



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

SIIC ENVIRONMENT HOLDINGS LTD. 上海實業環境控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

Stock Code: 807

LISTING BY WAY OF INTRODUCTION

Sole Sponsor

CREDIT SUISSE 

* For identification purpose only

IMPORTANT

If you are in any doubt about the contents of this listing document, you should obtain independent professional advice.



SIIC ENVIRONMENT HOLDINGS LTD.

上海實業環境控股有限公司*

(Incorporated in the Republic of Singapore with limited liability)

LISTING BY WAY OF INTRODUCTION ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock Code: 807

Sole Sponsor



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This listing document is published in connection with the listing by way of introduction on the Main Board of The Stock Exchange of Hong Kong Limited of the Shares of SIIC Environment Holdings Ltd., a company that is presently listed on the Singapore Exchange Securities Trading Limited. This listing document contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This listing document does not constitute an offer of, nor is it calculated to invite offers for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted with a view to any of them being offered for sale to or subscription by members of the public. No new Shares will be allotted to and issued in connection with, or pursuant to, this listing document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this listing document, including the risk factors set out in "Risk Factors" in this listing document. Information regarding the proposed arrangements for the listing of, and dealings and settlement of dealings in, our Shares following the Introduction is set out in "Listings, Registration, Dealings and Settlement" in this listing document.

* For identification purpose only

March 12, 2018

EXPECTED TIMETABLE

If there is any change to the following expected timetable of the Introduction, we will issue an announcement to be published on the websites of our Company (www.siicenv.com) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Commencement of investor education activities as described in the section headed “Listings, Registration, Dealings and Settlement – Investor Education” in this listing document from Monday, March 12, 2018^(note)

- posting on our Company’s website of information fact sheet about our Company, historical financial information and Share transfer procedures
- dissemination of electronic copies of this listing document through the respective websites of our Company at www.siicenv.com, the Hong Kong Stock Exchange at www.hkexnews.hk and the SGX-ST at www.sgx.com
- making available for collection of physical copies of this listing document

Daily announcement released on the respective websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the SGX-ST at www.sgx.com, disclosing the previous day closing price (in both Singapore dollars and Hong Kong dollars for reference) of our Shares on the SGX-ST, and developments and updates, if any, with regard to the bridging arrangements described in the section headed “Listings, Registration, Dealings and Settlement” in this listing document on Tuesday, March 20, 2018
Wednesday, March 21, 2018
Thursday, March 22, 2018
and not later than 8:30 a.m.
on Friday, March 23, 2018

Dealings in our Shares on the Hong Kong Stock Exchange to commence on Friday, March 23, 2018

Note: All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

Particulars of the Introduction are set out in “Information about this Listing Document and the Introduction” in this listing document.

Our Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the above expected timetable of the Introduction.

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IMPORTANT NOTICE

You should rely only on the information contained in this listing document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this listing document. Any information or representation not made in this listing document must not be relied on by you as having been authorized by us, our Directors, our Sole Sponsor, any of their respective directors or any other persons or parties involved in the Introduction.

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SUMMARY

This summary is intended to give you an overview of the information contained in this listing document. As this is a summary, it does not contain all the information that may be important to you. You should read this listing document in its entirety.

OVERVIEW

We are a leading integrated operator and investor in China's environmental industry, with an established nationwide network. Our high quality projects span the industry value chain in the wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration sectors. As of Latest Practicable Date, we had a scalable project portfolio of 120 wastewater treatment projects, six reclaimed water treatment projects, nine sludge treatment projects, 19 water supply projects and two waste incineration projects. According to Frost & Sullivan, in terms of total operational capacity as of December 31, 2016, we were the third largest municipal wastewater treatment operator in China.

During the Track Record Period, we acquired a number of companies and businesses. Our scale of operations expanded within a short period of time through the consolidation of the results of these companies and businesses. In November 2016, through our wholly owned subsidiaries, we acquired a total of 32.7% of the equity interests in Longjiang, a former associate of our Group and, as a result of the acquisition, our equity interest in Longjiang increased to 58.0%. Through our acquisition of Longjiang, we acquired 30 wastewater treatment projects, two reclaimed water treatment projects, five water supply projects and six sludge treatment projects, and this increased our market share in the water services industry in China, especially in Northeast China. For details, see "Business – Our Projects under Service Concession Arrangements and O&M Projects".

During the Track Record Period, we primarily engaged in the design, construction and/or operation of wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration. For details, see "Business – Our Business". Substantially all of our projects were undertaken under service concession arrangements. For most of our service concession arrangement projects, we adopted a BOT, TOT or BOO project model. As of September 30, 2017, of our 118 projects in operation under service concession arrangements, 81 were BOT projects, 35 were TOT projects, and two were BOO projects. For further details, see "Business – Project Models". In addition, in order to address potential competition and conflict of interests between our Company and Longjiang, we have implemented our Longjiang Business Plan. For details of Longjiang's shareholding structure, see "Relationship With Our Controlling Shareholders – Delineation of Business from the Retained SIHL Holdings Group".

Our total revenue was RMB1,504.4 million, RMB1,803.8 million, RMB2,648.1 million, RMB1,514.2 million and RMB3,353.6 million for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively. Our gross profit was RMB585.6 million, RMB712.1 million, RMB812.3 million, RMB549.2 million and RMB1,055.6 million for the same periods. For the same periods, our wastewater business line accounted for 57.4%, 73.6%, 74.7%, 75.7% and 79.7% of our revenue and 77.0%, 77.7%, 75.5%, 75.4% and 75.0% of our gross profit, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are attributable to the following strengths: (i) we are a leading integrated operator in China's environmental industry with a nationwide portfolio, ranking as the third largest municipal wastewater treatment operator in China in terms of operational capacity as of December 31, 2016; (ii) we have a strong track record of growth, supported by our successful acquisition-driven expansion and will adopt a two-pronged strategy of organic growth and acquisition-driven expansion in the future; (iii) we follow a nationwide strategy that focuses on cities with higher per capita income to capture potential benefits from population growth, urbanization and favorable environment-related government policies; (iv) we possess strong technological and operational expertise and an established regional management structure, enabling us to effectively manage our projects across the nation and continuously improve our operations; (v) we have delivered strong and resilient financial performance supported by the non-discretionary nature of our services and long-term exclusive contracts with our customers; and (vi) we have a stable and experienced senior management team with in-depth industry knowledge.

