095)
Bad debts written off (non-trade)		170	-
Reversal of provision for foreseeable loss		(11)	-
Depreciation of property, plant and equipment	22	13,368	11,162
Amortisation of intangible assets	23	162,235	105,291
Amortisation of land use rights	23	256	197
Loss (Gain) on disposal of property, plant and equipment		139	(873)
(Write-back) Allowance for inventories		(7)	1,046
Fair value gain from held-for-trading investment		(1,105)	(278)
Fair value loss of other liability	9	-	5,190
Gain on disposal of intangible assets		(2,529)	-
Gain on disposal of available-for-sale financial instruments	9	(10,628)	-
Operating lease expense		7,303	5,571
Foreign exchange difference, net		4,131	(220)
Research costs		1,829	2,350
Cost of inventories recognised as expense		135,492	102,741
Transaction costs incurred in acquisitions ^(*)		10,207	6,008
Fair value gain from revaluation of previously held interest	39	155,389	-
Audit fees:			
- paid to auditors of the Company		1,941	1,610
- paid to member firms of the auditors of the Company		3,807	2,652
- paid to other auditors (inclusive of internal audit fee)		2,143	1,837
Total audit fees		7,891	6,099
Non-audit fees:			
- paid to auditors of the Company		223	226
- paid to member firms of the auditors of the Company		325	329
- paid to other auditors		108	60
Total non-audit fees ^(**)		656	615

^(*) This amount includes fees of RMB2,468,000 (2015: 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 acquisition of subsidiaries as indicated in the note ^(*) above.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

7. PERSONNEL EXPENSES

	Group	
	2016	2015
	RMB'000	RMB'000
Wages, salaries and bonuses	260,147	185,924
Defined contribution plans	59,051	39,183
Others	32,434	20,157
	<u>351,632</u>	<u>245,264</u>

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

8. FINANCE INCOME (EXPENSES)

	Group	
	2016	2015
	RMB'000	RMB'000
<u>Finance income</u>		
Interest income from bank balances	8,452	8,728
Others	2,905	1,713
	<u>11,357</u>	<u>10,441</u>
<u>Finance expenses</u>		
Interest expense on interest-bearing loans and borrowings	(230,920)	(166,826)
Financial expense on amortisation of retention monies	(493)	-
Financial expense on amortisation of benefits to ex-employees	(1,548)	(1,662)
Others	(1,650)	(1,365)
	<u>(234,611)</u>	<u>(169,853)</u>

9. OTHER INCOME (EXPENSES)

	Group	
	2016	2015
	RMB'000	RMB'000
<u>Other income</u>		
Government subsidies	74,967	54,471
Compensation for relocation of a water treatment plant	21,150	-
Gain on disposal of available-for-sale financial instrument	10,628	-
Reversal of accrual	3,918	12,903
Others	2,301	521
	<u>112,964</u>	<u>67,895</u>
<u>Other expenses</u>		
Fair value changes on other liability ^(a)	-	(5,190)

^(a) This related to the fair value adjustment of contingent consideration for the acquisition of Rise Wealth Investment Ltd which had been settled during the financial year ended 31 December 2015.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

10. INCOME TAX EXPENSE

	Group	
	2016	2015
	RMB'000	RMB'000
Current tax		
- Current year	79,765	67,294
- (Over) Under provision in respect of prior years	(245)	1,604
Deferred tax		
- Current year	45,492	32,827
- Overprovision in respect of prior years	(913)	(2,141)
	124,099	99,584

The corporate income tax applicable to the Singapore companies of the Group is 17% (2015: 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.

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	
	2016	2015
	RMB'000	RMB'000
Profit before tax	664,517	523,996
Tax at the domestic rates applicable to in the countries where the Group operates ^(a)	157,035	118,416
Adjustments:		
Non-deductible expenses	20,056	8,467
Income not subject to tax	(41,009)	(1,076)
Overprovision in respect of prior years	(1,158)	(537)
Share of results of associates and joint ventures	(17,858)	(19,795)
Deferred tax asset not recognised	11,524	6,675
Utilisation of previously unrecognised deferred tax assets	(5,260)	(12,573)
Others	769	7
	124,099	99,584

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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	
	2016	2015
	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)	454,926	360,390
	2016	2015
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted EPS	2,256,589	2,136,918

12. CASH AND CASH EQUIVALENTS/ PLEDGED BANK DEPOSITS

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,826,474	871,996	8,726	69,565
Pledged bank deposits (Note 42)	(191,918)	(76,768)	-	-
Cash and cash equivalents	1,634,556	795,228	8,726	69,565

As at 31 December 2015, cash and cash equivalents of the Group included short-term deposits of RMB3 million with annual interest rate of 3.8%, which involved guaranteed principal placed with banks for earning short-term interest. There is no such amount as at 31 December 2016. Cash and cash equivalents have maturity period of less than three months and carry interest at market rate, ranging from 0.01% to 0.35% (2015: 0.01% to 1.27%) per annum.

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 (2015: less than one year) and carry interest at fixed interest rates ranging from 0.3% to 2.6% (2015: 2.05% to 3.25%) per annum and floating interest rates of 0.35% (2015: 0.35%) per annum.

RMB1,389 million (2015: RMB714 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables [inclusive of retention monies (Note 24)]	890,195	538,727	-	-
Less: Allowance for doubtful receivables	(40,131)	(22,491)	-	-
	850,064	516,236	-	-
Other receivables	784,097	360,665	710	7,228
Less: Allowance for doubtful receivables	(5,476)	(12,707)	-	-
	778,621	347,958	710	7,228
Total trade and other receivables	1,628,685	864,194	710	7,228

- (i) Trade receivables exclusive of retention monies are non-interest bearing with credit periods generally ranging from 0 to 180 (2015: 0 to 180) days.
- (ii) Trade receivables pledged by the Group is disclosed in Note 42 to the financial statements.
- (iii) Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RMB350,563,000 (2015: RMB307,486,000) that are past due at the end of the reporting period but not impaired. The Group has not recognised an allowance for doubtful receivables because management is of the opinion that the amounts will be fully recoverable as there has not been a significant change 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	
	2016 RMB'000	2015 RMB'000
Within 30 days	23,849	31,398
Within 31 to 60 days	27,041	24,288
Within 61 to 90 days	31,498	20,524
Within 91 to 180 days	65,011	69,680
Within 181 to 365 days	76,776	120,254
Over 365 days	126,388	41,342
	350,563	307,486

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

13. TRADE AND OTHER RECEIVABLES (CONT'D)

(iv) 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	
	2016	2015
	RMB'000	RMB'000
Trade receivables	231,681	71,035
Less: Allowance for doubtful receivables	(40,131)	(22,491)
	191,550	48,544

Movements in the allowance of doubtful receivables (trade)

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year	22,491	11,458	-	272
Allowance made during the year (Note 6)	2,158	906	-	-
Reversal of allowance during the year (Note 6)	(1,652)	(762)	-	-
Written off allowance during the year	-	(272)	-	(272)
Acquisition of a subsidiary	17,134	11,161	-	-
At end of the year	40,131	22,491	-	-

- (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 Group has trade receivables amounting to RMB307,951,000 (2015: RMB160,206,000) that are not past due and not impaired at the end of the reporting period.

(ii) Other receivables

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

As at 31 December 2016, other receivables mainly comprise (i) compensation receivables of RMB359 million; (ii) advances to related companies of RMB176 million which are repayable on demand, interest-free and unsecured; (iii) value-added-tax refund of RMB29 million and (iv) government grant receivable of RMB37 million.

As at 31 December 2015, other receivables mainly comprised (i) refundable deposits of RMB100 million; (ii) advance to a related company of RMB52.3 million which is repayable on demand, interest-free and unsecured; (iii) non-interest-bearing amount due from third parties of RMB92 million which are repayable on demand and (iv) government grant receivables of RMB37 million.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

13. TRADE AND OTHER RECEIVABLES (CONT'D)

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

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

	Group	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	12,707	13,564
Allowance made during the year (Note 6)	-	92
Reversal of allowance during the year (Note 6)	(8,307)	(9,095)
Acquisition of a subsidiary	1,076	8,146
At end of the year	5,476	12,707

14. BILLS RECEIVABLES

Bills receivables are non-interest bearing with credit periods generally ranging from 90 to 180 (2015: 90 to 180) days.

15. PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	20,908	9,276	-	-
Others	13,479	5,497	358	1,535
Total prepayment, current	34,387	14,773	358	1,535
Prepayment for assets relating to service concession arrangements ^(a)	62,724	47,802	-	-
Prepayment for intangible assets	4,939	99	-	-
Prepayment for property, plant and equipment	409	274	-	-
Prepayment for investment in a subsidiary ^(b)	-	288,188	-	-
Total prepayment, non-current	68,072	336,363	-	-

^(a) Relates mainly to prepayment made for certain infrastructure relating to BOT and TOT service concession arrangements entered during the financial years ended 31 December 2016 and 2015.

^(b) A prepayment was made for purchase consideration for acquisition of 90% equity interest in Yiyang Tap Water. The acquisition was completed during the current financial year (Note 39).