SUMMARY

For details of our strengths, see “Business – Our Competitive Strengths” on pages 160 to 165 of this listing document.

OUR BUSINESS STRATEGIES

We plan to pursue the following business strategies: (i) enhance our research and development capabilities and introduce new technologies to further improve our operational efficiency and the competitiveness of our existing projects; (ii) solidify our market leadership position and further expand market share in the water and solid waste industries; (iii) expand across the environmental industry value chain and enter new industry sectors; (iv) continue to evaluate and selectively pursue investments and acquisition opportunities in China and overseas; and (v) continue to leverage the strong support from SIHL Holdings and explore strategic cooperation partnership opportunities. For details of our strategies, see “Business – Our Business Strategies” on pages 165 to 167 of this listing document.

SERVICE CONCESSION ARRANGEMENTS

During the Track Record Period, substantially all of our projects were undertaken under service concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body (“**grantor**”), contracts with a private operator to develop (or upgrade), operate and maintain the grantor’s infrastructure assets, such as roads, bridges, tunnels, airports, energy distribution networks, wastewater treatment plants and water supply plants. The grantor controls or regulates the range and price of services that the operator provides by utilizing the assets, and also controls any significant residual interest in the assets at the end of the term of the arrangement. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 83.9%, 93.0%, 93.7%, 96.4% and 96.8%, respectively, of our revenue was derived from our service concession arrangements.

PROJECT MODELS

During the Track Record Period, for most of our service concession arrangement projects, we adopted the BOT, TOT or BOO project model according to the relevant service concession arrangements. In addition, we also operated and maintained third-party plants under the O&M project model.

BOT Project Model

Under the BOT project model, we enter into a service concession arrangement with a local government regarding the investment, construction and operation of a proposed wastewater treatment, reclaimed water treatment, sludge treatment, water supply or waste incineration plant. We finance the construction of the relevant plant with a combination of bank borrowings, other borrowings and our internal resources. We are granted the right to operate the relevant plant during the concession period, which generally lasts about 20 to 30 years for most of our BOT projects, and are entitled to fees from either the users or the local governments during the concession period to cover our costs of investment, construction, operation and maintenance and to provide us reasonable returns. After expiration of the concession period, we transfer the relevant plant back to the local government without compensation.

TOT Project Model

The TOT project model differs from the BOT project model because we do not construct the relevant plant under the TOT project model. We acquire the concession rights for the relevant plant, which has already been constructed for an agreed consideration. Similar to the BOT project model, we are entitled to fees from either the users or the local governments during the concession period to cover our costs of investment, operation and maintenance and to provide us reasonable returns. The concession period generally lasts about 20 to 30 years for most of our TOT projects. After expiration of the concession period, we transfer the relevant plant back to the local government without compensation.

SUMMARY

BOO Project Model

Under a BOO project model, we finance the investment, construction and operation of our own plant by a combination of bank and other borrowings and our internal resources. Unlike a BOT or TOT project model, we do not transfer the plant back to the local government after expiration of the concession period, which generally lasts 20 to 30 years for most of our BOO projects. We are generally entitled to fees from either the users or the local governments during the concession period to cover our costs of investment, construction, operation and maintenance and to provide us reasonable returns. We need to secure new concession rights to operate the relevant plant after the expiration of the existing concession period.

O&M Project Model

Under the O&M project model, we generally operate and maintain existing wastewater treatment plants and water supply plants owned by our customers in exchange for fees. The fees we receive for our O&M projects are stipulated in the relevant O&M agreements and are based on an agreed tariff pricing formula or fixed service fee. We are usually appointed for a pre-agreed period and may be reappointed upon the expiry of the agreed contractual term. During the term of our appointment, we are responsible for all of the costs of maintenance and repair of the relevant plants. We are not required to make any capital investment in the wastewater and water supply plants under our O&M agreements.

Summary of Our Project Models under Service Concession Arrangements

	As of December 31,									As of September 30,		
	2014			2015			2016			2017		
	In Operation ⁽¹⁾	Under Construction	Sub-total	In Operation ⁽¹⁾	Under Construction	Sub-total	In Operation ⁽¹⁾	Under Construction	Sub-total	In Operation ⁽¹⁾	Under Construction	Sub-total
Total Projects under Service Concession Arrangements												
BOT.	34	8	42	43	11	54	70	30	100	81	21	102
TOT.	12	-	12	15	-	15	31	-	31	35	-	35
BOO	2	-	2	2	-	2	2	-	2	2	-	2
Other ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	1	1
Total	48	8	56	60	11	71	103	30	133	118	22	140
Wastewater Treatment Projects under Service Concession Arrangements												
BOT.	30	7	37 ⁽²⁾	39	10	49 ⁽²⁾⁽³⁾	63	23	86 ⁽³⁾	72	15	87
TOT.	9	-	9	9	-	9 ⁽⁴⁾	19	-	19 ⁽⁴⁾	22	-	22
Other ⁽⁶⁾	-	-	-	-	-	-	-	-	-	-	1	1
Sub-total	39	7	46	48	10	58	82	23	105	94	16	110
Reclaimed Water Treatment Projects under Service Concession Arrangements												
BOT.	-	-	-	-	-	-	1	-	1	1	1	2
TOT.	-	-	-	-	-	-	1	-	1	2	-	2
Sub-total	-	-	-	-	-	-	2	-	2	3	1	4
Sludge Treatment Projects under Service Concession Arrangements												
BOT.	-	1	1	-	1	1	2	6	8	4	4	8
Sub-total	-	1	1	-	1	1	2	6	8	4	4	8
Water Supply Projects under Service Concession Arrangements												
BOT.	4	-	4	4	-	4	4	-	4	4	-	4
TOT.	3	-	3	6	-	6 ⁽⁵⁾	11	-	11 ⁽⁵⁾	11	-	11
BOO	1	-	1	1	-	1	1	-	1	1	-	1
Sub-total	8	-	8	11	-	11	16	-	16	16	-	16
Waste Incineration Projects under Service Concession Arrangements												
BOT.	-	-	-	-	-	-	-	1	1	-	1	1
BOO	1	-	1	1	-	1	1	-	1	1	-	1
Sub-total	1	-	1	1	-	1	1	1	2	1	1	2