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

16. INVENTORIES

	Group	
	2016	2015
	RMB'000	RMB'000
Inventories	73,371	20,768

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, waste incineration and sludge treatment 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, waste incineration and sludge treatment 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 waste incineration and sludge treatment 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 waste incineration and sludge treatment 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 waste incineration and sludge treatment plants, and retain the beneficial entitlement to any residual interest in the waste water treatment, water supply waste incineration and sludge treatment 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 waste incineration and sludge treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31 December 2016, the Group had 84 (2015: 42) service concession arrangements on waste water treatment, 7 (2015: 4) service concession arrangements on water treatment and distribution, 2 (2015: 1) service concession arrangements on waste incineration and 8 (2015: 1) service concession arrangements on sludge treatment. 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:

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

17. SERVICE CONCESSION ARRANGEMENTS (CONT'D)

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Daily design capacity (tons/day)	Service concession period
Harbin Wentaisheng Longjiang Environmental Protection Water Co., Ltd.	哈尔滨市文昌升级BOT项目	Harbin, Heilongjiang Province	哈尔滨市水务局	BOT (Financial assets)	650,000	29 years from 2011
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	Wuhan, Hubei Province	武汉市人民政府	BOT (Financial assets)	600,000 ^(a)	30 years from 2004 ^(a)
Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd. ("Mudanjiang Tap Water")	牡丹江市自来水厂TOT项目	Mudanjiang, Heilongjiang Province	牡丹江市城市投资集团有限公司	TOT (Intangible assets)	360,000	30 years from 2010
Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd. ("Jiamusi Tap Water")	佳木斯市自来水厂TOT项目	Jiamusi, Heilongjiang Province	佳木斯市新时代城市基础设施建设投资(集团)有限公司	TOT (Intangible assets)	360,000	30 years from 2012
Longjiang Group	哈尔滨市太平污水厂BOT项目	Harbin, Heilongjiang Province	哈尔滨供排水集团有限责任公司	BOT (Financial assets)	325,000	25 years from 2006
Longjiang Group	哈尔滨市文昌污水厂TOT项目	Harbin, Heilongjiang Province	哈尔滨市水务局	TOT (Financial assets)	325,000	30 years from 2010
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
Yiyang Tap Water	益阳市供水项目	Yiyang, Hunan Province	益阳市住房和城乡建设局	BOT (Intangible assets)	320,000	28 years from 2016
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)	220,000	30 years from 2008
Huizhou City Nanfang Water Co., Ltd. ("Huizhou Nanfang")	惠州市梅湖水处理项目一期二期	Huizhou, Guangdong Province	惠州市环保局	BOT and TOT (Financial assets)	200,000 ^(b)	25 years from 2005
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
Fengxian West Wastewater Treatment Co., Ltd.	上海奉贤西部污水处理BOT一期二期	Fengxian, Shanghai	上海市水务局	BOT (Financial assets)	200,000 ^(c)	25 years from 2007
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 2016

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

17. SERVICE CONCESSION ARRANGEMENTS (CONT'D)

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Daily design capacity (tons/day)	Service concession period
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)	200,000	25 years from 2005
Shanghai Qingpu Second Wastewater Treatment Co., Ltd.	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)	180,000 ^(d)	30 years from 2008
Yuyao Xiaocaoe City Wastewater Treatment Co., Ltd.	余姚市(小曹娥)污水处理BOT	Yuyao, Zhejiang Province	余姚市人民政府	BOT (Financial assets)	150,000	22 years from 2014
Harbin Pingyi Longjiang Environmental Protection Water Treatment Co., Ltd.	哈尔滨市平房污水厂BOT项目	Harbin, Heilongjiang Province	哈尔滨市发展和改革委员会	BOT (Financial assets)	150,000	30 years from 2011
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
Dalian SIC Environment Quanshuihe Wastewater Treatment Co., Ltd.	大连市泉水河污水处理厂BOT项目	Dalian, Liaoning Province	大连市城市建设管理局	BOT (Financial assets)	105,000	20 years from 2015
Huizhou SIC Environment Nanfang Waste Water Treatment Co., Ltd.	惠州梅湖水处理项目三期	Huizhou, Guangdong Province	惠州市人民政府	BOT (Financial assets)	100,000 ^(e)	27 years from 2015
SIC Environment (Yinchuan) Water 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 ^(f)	30 years from 2014 ^(f)
SIC 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
Nanyang Tianguan Water Treatment Co., Ltd.	南阳市白河南污水处理项目	Nanyang, Henan Province	南阳市住房和城乡建设委员会	BOT (Financial assets)	100,000	30 years from 2014
Harbin Pingyi Longjiang Environmental Protection Water Treatment Co., Ltd.	哈尔滨市信义污水厂BOT项目	Harbin, Heilongjiang Province	哈尔滨市发展和改革委员会	BOT (Financial assets)	100,000	30 years from 2011
Mudanjiang Longjiang Environmental Protection Water Co., Ltd.	牡丹江市污水厂TOT项目	Mudanjiang, Heilongjiang Province	牡丹江市城市投资集团有限公司	TOT (Financial assets)	100,000	30 years from 2007
Mudanjiang Longjiang Environmental Protection Water Co., Ltd.	牡丹江市污水厂二期BOT项目	Mudanjiang, Heilongjiang Province	牡丹江市水务局	BOT (Financial assets)	100,000	30 years from 2015
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
Jiamusi Longjiang Environmental Protection Water Co., Ltd.	佳木斯东区污水处理厂升级改造	Jiamusi, Heilongjiang Province	佳木斯市环境保护局	BOT (Financial assets)	100,000	15 years from 2018

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

17. SERVICE CONCESSION ARRANGEMENTS (CONT'D)

- (a) The existing plant of 400,000 tons/day design capacity is in operation. Phase 1 upgrading project and Phase 2 extension project are currently under construction and is expected to be completed in 2017, and is included under service concession period in the above table.
- (b) The amount relates to design capacity under service concession arrangement. The total design capacity of the project is 280,000 tons/day. The remaining 80,000 tons/day relates to design capacity under operation and management arrangement.
- (c) The existing plant of 150,000 tons/day design capacity is in operation. Phase 2 is currently under construction and is expected to be completed in 2017, and is included under service concession period in the above table.
- (d) The existing plant of 120,000 tons/day design capacity is in operation. Phase 4 is currently under construction and is expected to be completed in 2017, and is included under service concession period in the above table.
- (e) Phase 3 is currently under construction and is expected to be completed in 2017, and is included under service concession period in the above table.
- (f) The existing plant of 50,000 tons/day design capacity is in operation. Phase 2 is currently under construction and is expected to be completed in 2017, 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	
	2016	2015
	RMB'000	RMB'000
Receivables under service concession arrangements	11,152,079	4,787,646
Less: Current portion classified as current assets	(203,993)	(123,816)
Non-current portion	10,948,086	4,663,830

During the current financial year, the Group recognised financial income of RMB395,187,000 (2015: RMB336,171,000) (Note 4) and construction revenue of RMB1,009,358,000 (2015: RMB493,682,000) as revenue from service concession arrangements. The effective interest applied ranges from 4.90% to 7.83% (2015: 5.40% to 7.83%) per annum.

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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 waste incineration and sludge 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 treatment, water supply waste incineration and sludge treatment 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	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	12,601	12,405
Acquisition of subsidiaries	15,558	-
Provision made during the year	74	196
At end of the year (Note 34)	28,233	12,601

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

	Group	
	2016	2015
	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses	524,631	405,829
Less: Progress billings	(488,436)	(357,983)
	36,195	47,846
Analysed for reporting purposes as:		
Amounts due from customers for contract work	57,581	68,780
Amounts due to customers for contract work	(21,386)	(20,934)
	36,195	47,846

Advances received from customers for contract work amounted to RMB160,156,000 are classified under other payables (2015: RMB105,826,000).

At 31 December 2016, net amount due from (to) customers for contract work of RMB36,195,000 have been classified as current because they are expected to be realised in the normal operating cycle of the construction projects.

Amounts due from customers for contract work included provision for foreseeable losses of RMB25,000 (2015: RMB36,000) as at year end.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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

The amounts are non-trade, unsecured, non-interest bearing and repayable on demand except for amount due from an associate amounting to RMB34,543,000 (2015: RMB34,543,000) which bears interest at 6% (2015: 6%) per annum of which RMB14,543,000 (2015: RMB19,543,000) are not expected to be repaid within the next 12 months from the end of reporting period.

20. HELD-FOR-TRADING INVESTMENT

	Group	
	2016	2015
	RMB'000	RMB'000
Quoted equity shares, at fair value	26,795	19,222

The investments above include investments in quoted equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

21. AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Listed equity securities ^(a)	179,806	176,376	-	-
Unlisted equity securities ^(b)	26,482	15,460	13,189	12,567
	206,288	191,836	13,189	12,567

^(a) The investment relates to a 2.8% 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) These investments represent ordinary and preference share in private companies. 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

22. PROPERTY, PLANT AND EQUIPMENT

	Group					Total
	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Leasehold buildings and improvement	Construction in-progress	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
At 1 January 2015	53,170	15,517	24,700	50,721	11,330	155,438
Additions	480	1,200	4,584	-	14,343	20,607
Disposals/written off	(16,097)	(526)	(1,021)	(6,706)	(70)	(24,420)
Acquisition of subsidiaries (Note 39)	12	13	538	2,570	-	3,133
Reclassification/Transfers	5,888	107	-	16,520	(22,515)	-
Exchange differences	-	(4)	-	(20)	-	(24)
At 31 December 2015	43,453	16,307	28,801	63,085	3,088	154,734
Additions	1,724	3,806	3,735	5,382	5,144	19,791
Disposals/written off	(40)	(197)	(3,370)	-	-	(3,607)
Acquisition of subsidiaries (Note 39)	6,126	13,721	8,219	19,887	26,584	74,537
Reclassification/Transfers	20,101	(136)	136	105	(21,897)	(1,691)
Exchange differences	-	5	-	42	-	47
At 31 December 2016	71,364	33,506	37,521	88,501	12,919	243,811
Accumulated depreciation						
At 1 January 2015	12,864	7,691	10,725	16,306	-	47,586
Depreciation charge for the year	3,128	1,554	2,989	3,491	-	11,162
Disposals/written off	(5,501)	(433)	(773)	(2,211)	-	(8,918)
Exchange differences	-	(3)	-	(14)	-	(17)
At 31 December 2015	10,491	8,809	12,941	17,572	-	49,813
Depreciation charge for the year	3,654	1,853	3,139	4,722	-	13,368
Disposals/written off	(9)	(168)	(2,821)	-	-	(2,998)
Exchange differences	-	7	-	41	-	48
At 31 December 2016	14,136	10,501	13,259	22,335	-	60,231
Carrying amount						
At 31 December 2016	57,228	23,005	24,262	66,166	12,919	183,580
At 31 December 2015	32,962	7,498	15,860	45,513	3,088	104,921

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

22. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Company		
	Furniture, fittings and equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000
Cost			
At 1 January 2015	185	868	1,053
Additions	335	-	335
Written off	(27)	-	(27)
Exchange differences	(4)	(20)	(24)
At 31 December 2015	489	848	1,337
Additions	211	1,547	1,758
Exchange differences	4	42	46
At 31 December 2016	704	2,437	3,141
Accumulated depreciation			
At 1 January 2015	124	709	833
Depreciation charge for the year	33	153	186
Written off	(17)	-	(17)
Exchange differences	(3)	(14)	(17)
At 31 December 2015	137	848	985
Depreciation charge for the year	121	291	412
Exchange differences	6	41	47
At 31 December 2016	264	1,180	1,444
Carrying amount			
At 31 December 2016	440	1,257	1,697
At 31 December 2015	352	-	352