SUMMARY

Notes:

- (1) *Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.*
- (2) *The increase in the number of our BOT projects (wastewater treatment) from 37 as of December 31, 2014 to 49 as of December 31, 2015 was mainly due to the acquisition of Global Envirotech Investment Limited in 2015. See “History and Development – Global Envirotech”.*
- (3) *The increase in the number of our BOT projects (wastewater treatment) from 49 as of December 31, 2015 to 86 as of December 31, 2016 was mainly due to the acquisition of Longjiang and Ranhill in 2016. See “History and Development – Major Acquisitions – Longjiang” and “History and Development – Major Acquisitions – Ranhill”.*
- (4) *The increase in the number of our TOT projects (wastewater treatment) from 9 as of December 31, 2015 to 19 as of December 31, 2016 was mainly due to the acquisition of Longjiang in 2015. See “History and Development – Major Acquisitions – Longjiang”.*
- (5) *The increase in the number of our TOT projects (water supply) from 6 as of December 31, 2015 to 11 as of December 31, 2016 was mainly due to the acquisition of Longjiang in 2016. See “History and Development – Major Acquisitions – Longjiang”.*
- (6) *This refers to the ROT project, i.e. Pinghu City Eastern Wastewater Treatment Project 1st Stage (平湖市東片污水廠處理廠一期) which we acquired on July 20, 2017. For details, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Under Construction”.*

PRICING FOR OUR WASTEWATER TREATMENT PROJECTS AND WATER SUPPLY PROJECTS

For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, our revenue derived from our wastewater treatment and water supply business lines accounted for 80.9%, 90.5%, 90.1%, 94.0% and 93.0% of our total revenue, respectively. Details of our pricing for wastewater treatment and water supply projects are as follows:

Wastewater Treatment: Our tariff for wastewater treatment services is usually set and calculated by the relevant local governments according to formulas stipulated in the relevant service concession agreements, taking into account investment amounts, construction costs, operational costs, the amount of wastewater treated during the previous pricing period and reasonable returns on investment. In general, the service concession arrangements usually stipulate a guaranteed minimum treatment volume of wastewater treated and a guaranteed minimum unit price. Additionally, our tariff is not affected by the actual unit price the local governments charge end users. For details of our service concession arrangements and guaranteed minimum treatment volumes, see “Business – Our Projects under Service Concession Arrangements and O&M Projects” in this listing document.

Tap Water Supply: Our tariff for tap water supply services is calculated according to the volume of tap water consumed multiplied by the unit price set in accordance with the relevant laws and regulations while taking operational cost into account. Unit prices may be reset every few years and we can apply for a price increase whenever operational costs increase due to changing market conditions according to the relevant agreement. A tiered price structure based on usage volume for residential and non-residential users was implemented in some areas pursuant to the Notice of Establishment of the Tiered Water Price Structure for Urban Residents. The notice provided that usage volume shall be measured on an annual basis. During the Track Record Period, some of our water supply projects had implemented tiered price structures. For details of the relevant projects, see “Business – Our Projects Service Concession Arrangements and O&M Projects”.

For further details, see “Business – Customers and Pricing”.

CUSTOMERS AND SUPPLIERS

For our wastewater treatment, sludge treatment and waste incineration services, our customers are generally municipal, district or county level governments or their designees in the PRC. We typically enter into agreements with our customers to provide wastewater treatment and other services on a project-by-project basis. For our tap water and reclaimed water services, our customers are generally commercial and non-commercial entities and

SUMMARY

individual households which are end users of the tap water we supply. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, our largest customers accounted for 14.7%, 14.9%, 13.1% and 8.6% of our total revenue, respectively. For the same periods, sales to our top five customers accounted for 44.1%, 43.1%, 31.2% and 34.2% of our total revenue, respectively. For further details, see “Business – Customers and Pricing”.

Our principal suppliers are construction contractors, design institutions, equipment vendors, suppliers of raw materials and electricity suppliers. Purchases from our largest supplier for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017 accounted for approximately 7.6%, 9.9%, 14.2% and 8.2% of our total purchase costs, respectively, and purchases from our five largest suppliers accounted for approximately 17.9%, 29.8%, 44.6% and 34.1% of our total purchase costs, respectively. For further details, see “Business – Suppliers”.

TAXATION

We are incorporated in Singapore. Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning, or selling the Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including Hong Kong. Please see “Appendix VI” for further information.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date and immediately following completion of the Introduction, SIIC, SIHL Holdings, Triumph Power, S.I. Infrastructure, SIHL Treasury, SIIC Capital (B.V.I.) Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, Shanghai Industrial Financial Holdings Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited, as a group of persons being close associates of each other, will be together entitled to exercise in general meetings voting rights attached to ordinary Shares representing approximately 46.31% of our Company, and therefore constitute our Controlling Shareholders under the Hong Kong Listing Rules. SIHL Holdings, being a controlling shareholder of our Company, does not have any interest in a business which competes with, or is likely to compete with, our business, save for its minority equity interests in General Water, Longjiang and Canvest. For further details, please see “Relationship with Our Controlling Shareholders” in this listing document.

CONNECTED TRANSACTIONS

Certain members of our Group have obtained loans from certain members of the Retained SIHL Holdings Group. The total amount of the outstanding Intra-Group Loans as of January 31, 2018 was RMB2.4140 billion, representing approximately 22.7% of the then total borrowings of our Group. Moreover, we also entered into the General Water Custodial and Management Services Agreement and Longjiang Custodial and Management Services Agreement with SIHL Holdings and certain members of the Retained SIHL Holdings Group. For further details, please see “Connected Transactions” in this listing document.

REGULATIONS

Among PRC laws and regulations applicable to our Group or business, we are subject to the capital fund requirements in relation to investment in wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects, under which we must contribute not less than 20% of our investment amount as the project company’s capital fund. We are also subject to requirements in relation to granting concessions in municipal public utilities projects, under which grantees of concession rights should be selected through tenders, competitive negotiations and other competitive modes, a concession period should not exceed 30 years, tariffs should be determined by the competent government agencies through a hearing and announcement system, written requests should be submitted for tariff adjustments and treated wastewater and reclaimed water, residue from sludge treatment and waste incineration and tap water supplied should meet the applicable national standards. Concessions may be withdrawn if a grantee engages in prohibited conduct and fails to take remedial action pursuant to an order of a competent authority. For further details, see “Regulatory Overview”.

SUMMARY

PROJECT FINANCING

We fund our capital expenditures primarily with internal resources, bank and other borrowings. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, our capital expenditures, which included expenditures on the acquisition of subsidiaries, joint ventures and associates, service concession arrangements, land use rights and property, plant and equipment, were RMB1,657.4 million, RMB2,926.6 million, RMB1,745.1 million and RMB1,270.3 million, respectively. As of January 31, 2018, our total borrowings amounted to RMB10.7 billion. Our planned capital expenditures for the year ending December 31, 2018 are expected to be approximately RMB1.9 billion. We plan to fund our future capital expenditures through a combination of our internal resources and bank borrowings. For further details, see “Business – Project Financing”.

DIVIDENDS

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Constitution, the Companies Act, applicable laws and regulations and other factors that our Directors deem relevant. Final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Directors. Our Directors may, without the approval of our Shareholders, also declare an interim dividend. Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRS. We did not declare any dividend in the years ended December 31, 2014 and 2015 as we required existing cash to fund capital expenditures and investments in projects. During the nine months ended September 30, 2017, we declared and distributed a dividend of S\$0.01 per share, which amounted to RMB110.0 million in aggregate, as the distribution for the year ended December 31, 2016. As of the Latest Practicable Date, we did not have a formal dividend policy. This dividend payment is not indicative of any current or future dividend policy. There is no assurance that dividends of any amount will be declared or distributed in any year. See “Risk Factors – Risks Relating to the Introduction and Our Shares – We cannot guarantee that we will pay dividends”. For information relating to taxes payable on dividends, see “Risk Factors – Risks Relating to Conducting Business in the PRC – Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes”.

SUMMARY OF OPERATIONAL AND FINANCIAL DATA

The following table sets out our consolidated statements of comprehensive income as of the dates indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	1,504,434	1,803,796	2,648,097	1,514,161	3,353,616
Cost of sales	(918,812)	(1,091,666)	(1,835,801)	(964,938)	(2,297,980)
Gross profit	585,622	712,130	812,296	549,223	1,055,636
Other income ⁽¹⁾	81,567	109,665	161,251	125,783	173,650
Other gains and losses ⁽²⁾	54,271	(4,692)	162,901	9,768	9,625
Selling and distribution costs	(15,116)	(15,908)	(39,114)	(23,075)	(49,334)
Administrative expenses	(177,493)	(185,591)	(268,907)	(149,331)	(210,323)
Finance costs	(151,295)	(169,853)	(234,611)	(141,504)	(384,938)
Share of results of joint ventures	52,732	56,207	60,122	46,002	37,052
Share of results of associates	7,655	22,038	10,579	14,540	(2,758)
Profit before taxation	437,943	523,996	664,517	431,406	628,610
Income tax expense	(75,948)	(99,584)	(124,099)	(92,695)	(171,976)
Profit for the year/period	361,995	424,412	540,418	338,711	456,634

SUMMARY

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period attributable to					
Owners of the Company	290,708	360,390	454,926	284,661	350,240
Non-controlling interests	71,287	64,022	85,492	54,050	106,394

Notes:

- (1) *Other income primarily includes government subsidies such as VAT refunds and water tariffs subsidies, and income from the installation of water meters.*
- (2) *Other gains and losses primarily include change in fair value of other liability, fair value gain on held for trading investments, foreign exchange gains and losses and gain from revaluation of previously held interests in an associate.*

The following table sets forth selected items of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of	As of
	2014	2015	2016	September 30,	January 31,
	RMB'000	RMB'000	RMB'000	2017	2018
					(unaudited)
Non-current assets	6,209,064	10,238,057	19,145,655	20,982,587	21,934,328
Current assets	1,957,557	2,006,761	3,892,630	4,446,604	3,992,030
Current liabilities	1,927,171	3,037,495	6,153,073	6,025,418	6,403,761
Net current assets/(liabilities)	30,386	(1,030,734)	(2,260,443)	(1,578,814)	(2,411,731)
Non-current liabilities	2,048,839	2,627,874	8,352,035	9,317,426	9,192,953
Net Assets	4,190,611	6,579,449	8,533,177	10,086,347	10,329,644
Total equity	4,190,611	6,579,449	8,533,177	10,086,347	10,329,644

The following table sets out a selected summary of our consolidated cash flow statements for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash from (used in) operating activities	284,349	(63,666)	(85,258)	302,653	(910,639)
Net cash (used in) from investing activities	(1,324,255)	(923,751)	(176,201)	2,738	(281,076)
Net cash from (used in) financing activities	304,860	656,079	1,091,248	(46,376)	1,216,779
Cash and cash equivalents at end of the year/period	1,119,272	795,228	1,634,556	1,055,719	1,633,447