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

23. INTANGIBLE ASSETS/LAND USE RIGHTS

	Group				
	Operating concessions	Patent & licensing rights	Computer software	Total intangible assets	Land use rights
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2015	1,707,942	4,781	3,757	1,716,480	6,036
Additions	35,431	-	270	35,701	-
Acquisition of subsidiaries (Note 39)	1,773,456	-	-	1,773,456	-
At 31 December 2015	3,516,829	4,781	4,027	3,525,637	6,036
Additions	49,963	-	568	50,531	-
Acquisition of subsidiaries (Note 39)	3,335,369	1,864	1,410	3,338,643	1,987
Disposals	(8,894)	-	(15)	(8,909)	-
At 31 December 2016	6,893,267	6,645	5,990	6,905,902	8,023
Accumulated amortisation					
At 1 January 2015	169,156	4,472	3,004	176,632	1,119
Amortisation for the year	104,779	309	203	105,291	197
Reclassification	213	-	(213)	-	-
At 31 December 2015	274,148	4,781	2,994	281,923	1,316
Amortisation for the year	161,803	98	334	162,235	256
Disposals	(1,482)	-	(13)	(1,495)	-
At 31 December 2016	434,469	4,879	3,315	442,663	1,572
Accumulated impairment loss					
At 1 January 2015, 31 December 2015 and 31 December 2016	24,000	-	-	24,000	-
Carrying amount					
At 31 December 2016	6,434,798	1,766	2,675	6,439,239	6,451
At 31 December 2015	3,218,681	-	1,033	3,219,714	4,720

The relevant assets pledged by the Group including those under bank borrowings and 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

23. INTANGIBLE ASSETS/LAND USE RIGHTS (CONT'D)

Amortisation expense

The amortisation of intangible assets and land use rights relating to operating concessions is mainly included in the "Cost of sales" and 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 as at 31 December 2016 and 31 December 2015.

24. LONG TERM RECEIVABLES

	Group	
	2016	2015
	RMB'000	RMB'000
Retention monies ^(a)	4,924	4,118
Others	6,623	-
	<u>11,547</u>	<u>4,118</u>

^(a) The non-current portion of retention sums are carried at amortised cost using a weighted average effective interest rate of 4.90% (2015: 4.90%) per annum.

25. 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	Undistributed earnings of PRC entities	Fair value adjustments on business combinations	Tax losses	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	151,640	16,795	106,524	(1,710)	(21,484)	251,765
Charged (Credited) to profit or loss	40,768	-	(14,157)	(2,661)	6,736	30,686
Acquisition of subsidiaries (Note 39)	38,768	-	456,468	-	(2,790)	492,446
At 31 December 2015	<u>231,176</u>	<u>16,795</u>	<u>548,835</u>	<u>(4,371)</u>	<u>(17,538)</u>	<u>774,897</u>
Charged (Credited) to profit or loss	78,596	-	(22,380)	(10,327)	(1,310)	44,579
Acquisition of subsidiaries (Note 39)	185,328	-	583,761	(2,119)	(6,309)	760,661
At 31 December 2016	<u>495,100</u>	<u>16,795</u>	<u>1,110,216</u>	<u>(16,817)</u>	<u>(25,157)</u>	<u>1,580,137</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

25. 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	
	2016	2015
	RMB'000	RMB'000
Deferred tax liabilities	1,602,513	791,837
Deferred tax assets	(22,376)	(16,940)
	<u>1,580,137</u>	<u>774,897</u>

At the end of the reporting period, the Group have unused tax losses of approximately RMB401,840,000 (2015: RMB69,191,000) available for offset against future assessable profits.

As at 31 December 2016, certain subsidiaries have unused tax losses of approximately RMB6,373,000, RMB19,804,000, RMB63,144,000, RMB101,695,000 and RMB210,824,000 (2015: RMB6,553,000, RMB1,174,000, RMB5,780,000, RMB23,118,000 and RMB32,566,000) expiring in 2017, 2018, 2019, 2020 and 2021 (2015: 2016, 2017, 2018, 2019 and 2020) respectively.

A deferred tax asset amounting to approximately RMB16,817,000 (2015: RMB4,371,000) in respect of tax losses amounting to approximately RMB67,268,000 (2015: RMB17,484,000) has been recognised for the Group. No deferred tax asset was recognised in respect of the remaining tax losses of the Group of RMB334,572,000 (2015: RMB51,707,000) 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 (2015: RMB16,795,000) in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

26. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RMB'000	RMB'000
Unquoted equity shares, at cost	2,448,790	2,375,841
Effects of exchange rate changes	116,628	(25,951)
	<u>2,565,418</u>	<u>2,349,890</u>

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

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

26. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiaries	Place of incorporation and operation	Principal activities	Percentage of effective equity interest and voting power held by the Group	
			2016 %	2015 %
Huizhou Nanfang	PRC	Waste water treatment	91.2	91.2
Shenzhen City Nanfang Water Co., Ltd.	PRC	Waste water treatment	91.2	91.2
SIIC Environment Holdings (Weifang) Co., Ltd. ("SIIC Weifang")	PRC	Investment holding, waste water treatment and reclaimed water treatment	75.5	75.5
Weifang Tap Water	PRC	Treatment and supply of potable water	51.3	51.3
Wuhan Hanxi	PRC	Waste water treatment	80.0	80.0
Wuhan Huang-Pi	PRC	Treatment and supply of potable water	100.0	100.0
Fudan Water	PRC	Provision of management and consultancy services	92.2	92.2
Longjiang Group	PRC	Investment holding, waste water and sludge treatment	58.0 ⁽¹⁾	25.3
Mudanjiang Tap Water	PRC	Treatment and supply of potable water	58.0 ⁽¹⁾	25.3
Jiamusi Tap Water	PRC	Treatment and supply of potable water	58.0 ⁽¹⁾	23.3

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, China for consolidation purposes.

⁽¹⁾ In 2015, the Group held 25.3% equity interest in Longjiang Group and its subsidiaries and accounted for the investment as an associate. In November 2016, the Group acquired an additional 32.7% equity interest (Note 39) and obtained control of the entity. Accordingly, Longjiang Group and its subsidiaries became subsidiaries of the Group.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

26. INVESTMENT IN SUBSIDIARIES (CONT'D)

All the above subsidiaries are indirectly held by the Company or jointly by the Company and its subsidiaries.

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2016	2015
Investment holding	Singapore	1	1
	Hong Kong	9	9
	BVI	9	9
	PRC	1	1
	Seychelles	1	1
Waste water treatment	PRC	8	9
Water supply	PRC	3	3
Waste incineration	PRC	1	1
Others	PRC	2	2
		35	36

Principal activity	Place of incorporation and operation	Number of non-wholly owned subsidiaries	
		2016	2015
Investment holding	Hongkong	1	-
	PRC	2	1
Waste water and sludge treatment	PRC	70	38
Water supply	PRC	6	3
Waste incineration	PRC	1	-
Others	PRC	11	6
		91	48

The tables below show details of the non-wholly owned subsidiary of the Group that have material non-controlling interests for the financial years ended 31 December 2015 and 2016:

Name of subsidiary	Place of incorporation and operation	Proportion of effective equity interest and voting		
		rights held by non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2016 %	2016 RMB'000	2016 RMB'000
Longjiang Group and its subsidiaries	PRC	42.0	11,409	1,104,831
Individually immaterial subsidiaries with non-controlling interests			74,083	1,455,613
			85,492	2,560,444

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

26. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation and operation	Proportion of effective equity interest and voting rights held by non-controlling interests	Profit allocated to non-controlling interests	Accumulated non-controlling interests
		2015	2015	2015
		%	RMB'000	RMB'000
SIIC Weifang and its subsidiaries	PRC	24.5	34,258	375,409
Individually immaterial subsidiaries with non-controlling interests			29,764	692,478
			64,022	1,067,887

Subsequent to Longjiang Group becoming a subsidiary of the Group in 2016, management determined that the remaining subsidiaries with non-controlling interests other than Longjiang Group are individually immaterial.

Summarised financial information in respect 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.

	Longjiang Group its subsidiaries	SIIC Weifang and its subsidiaries
	2016	2015
	RMB'000	RMB'000
Current assets	1,500,527	492,012
Non-current assets	5,180,801	1,652,409
Current liabilities	(1,219,631)	(651,543)
Non-current liabilities	(4,254,906)	(302,406)
Equity attributable to owners of the subsidiary	1,200,065	1,081,353
Non-controlling interests	6,726	109,119
Revenue	445,357	575,220
Profit for the year	26,805	121,592
Profit attributable to owners of the subsidiary	26,546	115,674
Profit attributable to non-controlling interests	259	5,918
Profit for the year, representing total comprehensive income for the year	26,805	121,592
Dividends declared to non-controlling interests	-	3,690
Net cash (outflow) inflow from operating activities	(233,233)	14,360
Net cash outflow from investing activities	(11,673)	(32,429)
Net cash outflow from financing activities	(348,192)	(162,481)
Net cash outflow	(593,098)	(180,550)

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

26. 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.

	2016	2015
	Nanyang Tianguan RMB'000	Nanfang Water RMB'000
Amounts paid on changes in ownership interest in subsidiary	(25,600)	(107,634)
Non-controlling interest acquired	35,519	103,342
Difference recognised in equity	9,919	(4,292)

2016

Nanyang Tianguan

The Group's 69.1% subsidiary, Henan Zhonghui, acquired the remaining 35% equity interest in Nanyang Tianguan Water Treatment Co., Ltd ("Nanyang Tianguan") for total consideration of RMB25,600,000, increasing its effective interest from 44.9% to 69.1% as at 31 December 2016.

2015

Nanfang Water

The Group acquired additional 14.78% effective interest in Nanfang Water from its non-controlling interests for total consideration of RMB107,635,000, increasing its effective interest from 76.42% to 91.20% as at 31 December 2015.

Deregistration of subsidiaries

During the year ended 31 December 2016, non-wholly owned subsidiary, Hui Chuan (Shanghai) Environment Technology Co., Ltd. was deregistered.

During the year ended 31 December 2015, non-wholly owned subsidiary, Yunnan Nanfang Management Co., Ltd. was 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

27. INTEREST IN JOINT VENTURES

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in joint ventures	657,840	657,840	530,000	530,000
Share of post-acquisition reserves, net of dividend received	47,904	31,884	-	-
Foreign exchange difference	(488)	(28,596)	1,064	(23,971)
	705,256	661,128	531,064	506,029

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	
			2016	2015
			%	%
Shanghai Pucheng Thermal Power Energy Co., Ltd. ^(a) ("Shanghai Pucheng")	PRC	Waste incineration power generation	50	50
Wenling Hanyang Resources Power Co., Ltd. ^(a)	PRC	Waste incineration power generation	50	50

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

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	
	2016	2015
	RMB'000	RMB'000
Current assets	669,773	636,249
Non-current assets	528,200	527,990
Current liabilities	(55,404)	(49,259)
Non-current liabilities	(87,717)	(83,916)
Non-controlling interests	(6,253)	(5,334)
	1,048,599	1,025,730

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

27. INTEREST IN JOINT VENTURES (CONT'D)

	Shanghai Pucheng	
	2016	2015
	RMB'000	RMB'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	602,379	595,346
Revenue	289,363	288,984
Profit for the year	83,997	82,303
Total comprehensive income for the year	83,997	82,303
Dividends paid during the year	59,061	55,840

The above profit for the year includes the following:

Depreciation and amortisation	(15,215)	(17,708)
Interest income	15,930	19,703
Income tax expenses	(31,942)	(24,464)

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	
	2016	2015
	RMB'000	RMB'000
Equity attributable to owners of the joint venture	1,048,599	1,025,730
Proportion of the Group's ownership interest	50%	50%
	524,299	512,865
Purchase price allocation adjustments	28,705	30,323
	553,004	543,188
Foreign exchange difference	1,064	(23,970)
Carrying amount of the Group's interest in the joint venture	554,068	519,218

Aggregate information of joint venture that is not individually material

	Group	
	2016	2015
	RMB'000	RMB'000
The Group's share of profit	20,775	17,943
The Group's share of total comprehensive income	20,775	17,943
Aggregate carrying amount of the Group's interest in the joint venture	151,188	141,910

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

28. INTEREST IN ASSOCIATES

	Group	
	2016	2015
	RMB'000	RMB'000
Cost of unlisted investment in associates	104,272	563,786
Share of post-acquisition profits, net of dividend received	(21,296)	15,378
Foreign exchange difference	-	(21,461)
	82,976	557,703

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, 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 are as follows:

Name of associate	Place of incorporation and operations	Principal activities	Percentage of effective equity interest and voting power held by the Group	
			2016	2015
			%	%
Longjiang Group ^(a)	PRC	Waste water treatment and water supply	-(b)	25.3
Linwu County Nanfang Water Co., Ltd. ("Linwu Nanfang") ^{(a), (c)}	PRC	Waste water treatment	18.2	18.2
Sichuan SIIC Environment Investment Development Co., Ltd. ^(a)	PRC	Investment Holding	30.0	30.0
Dongguan Changan Jinxia Sanzhou Water Purification Co., Ltd. ("Changan Sanzhou") ^(a)	PRC	Waste water treatment	35.5	35.5
Dongguan Changan Xinmin Water Purification Co., Ltd. ("Changan Xinmin") ^(a)	PRC	Waste water treatment	30.4	30.4
Yiliuqing (Shanghai) Environment Technology Co., Ltd. ("Yiliuqing") ^(a)	PRC	Supply of waste water treatment equipment	23.0	23.0
Kunming Puzhao Water Purification Co., Ltd. ("Kunming Puzhao") ^{(a), (d)}	PRC	Waste water treatment	27.4	-

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

28. INTEREST IN ASSOCIATES (CONT'D)

- (a) Audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, China for consolidation purposes.
- (b) In November 2016, the Group's wholly-own subsidiaries, Thrive Far Limited and SIIC Environment Holdings (Shenzhen) Co., Ltd. had acquired 30.8% and 1.9% of additional equity interest in Longjiang Group for purchase consideration of RMB788 million and RMB48 million respectively. Consequently, Longjiang Group becomes a subsidiary of the Group for the financial year ended 31 December 2016.
- (c) Although the Group holds less than 20% of the effective equity interest of Linwu Nanfang, the Group exercises significant influence via direct controlling interest in its immediate holding company, Nanfang Water, which held 20% equity interest in Linwu Nanfang.
- (d) Kunming Puzhao's 27.4% effective equity interest was held by Nanfang Water. Kunming Puzhao was incorporated during the current financial year. The Group exercises significant influence via direct controlling interest in its immediate holding company, Nanfang Water.

There is no material interest in associate for the financial year ended 31 December 2016.

Summarised financial information in respect of the Group's material interest in associate, namely Longjiang Group for the financial year ended 31 December 2015, was set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRS.

	Longjiang Group 2015 RMB'000
Current assets	1,161,589
Non-current assets	4,246,514
Current liabilities	(2,622,752)
Non-current liabilities	(1,695,055)
Non-controlling interests	(5,730)
	<u>1,084,566</u>
Revenue	1,098,093
Profit for the year	121,422
Total comprehensive income for the year	<u>121,422</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

28. INTEREST IN ASSOCIATES (CONT'D)

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 2015 RMB'000
Equity attributable to owners of the associate	1,084,566
Proportion of the Group's ownership interest	25.3125%
	274,531
Purchase price allocation adjustments	217,705
Foreign exchange difference	(21,461)
Carrying amount of the Group's interest in the associate	<u>470,775</u>

Aggregate information of associates that are not individually material

	Group	
	2016	2015
	RMB'000	RMB'000
The Group's share of profit (loss)	10,579	(2,792)
The Group's share of total comprehensive income (loss)	10,579	(2,792)
Aggregate carrying amount of the Group's interests in these associates	<u>82,976</u>	<u>86,928</u>

29. GOODWILL ON CONSOLIDATION

	Group	
	2016	2015
	RMB'000	RMB'000
Cost		
At beginning of the year	493,599	45,908
Acquisition of 92.15% interest in Fudan Water (Note 39)	-	447,691
At end of the year	<u>493,599</u>	<u>493,599</u>
Accumulated impairment losses		
At beginning of the year and at end of the year	<u>36,358</u>	<u>36,358</u>
Carrying amount	<u>457,241</u>	<u>457,241</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

29. 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:

Name of subsidiaries	CGU	Carrying amount of goodwill before recognition of impairment loss		Carrying amount of goodwill after recognition of impairment loss	
		2016	2015	2016	2015
		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
Fudan Water ^(b)	Waste water treatment	447,691	447,691	447,691	447,691
		<u>493,599</u>	<u>493,599</u>	<u>457,241</u>	<u>457,241</u>

^(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.

^(b) Value in use was determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plants/waste incineration power generation plant over the service concession period ranging from 20 to 25 years, using a discount rate of 9.0% (2015: 10.5%). 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

30. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade payables	1,123,436	366,031	-	-
Deferred consideration ⁽¹⁾	-	70,000	-	-
Others	999,095	581,386	23,080	17,380
	<u>2,122,531</u>	<u>1,017,417</u>	<u>23,080</u>	<u>17,380</u>

⁽¹⁾ Deferred consideration related to deferred cash settlement on acquisition of Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. and Dongguan Shijie Shayao Water Purification Co., Ltd. in 2014.

The average credit period on purchases is 30 to 90 days (2015: 30 to 90 days). No interest is charged on the overdue outstanding balances.

Included in other payables and accruals as at 31 December 2016 were (i) customer advances of RMB189,104,000 (2015: RMB122,033,000); (ii) amount due to non-controlling shareholders of RMB247,841,000 (2015: RMB92,000,000) of which RMB101,957,000 (2015: RMB44,449,000) carries fixed interest rates ranging from 4.35% to 5.50% (2015: 4.35% to 5.50%) per annum; (iii) amount due to an associate of RMB7,080,000 (2015: RMB7,080,000) which is non-interest bearing; and (iv) sundry payables of RMB278,442,000 (2015: RMB210,057,000), mainly due to monies received on behalf of third parties (including government).

31. BILLS PAYABLE TO BANKS

Bills payable to banks are interest-free and secured by certain bank deposits pledged with the issuing banks.

32. BANK AND OTHER BORROWINGS

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Bank loans ^(a)	7,044,554	2,417,333	119,026	123,884
Other borrowings ^(b)	2,535,190	1,245,743	-	-
Bond issued ^(c)	385,843	-	-	-
Government loans	148,657	43,775	-	-
	<u>10,114,244</u>	<u>3,706,851</u>	<u>119,026</u>	<u>123,884</u>
Analysed as:				
Current	3,838,382	1,937,976	119,026	10,469
Non-current	6,275,862	1,768,875	-	113,415
	<u>10,114,244</u>	<u>3,706,851</u>	<u>119,026</u>	<u>123,884</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

32. BANK AND OTHER BORROWINGS (CONT'D)

- (a) The Group's bank loans include related party loans in the Group's subsidiaries entered into through intermediary banks of RMB847 million (2015: RMB972 million).
- (b) Other borrowings relate to amount due to SII and SIHL Finance Limited ("SIHLFL") of RMB217,440,000 and RMB2,317,750,000 respectively (2015: RMB217,440,000 and RMB1,028,303,000 respectively). Both SII and SIHLFL are wholly-owned subsidiaries of the Company's intermediate holding company, Shanghai Industrial Holdings Limited.
- (c) The bond was issued on 15 August 2016 by one of the Group's subsidiaries and will be redeemed on 15 April, 2021. The bond carries a fixed interest rate of 3.49%.

Details of collateral

Certain bank and other borrowings are secured/guaranteed by the Group's assets which are disclosed in Note 42 to the financial statements.