SUMMARY

Summary Operating Results by Business Line

The following table sets out our revenue by business line and project phase in which the revenue was recognized for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,													
	2014		2015		2016		2016		2017		2017									
	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase								
Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%							
(RMB in millions, except percentages)																				
(unaudited)																				
Wastewater treatment																				
Construction revenue	136.4	9.1%	-	-	440.4	24.4%	-	-	959.4	36.2%	-	497.4	32.9%	-	1,434.1	42.8%	-			
Operating revenue	-	-	517.1	34.4%	-	-	634.0	23.9%	-	-	411.1	27.1%	-	-	730.4	21.8%	-			
Financial income	13.4	0.9%	195.3	13.0%	34.5	1.9%	293.0	16.2%	69.9	2.6%	316.4	12.0%	40.7	2.7%	196.4	13.0%	104.3	3.1%	403.7	12.0%
Subtotal	149.8	10.0%	712.4	47.4%	474.9	26.3%	854.2	47.3%	1,029.3	38.8%	950.4	35.9%	538.1	35.6%	607.5	40.1%	1,538.4	45.9%	1,134.1	33.8%
Water supply																				
Construction revenue	95.5	6.3%	-	-	32.4	1.8%	-	-	10.0	0.4%	-	-	9.8	0.7%	-	-	5.3	0.2%	-	-
Operating revenue	-	-	259.1	17.2%	-	-	272.6	15.1%	-	-	396.4	15.0%	-	-	267.2	17.6%	-	-	440.2	13.1%
Subtotal	95.5	6.3%	259.1	17.2%	32.4	1.8%	272.6	15.1%	10.0	0.4%	396.4	15.0%	9.8	0.7%	267.2	17.6%	5.3	0.2%	440.2	13.1%
Waste incineration																				
Construction revenue	-	-	-	-	-	-	-	-	44.0	1.7%	-	-	-	-	-	-	66.7	2.0%	-	-
Operating revenue	-	-	37.4	2.5%	-	-	35.4	2.0%	-	-	41.1	1.6%	-	-	30.5	2.0%	-	-	51.1	1.5%
Financial income	-	-	7.9	0.5%	-	-	8.6	0.5%	0.4	-	8.5	0.3%	-	-	6.4	0.4%	2.9	0.1%	6.2	0.2%
Subtotal	-	-	45.3	3.0%	-	-	44.0	2.5%	44.4	1.7%	49.6	1.9%	-	-	36.9	2.4%	69.6	2.1%	57.3	1.7%
Others																				
Consultancy work and other services	-	-	32.6	2.2%	-	-	75.1	4.2%	-	-	150.8	5.7%	-	-	49.2	3.2%	-	-	106.7	3.1%
EPC construction	-	-	209.7	13.9%	-	-	50.6	2.8%	-	-	17.2	0.6%	-	-	5.5	0.4%	-	-	2.0	0.1%
Subtotal	-	-	242.3	16.1%	-	-	125.7	7.0%	-	-	168.0	6.3%	-	-	54.7	3.6%	-	-	108.7	3.2%
Total	245.3	16.3%	1,259.1	83.7%	507.3	28.1%	1,296.5	71.9%	1,083.7	40.9%	1,564.4	59.1%	547.9	36.3%	966.3	63.7%	1,613.3	48.2%	1,740.3	51.8%
Total revenue	1,504.4	100%	1,803.8	100%	2,648.1	100%	2,648.1	100%	1,514.2	100%	3,353.6	100%	3,353.6	100%	3,353.6	100%	3,353.6	100%	3,353.6	100%

SUMMARY

The following table sets out our gross profit by business line and project phase in which the gross profit was recognized for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,									
	2014		2015		2016		2016		2017		2017					
	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase				
Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%	Gross Profit	%			
(unaudited)																
(RMB in millions, except percentages)																
Wastewater treatment																
Construction revenue	16.4	2.8%	-	-	52.9	7.4%	-	-	122.7	15.1%	-	-	223.0	21.1%	-	-
Operating revenue	-	-	226.1	38.6%	-	-	172.7	24.3%	-	-	104.3	12.8%	-	-	98.4	17.9%
Financial income	13.4	2.3%	195.3	33.4%	34.5	4.8%	293.0	41.2%	69.9	8.6%	316.4	39.0%	40.7	7.4%	196.4	35.8%
Subtotal	29.8	5.1%	421.4	72.0%	87.4	12.2%	465.7	65.5%	192.6	23.7%	420.7	51.8%	119.5	21.7%	294.8	53.7%
Water supply																
Construction revenue	11.5	2.0%	-	-	3.9	0.5%	-	-	1.2	0.1%	-	-	1.0	0.2%	-	-
Operating revenue	-	-	88.8	15.2%	-	-	96.5	13.6%	-	-	142.3	17.5%	-	-	87.4	15.9%
Subtotal	11.5	2.0%	88.8	15.2%	3.9	0.5%	96.5	13.6%	1.2	0.1%	142.3	17.5%	1.0	0.2%	87.4	15.9%
Waste incineration																
Construction revenue	-	-	-	-	-	-	-	-	5.4	0.7%	-	-	-	-	-	-
Operating revenue	-	-	19.8	3.4%	-	-	15.6	2.2%	-	-	19.5	2.4%	-	-	14.9	2.7%
Financial income	-	-	7.9	1.3%	-	-	8.6	1.2%	0.4	0.1%	8.5	1.0%	-	-	6.4	1.2%
Subtotal	-	-	27.7	4.7%	-	-	24.2	3.4%	5.8	0.8%	28.0	3.4%	-	-	21.3	3.9%
Others																
Consultancy work and other services	-	-	15.5	2.6%	-	-	25.7	3.6%	-	-	33.0	4.1%	-	-	27.2	5.1%
EPC construction	-	-	(9.1)	(1.6)%	-	-	8.7	1.2%	-	-	(11.3)	(1.4)%	-	-	(2.0)	(0.4)%
Subtotal	-	-	6.4	1.0%	-	-	34.4	4.8%	-	-	21.7	2.7%	-	-	25.2	4.7%
Total	41.3	7.1%	544.3	92.9%	91.3	12.7%	620.8	87.3%	199.6	24.6%	612.7	75.4%	120.5	21.9%	428.7	79.1%
Total gross profit	585.6	100%	712.1	100%	812.3	100%	100%	100%	549.2	100%	100%	100%	1,055.6	100%	1,055.6	100%