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Secured/guaranteed	8,128,029	2,551,794	-	-
Unsecured/unguaranteed	1,986,215	1,155,057	119,026	123,884
	10,114,244	3,706,851	119,026	123,884

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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-free borrowings	2,517	2,975	-	-
Fixed-rate borrowings	3,846,821	2,131,568	-	-
Variable-rate borrowings	6,264,906	1,572,308	119,026	123,884
	10,114,244	3,706,851	119,026	123,884

The ranges of effective interest rates on the Group's and the Company's borrowings are as follows:

	Group		Company	
	2016	2015	2016	2015
Fixed-rate borrowings (per annum)	0.80% to 6.04%	1.20% to 7.38%	-	-
Variable-rate borrowings (per annum)	0.23% to 7.80%	1.80% to 7.80%	4.13%	4.03%

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

32. BANK AND OTHER BORROWINGS (CONT'D)

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	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount repayable:				
Within one year	3,838,382	1,937,976	119,026	10,469
More than one year but not more than five years	2,965,280	1,517,618	-	113,415
Over five years	3,310,582	251,257	-	-
	<u>10,114,244</u>	<u>3,706,851</u>	<u>119,026</u>	<u>123,884</u>

33. FINANCE LEASE

The effective interest rate for the finance lease ranged from 1.80% to 5.64% per annum for the year ended 31 December 2016 (2015: 5.75%). 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	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	2016	2016	2015	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases:				
Within one year	115,784	96,988	17,026	16,667
In the second to fifth years inclusive	382,372	331,433	-	-
Total minimum lease payment	<u>498,156</u>	<u>428,421</u>	<u>17,026</u>	<u>16,667</u>
Less: Future finance charges	(69,735)		(359)	
Present value of lease obligations	<u>428,421</u>		<u>16,667</u>	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(96,988)		(16,667)
Amount due for settlement after 12 months		<u>331,433</u>		<u>-</u>

The relevant assets pledged under the finance lease comprise certain receivables under service concession agreements, investment in a subsidiary and intangible assets, disclosed under Note 42 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

34. OTHER NON-CURRENT LIABILITIES

	Group	
	2016	2015
	RMB'000	RMB'000
Contingent consideration (Note 39)	50,000	-
Accruals for benefits due to ex-employees	41,137	38,866
Provision for major overhauls (Note 17)	28,233	12,601
Grant received in advance	-	7,300
Others	22,857	8,395
	<u>142,227</u>	<u>67,162</u>

35. SHARE CAPITAL

	Group and Company	
	Number of ordinary shares	Amount RMB'000
Issued and paid up share capital		
At 1 January 2015	9,589,574,132	3,287,603
Share consolidation	(7,671,659,413)	-
Settlement of acquisition consideration (Note 39)	312,000,000	1,490,446
Settlement of contingent consideration	26,730,407	92,089
At 31 December 2015 and 2016	<u>2,256,645,126</u>	<u>4,861,138</u>

On 25 September 2015, the Company consolidated every five existing issued ordinary shares into one ordinary share in the capital of the Company.

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.

36. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are held by the Company.

As at 31 December 2016, there were 56,400 (2015: 56,400) treasury shares held. 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

37. OTHER RESERVES

	Group		Company	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	RMB'000	RMB'000	RMB'000	RMB'000
General reserve	205,538	152,213	-	-
Investment revaluation reserve	73,191	56,862	-	-
Translation reserve	(145,641)	(125,638)	29,892	(205,859)
Effects of changes in ownership interests in subsidiaries where there is no change in control	(20,254)	(30,173)	-	-
Merger reserve	(200,315)	(200,315)	-	-
	<u>(87,481)</u>	<u>(147,051)</u>	<u>29,892</u>	<u>(205,859)</u>

(a) 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.

(b) 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.

(c) Translation reserve

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's and Company's presentation currency.

(d) Effects of changes in ownership interest in subsidiaries where there is no change in control

This represents the effects of changes in ownership interests in subsidiaries when there is no change in control.

(e) Merger reserve

Merger reserve represents the difference between consideration and equity acquired in a business combination involving entities under common control using pooling-of-interest method.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

38. 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.

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 2016 and 2015, no ESOS 2012 Options or ESAS Awards were granted.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS

2016

(a) Acquisition of 90% equity interest in Yiyang Tap Water, together with its subsidiaries, collectively the “Yiyang Tap Water Group”

On 21 February 2016, the Group, through its wholly-owned subsidiary, SIIC Environment Holdings (Shenzhen) Co., Ltd., acquired 90% equity interest in Yiyang Tap Water for a purchase consideration of RMB288,188,000. Yiyang Tap Water Group is engaged principally in the business of water supply, construction, design, supervision and operation of water supply projects and operation of water supply plants.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB28,000 had been recognised in the “Administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2015.

From the date of acquisition, Yiyang Tap Water Group contributed revenue of RMB80,605,000 and net loss of RMB1,374,000 to the Group. If the combination had taken place at the beginning of the financial year, the Group’s revenue and profit after tax would have been RMB2,658,499,000 and RMB530,277,000 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 2016, nor is it intended to be a projection of future results.

The non-controlling interest in Yiyang Tap Water Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB32,020,000. This fair value was estimated by applying the discounted cash flow model using a discount rate of 12% on the expected future cash inflows.

(b) Acquisition of 90% equity interest in Wulian Xinneng

On 8 August 2016, the Group, through its 92.15% owned subsidiary, Fudan Water acquired 90% equity interest in Wulian Xinneng for a total consideration of RMB45,000,000 through subscription of new shares issued by Wulian Xinneng. Wulian Xinneng is engaged principally in the investment, construction and management of waste power plant projects.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB135,000 had been recognised in the “Administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2016.

From the date of acquisition, Wulian Xinneng contributed RMB44,314,000 and RMB4,015,000 to the Group’s revenue and profit after respectively. Prior to the acquisition, Wulian Xinneng has not commenced operation.

The non-controlling interest in Wulian Xinneng recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB5,000,000. This fair value was estimated by applying a cost-plus basis with a gross margin of 20%.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

(c) Acquisition of 75% equity interest in Henan Zhonghui, together with its subsidiaries, collectively the “Henan Zhonghui Group”

On 20 September 2016, the Group, through its 92.15% owned subsidiary, Fudan Water acquired 75% equity interest in Henan Zhonghui for a total consideration of RMB225,000,000 through subscription of new shares issued by Henan Zhonghui. Henan Zhonghui Group is engaged principally in the business of sludge treatment and waste water treatment in the PRC. As at the date of acquisition, the Group has yet to subscribe for the shares.

As at date of acquisition, the Group has obtained control over Henan Zhonghui as the Group has the power to appoint 4 out of 5 directors on the Board of the entity in accordance with the shareholder's agreement and direct the relevant activities of the entity.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB250,000 had been recognised in the “Administrative expenses” line item in the Group's profit or loss for the year ended 31 December 2016.

From the date of acquisition, Henan Zhonghui Group contributed RMB60,587,000 and RMB8,036,000 to the Group's revenue and profit after tax respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profit after tax would have been RMB2,694,784,000 and RMB545,609,000 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 2016, nor is it intended to be a projection of future results.

The receivables under service concession arrangements acquired with a fair value of RMB277,070,000 had gross contractual amounts of RMB580,382,000.

The non-controlling interest in Henan Zhonghui Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB100,596,000. This fair value was estimated by applying the discounted cash flow model using a discount rate of 9% on the expected future cash inflows.

(d) Acquisition of 32.7% equity interest in Longjiang Group, together with its subsidiaries, collectively the “Longjiang Group and its subsidiaries”

In November 2016, the Group, through its wholly-owned subsidiaries, Thrive Far Limited and SIIC Environment Holdings (Shenzhen) Co., Ltd., acquired 30.8% and 1.9% of additional equity interest in Longjiang Group for a purchase consideration of RMB788,000,000 and RMB48,000,000 respectively. Upon completion of the acquisition, the Group has increased its equity interest in Longjiang Group from 25.3% to 58.0%. Longjiang Group and its subsidiaries are principally engaged in the business of development and operation of environmental protection related projects and construction and operation of water supply network.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

(d) Acquisition of 32.7% equity interest in Longjiang Group, together with its subsidiaries, collectively the “Longjiang Group and its subsidiaries” (cont'd)

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB5,672,000 had been recognised in the “Administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2016.

From the date of acquisition, Longjiang Group and its subsidiaries contributed RMB445,357,000 and RMB26,805,000 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 RMB3,697,104,000 and RMB630,109,000 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 2016, nor is it intended to be a projection of future results.

The receivables under service concession arrangements acquired with a fair value of RMB4,105,581,000 had gross contractual amounts of RMB7,008,414,000.

The non-controlling interest in Longjiang Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB1,093,422,000. This fair value was estimated by applying the discounted cash flow model using a discount rate of 9% on the expected future cash inflows.

(e) Acquisition of 60% equity interest in Ranhill Water, together with its subsidiaries, collectively the “Ranhill Water Group”

In December 2016, the Group, through its wholly-owned subsidiary, Asia Wisdom Investments Limited, acquired 60% equity interest in Ranhill Water for a purchase consideration comprising (i) cash consideration of RMB223,900,000; and (ii) additional earn-out amount of up to RMB50,000,000, subjected to certain conditions being met (“contingent consideration”), for the expansion of its business.

Ranhill Water Group is engaged principally in undertaking industrial wastewater treatment services, providing consultancy services on potable water, wastewater technologies and project management, and conducting design, construction and operation of wastewater treatment and environmental protection facilities.

The conditions of the contingent consideration are as follow:

- (i) RMB10,000,000 shall be paid to the Vendor within ten (10) days after the date on which the Purchaser receives a copy of the documents approving the tariff price increase issued by the counterparty of the applicable projects BOT contracts, which evidences that the tariff prices of the Nanchang Xiaolan Phase I Project and Nanchang Xiaolan Phase II Project are increased to no less than RMB1.95 per ton;

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

(e) Acquisition of 60% equity interest in Ranhill Water, together with its subsidiaries, collectively the “Ranhill Water Group” (cont'd)

- (ii) RMB20,000,000 will be paid to the Vendor within ten (10) days after the date on which Purchaser receives a copy of the BOT contract duly signed for the Nanchang Xiaolan Phase III Project;
- (iii) RMB10,000,000 will be paid to the Vendor within ten (10) days after the date on which Purchaser receives a copy of the documents approving the tariff price increase issued by the counterparty of the project BOT contract, which evidences that the tariff price of the Xinxiang Xiaodian Industrial Park Phase I Project is increased to no less than RMB 0.95 per ton; and
- (iv) RMB10,000,000 will be paid to the Vendor within ten (10) days after the date on which Purchaser receives a copy of the operation contract duly signed for the Xinxiang Xiaodian Industrial Park Reclaimed Water Project.

Management has determined that the fair value contingent consideration amounted to RMB50 million.

The purchase price allocation to determine the fair value of the assets and liabilities of Ranhill Water Group as at date of completion has not commenced.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB3,883,000 had been recognised in the “Administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2016.

Ranhill Water Group was consolidated into the Group as at 31 December 2016. If the combination had taken place at the beginning of the financial year, the Group’s revenue and profit after tax would have been RMB2,824,680,000 and RMB567,891,000 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 2016, nor is it intended to be a projection of future results.