SUMMARY

Key Financial Ratios

	As of and for the years ended December 31,			As of and for the nine months ended September 30,
	2014	2015	2016	2017
Net profit margin ⁽¹⁾	24.1%	23.5%	20.4%	13.6%
Return on equity ⁽²⁾	8.6%	6.5%	6.3%	6.1% ⁽⁸⁾
Return on assets ⁽³⁾	4.4%	3.5%	2.3%	2.4% ⁽⁹⁾
Current ratio ⁽⁴⁾	1.0	0.7	0.6	0.7
Gearing ratio ⁽⁵⁾	64.0%	58.0%	126.5%	110.8%
Net debt to equity ratio ⁽⁶⁾	37.3%	45.9%	107.3%	94.6%
Interest coverage ratio ⁽⁷⁾	3.9	4.1	3.8	2.6

Notes:

- (1) Equals net profit for the period as a percentage of total revenue for the same period.
- (2) Equals net profit for the period as a percentage of total equity as of the end of the same period.
- (3) Equals net profits for the period as a percentage of total assets as of the end of the same period.
- (4) Equals current assets as a percentage of current liabilities as of the end of the period.
- (5) Equals total debt as a percentage of total equity as of the end of the period. Total debt includes bank and other borrowings, finance lease and amount due to non-controlling shareholders.
- (6) Equals net debt as a percentage of total equity as of the end of the period. Net debt equals all borrowings (bank and other borrowings, finance lease and amount due to non-controlling shareholders) less cash and cash equivalents.
- (7) Equals profit before tax and finance cost divided by finance cost for the same period.
- (8) Calculated using annualized net profit divided by total equity as of the end of the corresponding period.
- (9) Calculated using annualized net profit divided by total assets as of the end of the corresponding period.

See “Financial Information – Financial Ratios” for an explanation of the fluctuation of our financial ratios during the Track Record Period.

Accounting Treatment of Service Concession Arrangements

The accounting treatment of service concession arrangements varies with the type of project, involves judgment, and affects the presentation of our results of operation. Several key aspects of this accounting treatment are summarized below. For more information, see “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment for service concession arrangement.” During the construction phase of BOT and BOO projects, we recognize construction revenue in our results of operation but generally do not receive payment from the project’s grantor or payment obligor until the project has entered into operation, which is when we begin collecting service tariffs. Thus there is a mismatch between the recognition of construction revenue and cash flows during the construction phase. The non-cash construction revenue is recorded as an asset on our statement of financial position. After the project commences operation, the asset is amortized over the term of the service concession.

For service concession projects without a guaranteed stream of future payments based on minimum treatment volumes (mainly BOO water supply projects), construction revenue is recorded on our statement of financial position as an intangible asset, which is amortized on a straight-line basis over the term of the service concession. During the operation phase of the project, the entire sum of service tariffs we receive is recorded as operating revenue.

For service concession projects with a guaranteed future revenue stream (mainly BOT wastewater treatment and waste incineration projects), we treat construction revenue as a financial asset, which is recorded as “receivables under service concession arrangements” on our statement of financial position. During the construction phase, we also accrue interest on the construction revenue at a pre-set interest equal to the PBoC’s basic lending rate for loans over five years starting from the day when construction commences. Such interest is recognized as financial income during the construction phase of the relevant project. When the project enters into operation, the accrued interest is added to the accumulated receivables under service concession arrangements for the project and the sum is amortized at the pre-set interest rate, using the effective interest method, over the term of the concession. In the operation phase of the project, when we collect the service tariff, we use a portion of the tariff billed to pay down the balance of receivables under service concession arrangements, recognize a portion as financial income during the operation phase, and recognize the remainder as operating revenue. The balance of service concession receivables will be completely paid down at the end of the concession period.

SUMMARY

For TOT projects, the consideration we pay to the grantor to obtain the right to operate the service concession is recorded as an asset, either as receivables under service concession arrangements, in the case of concessions with guaranteed revenue stream, or as intangible assets, in the case of concessions without a guaranteed revenue stream.

We consider the construction revenue plus any interest thereon, in the case of BOT projects, and consideration paid to the grantor, in the case of TOT projects, to be our upfront investment. If our upfront investment in a project exceeds the guaranteed future revenue stream of a project discounted using a pre-set interest rate to the time at which we commence operation, we record the excess amount as intangible assets and the discounted guaranteed revenue stream amount as receivables under service concession arrangements.

The following roll forward table sets forth the movements in the balances of receivables under service concession arrangements and intangible assets during the Track Record Period.

	Intangible assets – Operating concessions	Receivables under service concession arrangements
	RMB'000	RMB'000
At January 1, 2014.	1,052,188	2,715,086
Additions ⁽¹⁾	117,355	170,269
Acquisition of subsidiaries.	453,574	520,335
Reclassification	944	–
Amortization	(64,681)	–
Disposals	(16,685)	–
Disposals of subsidiaries	(27,909)	(696)
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(79,277)
At December 31, 2014.	1,514,786	3,325,717
Additions ⁽¹⁾	35,431	759,965
Acquisition of subsidiaries.	1,773,456	828,775
Amortization	(104,779)	–
Reclassification	(213)	–
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(126,811)
At December 31, 2015.	3,218,681	4,787,646
Additions ⁽¹⁾	49,963	1,325,600
Acquisition of subsidiaries.	3,335,369	5,170,042
Amortization	(161,803)	–
Disposals	(7,412)	(37,986)
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(93,223)
At December 31, 2016.	6,434,798	11,152,079
Additions ⁽¹⁾	192,859	1,593,569
Acquisition of subsidiaries.	120,686	357,997
Amortization	(194,551)	–
Reclassification	60	–
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(329,873)
At September 30, 2017	6,553,852	12,773,772

Note:

(1) Additions to intangible assets associated with operating concessions and receivables under service concession arrangements represent (a) construction revenue and financial income (for receivables under service concession arrangements) recognized during construction period for BOT/BOO/ROT projects; and (b) consideration paid for acquiring TOT projects or land use rights, less government grants, if any.

Our construction revenue is generally recognized by reference to the progress of construction projects at the end of the reporting period as measured by the proportion of construction costs incurred for work performed to date relative to the estimate total contract cost for the project. The amount of construction revenue recognized is affected by the number of projects under construction, the estimated construction costs of those projects and the stage of completion. For accounting policies related to construction contracts, see “Financial Information – Critical Accounting Policies, Estimates and Judgments – Construction contracts.”

SUMMARY

Construction revenue generally consists of construction costs plus a profit mark-up. We estimate the construction cost of service concession projects as part of our assessment of the upfront investment required to bid for new projects or to expand or upgrade existing projects. Among the factors considered are the location, capacity and technical standards of the project, amount of overall investment, possibility of future expansion, length of the concession period, and the duration of the construction period. The main cost components of project construction include building and site work, equipment installation, and design and consultancy services. The particular costs within each component vary with the type of plant being constructed and project location. We generally outsource plant construction to third-party contractors who manage their own labor, machinery, and other input costs. For more information about our construction subcontractors, see “Business – Suppliers.” Throughout the Track Record Period, for construction of projects under service concession arrangements completed by third parties, we assigned a profit mark-up of 12% to the construction service fee payable to such third-party subcontractors. We determine the profit mark-up by reference to publicly available information regarding the gross profit margins of comparable municipal public infrastructure projects and companies that provide such construction services.

The fair value of the construction service that we provide, either through third-party contractors or directly through our operating subsidiaries, is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. We use the PBoC’s basic lending rate for loans over five years. Where we record intangible assets in connection with service concession projects, the fair value of the intangible assets is determined based on discounted future cash flow, which we make estimates based on expected tariff rates, service demand, as well as the discount rate.

Our assessment of the potential economic return of a project is based on a variety of factors, depending on the type of project, which may include: plant capacity, potential for expansion, technical standards, plan for upgrade, concession length, length of construction period, tariff rates, availability of government support, upfront capital investment and interest rates. For more information about our project management practices, see “Business – Project Management.” Among our service concession arrangement projects under construction as of the Latest Practicable Date, the estimated investment payback period was approximately five to 15 years for wastewater treatment, six to ten years for sludge treatment, nine years for reclaimed water treatment, and twelve years for waste incineration. For details on estimated investment payback period of our significant service concession arrangement projects that were under construction as of the Latest Practicable Date, please see “Business – Our Projects Under Service Concession Arrangements and O&M Projects – Overview List – Projects Under Construction.” In addition, among our service concession arrangement projects under construction as of the Latest Practicable Date, the expected rate of return per annum was not less than 7% for wastewater treatment, 10% for sludge treatment, 11% for the reclaimed water treatment and 8% for waste incineration. As of the Latest Practicable Date, the expected rate of return for one water supply project under development was not less than 9%. The expected rates of return were calculated using estimated annual operating cash flow divided by estimated total investment costs.

We assess at each reporting date whether an asset, including receivables under service concession arrangements and intangible assets may be impaired. An asset is considered impaired where the carrying amount of the asset exceeds its recoverable amount, and the asset is written down to its recoverable amount. Possible indicators of intangible asset impairment include physical damage to a project’s plant facilities and significant changes with adverse effect on the projects in the market environment. If any such indication exists, or when annual impairment assessment for an asset is required, we perform an impairment test on the intangible asset. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. To assess value in use, we discount the estimated future cash flow expected to be generated by the intangible asset to its present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. To determine the fair value of the intangible asset, we estimate the discounted future cash flow from the intangible asset, making certain assumptions about the future tax, inflation, VAT, and tariff growth rates, future demand for service, and the discount rate. In testing intangible assets for impairment, we conduct sensitivity analyses by varying our assumptions about the future rate of tariff increase and the discount rate. During the Track Record Period, no intangible assets relating to operating concessions were impaired.

SUMMARY

Our ability to realize future cash flows, as assessed under an impairment test, is affected by factors such as changes in economic conditions and changes in our operating performance. As we periodically reassess our assumptions, including estimated future cash flows, changes in our estimates and assumptions may cause us to record material impairment charges in the future.

Net Current Liabilities

We recorded net current liabilities of RMB1,030.7 million, RMB2,260.4 million, RMB1,578.8 million and RMB2,411.7 million as of December 31, 2015 and 2016, September 30, 2017, and January 31, 2018, respectively. Our current liabilities as of those dates were mainly bank and other borrowings to finance acquisitions, including Longjiang and Ranhill, as well as trade and other payables arising from construction at projects under service concession arrangements. Most of our assets, in the form of receivables under service concession arrangements and intangible assets, which were generated by the construction of plants or consolidated from acquired subsidiaries, were recorded in the non-current asset portion of our consolidated statement of financial position, resulting in net current liabilities as of those dates. See “Financial Information – Description of Principal Consolidated Balance Sheet Items – Net current assets (liabilities)” for a detailed analysis of our net current liability position.

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents on hand, cash flows generated from operations, bank borrowings, other borrowings, and equity and debt financings. Taking into account the financial resources available to us, including our internally generated funds and available facilities, our Directors are of the opinion that we have sufficient working capital required for our present requirements and for at least the next 12 months from the date of this listing document. See “Financial Information – Description of Principal Consolidated Balance Sheet Items – Working Capital.”