	Longjiang					
	Yiyang		Henan	Group	Ranhill	
	Tap Water	Wulian	Zhonghui	and its	Water	
	Group	Xinneng^(a)	Group^(b)	subsidiaries	Group^(c)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Consideration transferred:</u>						
Cash	-	-	-	836,000	223,900	1,059,900
Contingent consideration	-	-	-	-	50,000	50,000
Cash prepaid in previous financial year	288,188	-	-	-	-	288,188
Fair value of previously held interest	-	-	-	661,806	-	661,806
	<u>288,188</u>	<u>-</u>	<u>-</u>	<u>1,497,806</u>	<u>273,900</u>	<u>2,059,894</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

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

	Yiyang Tap Water Group RMB'000	Wulian Xinneng^(a) RMB'000	Henan Zhonghui Group^(b) RMB'000	Longjiang Group and its subsidiaries RMB'000	Ranhill Water Group^(c) RMB'000	Total RMB'000
Property, plant and equipment	2,337	-	1,214	69,879	1,107	74,537
Intangible assets/ Land use rights	533,869	-	109,620	2,544,249	152,892	3,340,630
Available-for-sale financial instrument	-	-	-	10,400	-	10,400
Other long term receivables	-	-	6,623	-	-	6,623
Held-for-trading investments	-	-	-	5,783	-	5,783
Inventories	3,068	-	351	18,062	634	22,115
Amount due from customer for construction contact	-	-	-	25,839	-	25,839
Receivables under service concession arrangements	-	2,205	277,070	4,105,581	785,186	5,170,042
Trade and other receivables	6,715	99	19,359	1,048,980	26,997	1,102,150
Prepayments	1,649	2,614	17,923	28,223	5,470	55,879
Cash and cash equivalents	28,190	135	9,737	854,143	11,330	903,535
Pledged bank deposits	-	-	3,005	-	-	3,005
Trade and other payables	(114,700)	(53)	(121,142)	(2,367,879)	(252,670)	(2,856,444)
Bank and other borrowings	(62,882)	-	(210,291)	(3,106,856)	(205,297)	(3,585,326)
Tax payable	(368)	-	8	(15,441)	(173)	(15,974)
Deferred tax liabilities	(70,908)	-	(12,881)	(607,896)	(68,976)	(760,661)
Other non-current liabilities	(6,762)	-	-	(21,839)	-	(28,601)
Non-controlling interests	(32,020)	(5,000)	(100,596)	(1,093,422)	(182,600)	(1,413,638)
	<u>288,188</u>	<u>-</u>	<u>-</u>	<u>1,497,806</u>	<u>273,900</u>	<u>2,059,894</u>

^(a) Subsequent to the date of acquisition, the Group has subscribed to new shares in Wulian Xinneng for a consideration of RMB45,000,000 during the current financial year.

^(b) Subsequent to the date of acquisition, the Group has subscribed to new shares in Henan Zhonghui Group amounting to RMB74,690,000. As at end of the financial year, the Group has yet to subscribe to the remaining shares amounting to RMB150,310,000 (Note 41).

^(c) The purchase price allocation to determine the fair value of the assets and liabilities of Ranhill Water Group as at date of completion has not commenced.

Goodwill arising from acquisitions:

Consideration transferred	288,188	-	-	1,497,806	273,900	2,059,894
Less: Net assets required	(288,188)	-	-	(1,497,806)	(273,900)	(2,059,894)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

	Yiyang		Henan		Longjiang	Ranhill	Total
	Tap Water	Wulian	Zhonghui	Group	Group	Water	
	Group	Xinneng	Group	and its	subsidiaries	Group	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Fair value gain from previously held interest</u>							
Fair value of previously held interest	-	-	-	661,806	-	-	661,806
Less: Book value of previously held interest	-	-	-	(506,417)	-	-	(506,417)
	-	-	-	155,389	-	-	155,389
<u>Net cash outflow arising from acquisition:</u>							
Cash consideration paid	-	-	-	836,000	223,900	-	1,059,900
Less: Bank balances and cash acquired	(28,190)	(135)	(9,737)	(854,143)	(11,330)	-	(903,535)
	(28,190)	(135)	(9,737)	(18,143)	212,570	-	156,365

2015

(a) Acquisition of 92.15% equity interest in Fudan Water, together with its subsidiaries, collectively the "Fudan Group"

On 22 May 2015, the Group acquired 100% interest in Global Envirotech Investment Ltd. ("Global Envirotech") and Global Envirotech indirectly owns 92.15% equity interest of Fudan Group for a purchase consideration of RMB2,116,508,000, for the expansion of its business. Fudan Group is engaged principally in the business of waste water treatment, construction, design, supervision and operation of water treatment projects and operation of waste water treatment plants in the PRC.

Impact of acquisition on profit or loss

Transaction costs related to the acquisition amounting to RMB4,691,000 and RMB2,308,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015 and 2014 respectively.

From the date of acquisition, Fudan Group contributed RMB121,815,000 and RMB33,087,000 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 RMB1,912,424,000 and RMB464,890,000 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 2015, nor is it intended to be a projection of future results.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

	Fudan Group RMB'000
<u>Consideration transferred:</u>	
Cash	626,062
Consideration shares*	1,490,446
	<u>2,116,508</u>

* The consideration shares were valued based on the share price when the consideration shares had been allotted to the seller.

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

	RMB'000
Property, plant and equipment	3,133
Intangible assets	1,773,456
Interest in associates	90,217
Available-for-sale financial instruments	500
Inventories	12
Receivables under service concession arrangements	828,775
Trade and other receivables	182,356
Prepayments	890
Cash and cash equivalents	27,520
Pledged bank deposits	4,000
Trade and other payables	(141,094)
Bank and other borrowings	(67,000)
Tax payable	(1,435)
Deferred tax liabilities	(492,446)
Non-controlling interests	(540,067)
	<u>1,668,817</u>

The receivables under service concession arrangements acquired with a fair value of RMB828,775,000 had gross contractual amounts of RMB1,338,027,000.

The non-controlling interest in Fudan Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB540,067,000. This fair value was estimated by applying the discounted cash flow model using a discount rate of 11% on the expected future cash inflows.

	RMB'000
<u>Goodwill arising from acquisition:</u>	
Consideration transferred	2,116,508
Less: Net assets required	(1,668,817)
	<u>447,691</u>

<u>Net cash outflow arising from acquisition:</u>	
Cash consideration paid	626,062
Less: Bank balances and cash acquired	(27,520)
	<u>598,542</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

39. ACQUISITION OF SUBSIDIARIES/ BUSINESS (CONT'D)

The consideration paid for the combination effectively included amounts in relation to the benefit of expected cash flows generated from future service concession agreements. This benefit is not recognised separately from goodwill because it does not meet the recognition criteria for identifiable intangible assets.

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 (2015: 1 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	
	2016	2015
	RMB'000	RMB'000
Within one year	7,473	6,301
In the second to fifth year inclusive	17,357	17,548
After five years	34,554	37,750
	<u>59,384</u>	<u>61,599</u>

The Group as lessor

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

	Group	
	2016	2015
	RMB'000	RMB'000
Within one year	3,116	1,993
In the second to fifth year inclusive	2,139	2,204
After five years	1,609	3,401
	<u>6,864</u>	<u>7,598</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

41. CAPITAL COMMITMENTS

	Group	
	2016	2015
	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	1,149,597	580,946
- Capital injection into an associate	48,000	48,000
- Additional investment in available-for-sale financial instrument	13,064	13,064
- Subscription of shares in a subsidiary (Note 39)	150,310	-
	<u>1,360,971</u>	<u>642,010</u>

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	
	2016	2015
	RMB'000	RMB'000
Pledged bank deposits	191,918	76,768
Property, plant and equipment	17,139	18,675
Investment in a subsidiary	120,000	-
Intangible assets	1,331,651	82,554
Land use rights	1,370	1,486
Trade receivables	-	129,588
Receivables under service concession arrangements	7,137,684	1,683,710
	<u>8,799,762</u>	<u>1,992,781</u>

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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	
		2016	2015
		RMB'000	RMB'000
Wholly-owned subsidiaries of the Company's intermediate holding company	Interest expenses	(107,051)	(70,977)

Compensation of Directors and key management personnel

	Group	
	2016	2015
	RMB'000	RMB'000
Wages, salaries and bonus	20,263	16,421
Defined benefit contributions	1,585	1,087
Others	132	152
	21,980	17,660

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 2016 was approximately RMB781,000 (2015: RMB1,163,000). An amount of RMB3,000 (2015: RMB7,000) was outstanding at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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 and Sludge Treatment and Water Supply:

Principal activities include construct, manage and operate of water and sludge related infrastructure under service concession arrangements and manage and operate of water and sludge related infrastructure under non-service concession arrangements and financial income under 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 2016 or 2015.

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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (CONT'D)

Business segments

	Construction		Water and Sludge Treatment and Water Supply		Waste Incineration		Total for Reportable Segments		Others Segment		Unallocated		Consolidated	
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
All amount in RMB'000														
Revenue	17,158	2,430,548	49,567	2,497,273	150,824	-	2,648,097							
Reportable segment profit (loss) from operations	3,990	551,141	18,162	573,293	33,065	(57,641)	548,717							
Finance income	-	-	-	-	-	11,357	11,357							
Finance expenses	-	-	-	-	-	(234,611)	(234,611)							
Other income	-	92,673	7,396	100,069	367	12,528	112,964							
Fair value gain of previously held interest	-	155,389	-	155,389	-	-	155,389							
Share of results of associates	-	11,312	-	11,312	(733)	-	10,579							
Share of results of joint ventures	-	-	60,122	60,122	-	-	60,122							
Income tax expense	(870)	(108,630)	(3,542)	(113,042)	(6,170)	(4,887)	(124,099)							
Profit after tax														540,418
Segment depreciation and amortisation	1,875	154,228	8,348	164,451	210	11,198	175,859							
Segment non-cash income	18	157,202	-	157,220	366	8,885	166,471							
Segment non-cash expenses	-	2,328	-	2,328	-	-	2,328							

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Construction		Water and Sludge Treatment and Water Supply		Waste Incineration		Total for Reportable Segments		Others Segment		Unallocated		Consolidated	
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
All amount in RMB'000														
Segment assets	128,634	20,834,682	416,863	21,380,179	302,089	334,702	22,016,970							
Interest in joint ventures	-	-	705,256	705,256	-	-	705,256							
Interest in associates	-	72,990	-	72,990	9,986	-	82,976							
Held for trading investments	-	-	-	-	6,149	20,646	26,795							
Available-for-sale financial instruments	-	10,400	-	10,400	500	195,388	206,288							
Total assets														23,038,285
Segment liabilities	166,584	10,273,768	188,166	10,628,518	445,074	3,431,516	14,505,108							
Segment capital expenditure	112	67,521	585	68,218	317	1,787	70,322							

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (CONT'D)

Business segments

	Construction		Water and Sludge Treatment and Water Supply		Waste Incineration		Total for Reportable Segments		Others Segment		Unallocated		Consolidated	
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
All amount in RMB'000														
Revenue	50,639	1,634,046	44,017		1,728,702	75,094	-							1,803,796
Reportable segment profit (loss) from operations	38,341	501,397	14,546		554,284	16,740	(28,566)							542,458
Finance income	-	-	-		-	-	10,441							10,441
Finance expenses	-	-	-		-	-	(169,853)							(169,853)
Other income	-	63,412	3,970		67,382	-	513							67,895
Other expenses	-	-	-		-	-	(5,190)							(5,190)
Share of results of associates	-	22,703	-		22,703	(665)	-							22,038
Share of results of joint ventures	-	-	56,207		56,207	-	-							56,207
Income tax expense	416	(91,079)	1,499		(89,164)	(5,760)	(4,660)							(99,584)
Profit after tax														424,412
Segment depreciation and amortisation	7,277	99,883	8,507		115,667	615	368							116,650
Segment non-cash income	100	757	-		857	-	9,278							10,135
Segment non-cash expenses	1,046	998	-		2,044	-	5,190							7,234

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

	Construction		Water and Sludge Treatment and Water Supply		Waste Incineration		Total for Reportable Segments		Others Segment		Unallocated		Consolidated	
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
All amount in RMB'000														
Segment assets	1,639,786	7,879,466	419,591	9,938,843	350,727	237,171	10,526,741							
Interest in joint ventures	-	-	661,128	661,128	-	-	661,128							661,128
Interest in associates	-	546,984	-	546,984	10,719	-	557,703							557,703
Held for trading investment	-	-	-	-	-	19,222	19,222							19,222
Available-for-sale financial instruments	-	-	-	-	-	191,836	191,836							191,836
Prepayment for investment in a subsidiary	-	288,188	-	288,188	-	-	288,188							288,188
Total assets				288,188			288,188							12,244,818
Segment liabilities	673,622	2,491,466	221,949	3,387,037	236,757	2,041,575	5,665,369							5,665,369
Segment capital expenditure	6,981	45,041	200	52,222	1,944	2,142	56,308							56,308

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (cont'd)

Business segments (cont'd)

(i) Revenue under Water and Sludge Treatment and Water Supply for the financial year ended 31 December 2016 include construction revenue arising from the construction of the Group's service concession arrangements related assets of RMB1,013.5 million (2015: RMB472.7 million).

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

	Group	
	2016	2015
	RMB'000	RMB'000
Segment non-cash income		
Write-back of allowances of doubtful receivables	9,959	9,857
Fair value gain from revaluation of previously held interest	155,389	-
Fair value changes from held-for-trading investments	1,105	278
Reversal of allowance for inventories	7	-
Reversal of allowance for foreseeable loss	11	-
	166,471	10,135

Segment non-cash expenses

Allowance for doubtful receivables	2,158	998
Bad debts written off	170	-
Allowance for inventories	-	1,046
Fair value changes on other liability	-	5,190
	2,328	7,234

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

	Group	
	2016	2015
	RMB'000	RMB'000
Amounts due from joint venture	137	1,437
Property, plant and equipment	2,537	1,319
Trade and other receivables	4,234	95,894
Prepayments	376	1,561
Cash and cash equivalents	327,418	136,960
Total unallocated assets	334,702	237,171

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

44. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

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

	Group	
	2016	2015
	RMB'000	RMB'000
Bank and other borrowings	3,352,944	2,008,719
Trade and other payables	78,572	32,856
Total unallocated liabilities	3,431,516	2,041,575

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 assets	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
PRC	2,648,097	1,803,796	19,130,770	10,237,705
Singapore	-	-	14,885	352
	2,648,097	1,803,796	19,145,655	10,238,057

Information about major customers

Revenue from PRC government amounted to RMB1,972,591,000 (2015: RMB1,429,630,000) arising from water and sludge treatment, water supply and waste incineration segment.

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Capital 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 32 and 33, net cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, treasury shares, retained profits and other reserves.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

(a) Capital 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 2016 and 2015.

	Group	
	2016	2015
	RMB'000	RMB'000
Total borrowings ⁽¹⁾	10,542,665	3,723,518
Less: Cash and cash equivalents	(1,634,556)	(795,228)
Net debt	<u>8,908,109</u>	<u>2,928,290</u>
Equity attributable to owners of the Company	5,972,733	5,511,562
Non-controlling interests	2,560,444	1,067,887
Total equity	<u>8,533,177</u>	<u>6,579,449</u>
Net debt/Equity attributable to owners of the Company	1.49	0.53
Net debt/Total equity	<u>1.04</u>	<u>0.45</u>

⁽¹⁾ Total borrowings comprise bank and other borrowings and finance leases.

(b) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables	14,732,253	6,639,489	2,124,261	2,167,013
Available-for-sale financial instruments	206,288	191,836	13,189	12,567
Held-for-trading investment	26,795	19,222	-	-
	<u>14,965,336</u>	<u>6,850,547</u>	<u>2,137,450</u>	<u>2,179,580</u>
Financial liabilities				
Amortised cost	(12,593,231)	(4,678,325)	(279,238)	(274,457)

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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 denominated in foreign currencies other than RMB whilst none 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SGD (against RMB)	620,333	674,589	777,852	535,264	507,596	586,850	5,534	1,247
SGD (against HKD)	291,042	239,679	251,925	248,979	13,223	5,403	94,168	101,479
HKD (against USD)	549,141	513,457	768,438	718,522	-	-	-	-
HKD (against RMB)	549,546	316,360	412,229	403,964	-	-	-	-

Sensitivity analysis

The following table details the Group's and Company's sensitivity to a 5% (2015: 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% (2015: 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% (2015: 5%) against the functional currency of Group's entities.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(i) Foreign currency risk (cont'd)

Sensitivity analysis (cont'd)

	Group		Company	
	2016	2015	2016	2015
Increase in (loss) profit before tax	RMB'000	RMB'000	RMB'000	RMB'000
SGD (against RMB)	(7,876)	6,966	25,103	29,280
SGD (against HKD)	1,956	(465)	(4,047)	(4,804)
HKD (against USD)	(10,965)	(10,255)	-	-
HKD (against RMB)	6,866	(4,380)	-	-

(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 (2015: 50 basis points) basis points higher/lower in interest rate with all other variables held constant, would result in the Group's profit net of tax to be RMB25,479,000 (2015: RMB6,109,000) lower/higher.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL 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 and financial support from the holding company. 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
2016					
Financial liabilities					
Non-interest bearing	1,893,461	37,300	28,619	1,959,380	1,951,126
Fixed interest rate instruments ^(a)	3,113,888	909,682	126,266	4,149,836	3,948,778
Variable interest rate instruments ^(b)	1,275,559	3,266,343	4,196,668	8,738,570	6,693,327
Total	6,282,908	4,213,325	4,351,553	14,847,786	12,593,231
2015					
Financial liabilities					
Non-interest bearing	853,783	25,210	38,711	917,704	913,333
Fixed interest rate instruments ^(a)	1,774,383	441,013	42,404	2,257,800	2,176,017
Variable interest rate instruments ^(b)	344,885	1,250,829	228,300	1,824,014	1,588,975
Total	2,973,051	1,717,052	309,415	4,999,518	4,678,325

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

	1 year or less	1 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at year end
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company					
2016					
Financial liabilities					
Non-interest bearing	160,212	-	-	160,212	160,212
Variable interest rate instrument ^(c)	120,255	-	-	120,255	119,026
Total	280,467	-	-	280,467	279,238
2015					
Financial liabilities					
Non-interest bearing	150,573	-	-	150,573	150,573
Variable interest rate instrument ^(c)	15,251	114,506	-	129,757	123,884
Total	165,824	114,506	-	280,330	274,457

(a) The effective interest rates ranged from 0.80% to 6.04% (2015: 1.20% to 7.38%) per annum.

(b) The effective interest rates ranged from 0.23% to 7.80% (2015: 1.80% to 7.80%) per annum.

(c) The effective interest rate ranged from 3.77% to 4.13% (2015: 3.35% to 4.04%) per annum.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

45. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONT'D)

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

(iv) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy counterparties.

Exposure to credit risk

As at reporting period end, the Group's and the Company's maximum exposure to credit risk is the carrying amount of the respective recognised financial assets as stated in the statements of financial position. The Group's principal financial assets are trade and other receivables, receivables under service concession arrangements, cash and cash equivalents and pledged bank deposits. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for doubtful receivables is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk concentration profile of the Group's and Company's trade receivables at the end of the reporting period is 100% concentrated in PRC (2015: 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.

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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

Financial assets	Fair value		Fair value hierarchy	Value Technique and key inputs	Significant unobservable input
	2016	2015			
	RMB'000	RMB'000			
Available-for-sale financial investments					
Listed equity security	179,806	176,376	Level 1	Quoted price in an active market	Not applicable
Held-for-trading investments					
Listed equity security	26,795	19,222	Level 1	Quoted price in an active market	Not applicable

(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

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Receivables under service concession arrangements ^(b)	11,152,079	12,257,726	4,787,646	5,314,144
Available-for-sale financial instruments:				
- Unlisted equity security ^(a)	26,482	Not applicable	15,460	Not applicable
Financial liabilities				
Bank and other borrowings:				
- Fixed rate borrowings ^(b)	(3,948,778)	(3,888,460)	(2,176,017)	(2,171,797)
Other non-current liabilities ^(b)	(92,562)	(88,684)	(40,812)	(40,770)

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2016

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 (cont'd)**

- (a) 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 21).
- (b) 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 classified under level 3 of the fair value hierarchy and the fair values 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

- (a) Subsequent to end of the reporting period, the Group through its 57.97% owned subsidiary, Longjiang Group, completed the acquisition of 100% equity interest in CITIC Envirotech Water Resource (Hegang) Co., Ltd. ("CEW Hegang") from CITIC Envirotech Ltd. for a cash consideration of RMB112,090,000. The acquisition of the 100% equity interest in CEW Hegang was completed in January 2017.

CEW Hegang is principally involved in the operation of two waste water treatment plants and one reclaimed water project with total design capacity of 110,000 tons/day, and is based in Hegang City, Heilongjiang Province, PRC.

- (b) The Director proposed that a final dividend of S\$0.01 per share be paid to shareholders. This dividend is subject to the approval of the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is S\$22.6 million (RMB108.9 million).

STATISTICS OF SHAREHOLDERS

As at 28 March 2017

Number of issued shares	: 2,256,645,126
Number of shares (excluding treasury shares)	: 2,256,588,726
Number of treasury shares and percentage	: 56,400 (0.002%)

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	42	2.64	821	0.00
100 – 1,000	210	13.19	114,067	0.00
1,001 – 10,000	727	45.67	3,957,148	0.18
10,001 – 1,000,000	590	37.06	32,988,429	1.46
1,000,001 and above	23	1.44	2,219,528,261	98.36
Total	1,592	100.00	2,256,588,726	100.00

Twenty Largest Shareholders

No.	Name	Number of Shares	%*
1.	Triumph Power Limited	636,929,551	28.22
2.	HSBC (Singapore) Nominees Pte Ltd	352,719,513	15.63
3.	DBS Vickers Securities (Singapore) Pte Ltd	236,182,500	10.47
4.	China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited	223,712,917	9.91
5.	Citibank Nominees Singapore Pte. Ltd.	179,641,541	7.96
6.	S.I. Infrastructure Holdings Limited	165,418,475	7.33
7.	Raffles Nominees (Pte) Limited	154,169,576	6.83
8.	Tao Ran	91,780,000	4.07
9.	DBS Nominees (Private) Limited	68,440,293	3.03
10.	Merrill Lynch (Singapore) Pte Ltd	19,578,594	0.87
11.	ABN Amro Clearing Bank N.V.	14,527,163	0.64
12.	DBSN Services Pte Ltd	13,416,496	0.59
13.	Yang Changmin	11,083,694	0.49
14.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,570,403	0.47
15.	BNP Paribas Securities Services Singapore Branch	8,601,180	0.38
16.	Maybank Kim Eng Securities Pte Ltd	6,907,237	0.31
17.	United Overseas Bank Nominees (Private) Limited	5,851,930	0.26
18.	DB Nominees (Singapore) Pte Ltd	5,772,580	0.26
19.	Phillip Securities Pte Ltd	5,476,504	0.24
20.	OCBC Securities Private Limited	3,331,500	0.15
	Total	2,214,111,647	98.11

* Based on 2,256,588,726 ordinary shares issued as at 28 March 2017 (this is based on 2,256,645,126 shares issued, excluding the 56,400 treasury shares).

STATISTICS OF SHAREHOLDERS

As at 28 March 2017

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

	Direct		Deemed	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Triumph Power Limited (“ Triumph ”)	636,929,551	28.22	-	-
Shanghai Industrial Holdings Limited (“ SIHL ”) ⁽²⁾	-	-	847,688,266	37.56
S.I Infrastructure Holdings Limited (“ SIH ”) ⁽²⁾	165,418,475	7.33	636,929,551	28.22
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited (“ CECEPHK ”)	223,712,917	9.91	-	-
China Energy Conservation and Environmental Protection Group (“ CECEP ”) ⁽³⁾	-	-	223,712,917	9.91
Value Partners Limited (“ VPL ”) ⁽⁴⁾	-	-	317,372,160	14.06
Value Partners Hong Kong Limited (“ VPHK ”) ⁽⁴⁾	-	-	317,372,160	14.06
To Hau Yin ⁽⁴⁾	-	-	317,372,160	14.06
Value Partners Group Limited (“ VPGL ”) ⁽⁴⁾	-	-	317,372,160	14.06
Cheah Capital Management Limited (“ CCML ”) ⁽⁴⁾	-	-	317,372,160	14.06
Cheah Cheng Hye ⁽⁴⁾	-	-	317,372,160	14.06
Cheah Company Limited (“ CCL ”) ⁽⁴⁾	-	-	317,372,160	14.06
BNP Paribas Jersey Trust Corporation Ltd as trustee of The C H Cheah Family Trust ⁽⁴⁾	-	-	317,372,160	14.06
BNP Paribas Jersey Nominee Company Limited (“ BNP Nominee ”) ⁽⁴⁾	-	-	317,372,160	14.06
Value Partners Classic Fund	224,658,980	9.95	-	-

Notes:

- (1) As a percentage of 2,256,588,726 shares issued, excluding treasury shares of 56,400 as at 28 March 2017.
- (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, Shanghai Industrial Financial (Holdings) Company Limited, SIIC CM Development Limited and SIIC CM Development Funds 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 45,340,200 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 Shares by reason of Shares held directly by the funds under its management. Cheah Capital Management Limited is deemed to be interested in the Shares via its 21.82% ownership in Value Partners Group Limited. Value Partners Group Limited is deemed to be interested in the Shares via its 100% ownership in Value Partners Hong Kong Limited, which in turn 100% owns VPL. Value Partners Hong Kong Limited is deemed to be interested in the Shares via its 100% ownership in VPL. Cheah Company Limited is deemed to be interested in the Shares via its 100% ownership in Cheah Capital Management Limited. BNP Paribas Jersey Nominee Company Limited holds the shares in Cheah Company Limited as nominee for BNP Paribas Jersey Trust Corporation Limited. Cheah Cheng Hye is deemed to be interested in the Shares in his capacity as the founder of a discretionary trust (“The C H Cheah Family Trust”) with BNP Paribas Jersey Trust Corporation Limited as the Trustee. To Hau Yin is deemed to be interested in the Shares in her capacity as the beneficiary of The C H Cheah Family Trust.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 28 March 2017, 37.98% 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 (“**AGM**”) of SIIC Environment Holdings Ltd. (the “**Company**”) will be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Tuesday, 25 April 2017 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditor’s Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of S\$0.01 per share tax exempt (one-tier) for the financial year ended 31 December 2016 (2015: Nil) **(Resolution 2)**
3. To approve the payment of Directors’ fees of S\$665,000 for the financial year ending 31 December 2017 (2016: S\$665,000). **(Resolution 3)**
4. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 and Regulation 97 of the Constitution of the Company:

Mr. Xu Xiaobing	(Retiring under Regulation 91)	(Resolution 4)
Mr. Xu Zhan	(Retiring under Regulation 91)	(Resolution 5)
Mr. Tay Ah Kong Bernard	(Retiring under Regulation 91)	(Resolution 6)
Mr. Li Zengfu	(Retiring under Regulation 97)	(Resolution 7)

[See Explanatory Note (i)]
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 8)**
6. To transact any other ordinary business which may be properly transacted at an AGM.

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,

NOTICE OF ANNUAL GENERAL MEETING

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 Instruments made or granted by the Directors of the Company while this Resolution was in force,

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):
 - (A) by way of renounceable rights issues on a *pro rata* basis to Shareholders of the Company (“**Renounceable Rights Issues**”) shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below); and
 - (B) otherwise than by way of Renounceable Rights Issues (“**Other Share Issues**”) shall not exceed 50 per centum (50%) of the total number of issued shares excluding treasury shares (as calculated in accordance with paragraph (3) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares excluding treasury Shares (as calculated in accordance with paragraph (3) below);
- (2) the Renounceable Rights Issues and Other Share Issues shall not, in aggregate exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares (as calculated in paragraph (3) below);
- (3) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued under paragraphs (1)(A) and (1)(B) above, the percentage of issued shares shall be based on the total 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 any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (4) in exercising the authority 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 Constitution of the Company; and
- (5) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall 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 (ii)]

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

8. **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 2017 (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 (iii)]

(Resolution 10)

9. **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 (iv)]

(Resolution 11)

10. **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 (v)]

(Resolution 12)

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 10 April 2017

NOTICE OF ANNUAL GENERAL MEETING

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) Resolution 9, if passed, will empower the Directors of the Company from the date of this Meeting 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 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 (i) 100% for Renounceable Rights Issues and (ii) 50% for Other Share Issues, of which up to 20% may be issued other than on a pro rata basis to shareholders, provided that, the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares).

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) at the time Resolution 9 is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or the vesting of share awards which are outstanding or subsisting at the time when Resolution 9 is passed, and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for 100% Renounceable Rights Issues (“**Enhanced Rights Issue Limit**”) is proposed pursuant to the Singapore Exchange Limited’s news release of 13 March 2017 which introduced measure to help companies raise funds expediently for expansion activities or working capital (“**SGX News Release**”) and unless extended further by SGX-ST, the authority will expire on 31 December 2018. Unless renewed, the mandate sought at this meeting shall expire at 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.

The Board of Directors of the Company is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders.

- (iii) Resolution 10 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 2016 are set out in greater detail in the Appendix.

NOTICE OF ANNUAL GENERAL MEETING

- (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 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.
- (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 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.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) 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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at One Temasek Avenue #37-02 Millenia Tower Singapore 039192 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 AGM 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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)

PROXY FORM ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No.)
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			

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Pan Pacific Singapore, Ocean 5, Level 2, 7 Raffles Boulevard, Marina Square, Singapore 039595 on Tuesday, 25 April 2017 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.

No.	Resolutions relating to:	No. of votes 'For**	No. of votes 'Against**
Ordinary Business			
1	Audited Financial Statements for the financial year ended 31 December 2016		
2	Payment of proposed first and final dividend (tax exempt one-tier)		
3	Approval of Directors' fees amounting to S\$665,000 for the financial year ending 31 December 2017		
4	Re-election of Mr. Xu Xiaobing as a Director		
5	Re-election of Mr. Xu Zhan as a Director		
6	Re-election of Mr. Tay Ah Kong Bernard as a Director		
7	Re-election of Mr. Li Zengfu as a Director		
8	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
9	Authority to allot and issue shares		
10	Renewal of Share Purchase Mandate		
11	Authority to issue shares under the SIIC Environment Share Option Scheme 2012		
12	Authority to issue shares under the SIIC Environment Share Award Scheme		

*If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

.....
Signature of Shareholder(s)
and, 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 81SF of the Securities and Futures Act, Chapter 289 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 (other than a Relevant Intermediary*) 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 (other than a Relevant Intermediary*) 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. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. 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.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at One Temasek Avenue #37-02 Millenia Tower Singapore 039192 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. 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.
8. 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.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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 seventy-two (72) 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 2017.

This page has been intentionally left blank.

This page has been intentionally left blank.

SIIC ENVIRONMENT HOLDINGS LTD.

Company Registration No. 200210042R
One Temasek Avenue #37-02, Millenia Tower
Singapore 039192
Tel: (65) 6538 2598
Fax: (65) 6538 2896

www.siicenv.com



Printed on recycled paper