Negative Operating Cash Flows

We recorded negative net cash flows from operating activities of RMB63.7 million, RMB85.3 million and RMB910.6 million for the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017, respectively. Our negative net cash flows from operating activities were mainly due to construction of BOT projects under service concession arrangements with guaranteed minimum treatment volumes. We generally spend cash upfront to build such BOT projects and do not receive cash payments until the project enters into operation. The cash we spend on construction of such projects is recorded as cash used in operating activities. As the building of public infrastructure projects is capital intensive, under the BOT project model, the initial cash outflow for each project will exceed cash inflow resulting from the mismatch between cash spent during the construction phase and cash generated in the operating phase. As of December 31, 2014, 2015, 2016 and September 30, 2017, we had eight, eleven, 30 and 21 BOT projects under construction. Our operating cash flow is affected by the number and scale of projects under construction. Due to the increase in large-scale BOT projects under construction during the Track Record Period, our cash used in operating activities have exceeded cash flows generated from operating activities, especially in the nine months ended September 30, 2017. For details of our operating cash flows, see “Financial Information – Liquidity and Capital Resources – Cash flow from (used in) operating activities.” For details of our significant service concession arrangement projects that were under construction and the estimated payback periods, please see “Business – Our Projects Under Service Concession Arrangements and O&M Projects – Overview List – Projects Under Construction.” For details of the accounting treatment of cash used in construction by project type, see “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment of service concession arrangements.”

PUBLIC TENDER

For the year ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, we had four, eight, four and eight successful bids, respectively, out of six, 10, 10 and 17 of our submitted public tender, representing a tender success rate of 67%, 80%, 40% and 43%, respectively. During the Track Record Period, the major factors that influenced our success rate were the local governments’ plans for the projects presented for bidding, our internal evaluation of the projects, and the competitiveness of other bidders. For details of the process and the main standards we use for evaluating potential projects, see “Business – Project Management Process – Project Selection (applicable to BOT, BOO and TOT project models”).

SUMMARY

RECENT DEVELOPMENTS

Our business model remains unchanged since September 30, 2017. We continued to expand our business through accretive acquisitions and experienced business growth. We entered into a share transfer agreement on November 30, 2017 with Thunip Corp., Ltd. and Ms. Zhang Li to acquire 100% of the equity interest in Dalian Ziguang Water Treatment Co., Ltd. (大連紫光水務有限公司), a company established in the PRC, for consideration of RMB108.5 million and, on the same day, we entered into another share transfer agreement with Thunip Corp., Ltd. and Times International Industries Limited to acquire the entire issued and paid-up share capital of Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd. (大連紫光凌水污水處理有限公司), another company established in the PRC, for consideration of RMB97.0 million. We expect to complete these two transactions in the first quarter of 2018. In addition, we lodged a tender offer of RMB79.1 million for 51% of the equity interest in Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司) (formerly known as Weifang City Fangzi District Water Company (濰坊市坊子區供水總公司)), which was accepted on September 18, 2017 and a share increase agreement was signed on November 16, 2017. We completed this transaction on the February 12, 2018. See “Business – Acquisition After The Track Record Period” for further details.

The preliminary financial information as of and for the year ended December 31, 2017 have been agreed with the reporting accountants following their review under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants. Our preliminary financial information for the year ended December 31, 2017 is set out in Appendix IA to this listing document. In addition, as our shares are listed on SGX-ST, we are required to announce our unaudited financial statements for the financial year ended December 31, 2017 within 60 days of the year end. On February 28, we have published our unaudited financial statements for the year ended December 31, 2017 (the “**2017 Results**”) on the website of SGX-ST (www.SGX.com) and the 2017 Results can be found in Appendix III to this listing document (which is an extract of the announcement released on the February 28, 2018 and published on the website of SGX-ST). As the preliminary financial information for the year ended December 31, 2017 as set out in Appendix IA and the 2017 Results are prepared under IFRS, there are no material GAAP differences identified between these two statements.

For the year ended December 31, 2017, our existing project companies produced strong organic growth, particularly from the construction of wastewater treatment projects with guaranteed minimum treatment volumes. Overall, our revenue grew by 75.2% year-on-year to over RMB4,639.3 million in 2017, our eighth straight year of double-digit revenue growth. Revenue grew in each of the wastewater treatment, water supply, waste incineration and others (mainly consultancy work) business lines. Net profit attributable to owners of the Company rose by 17.7% year-on-year to RMB535.7 million. Net profit grew at a slower pace compared to revenue for several reasons including the rapid growth in construction revenue, which has lower margins, and an increase in finance costs.

HISTORICAL NON-COMPLIANCE

Instances of non-compliance involving our Group during the Track Record Period and up to the Latest Practicable Date included: (i) failure to obtain certain project establishment approvals, construction land use planning permits, construction planning permits and construction work commencement permits; (ii) failure to complete certain completion inspection and acceptance formalities and environmental protection inspection and acceptance formalities; (iii) failure to make sufficient social security fund and housing provident fund contributions for some of our employees as required by relevant PRC laws and regulations; (iv) violations of wastewater discharge standards and environment-related incidents; and (v) incidents of non-compliance with the Predecessor Companies Ordinance and Companies Ordinance by certain of our Hong Kong subsidiaries. As of the Latest Practicable Date, we had either rectified material non-compliance incidents by obtaining relevant requested permits or obtained confirmations from the competent government authorities that the risk of our being penalized with respect to such non-compliance incidents is remote. We have also implemented a series of internal control measures to prevent future recurrence of these non-compliance incidents. See “Business – Non-Compliance” for further details.

PROPERTIES

As of the Latest Practicable Date, some of our projects lacked required certificates and/or permits for certain properties we occupied under service concession agreements. For further details relating to our properties, see “Business – Properties”.

SUMMARY

DUAL LISTINGS

Our Shares were listed on the SGX-ST Catalist Board in 2005 and transferred to the SGX-ST Main Board in November 2012. We are currently seeking the listing of our Shares on the Main Board of the Hong Kong Stock Exchange in order to have dual primary listing status in Singapore and Hong Kong. While our Directors consider that it is important to maintain the Singapore listing status, they consider that it would be desirable and beneficial for our Company to have dual primary listings of our Shares in Hong Kong and Singapore, as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listings are likely to provide our Company with ready access to two different equity markets if any capital raising opportunity arises. Further, listing on the Hong Kong Stock Exchange could enhance our Company's profile and improve our market recognition in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong's capital markets and benefit our Company by exposing us to a wider range of private and institutional investors. Our Directors believe that it is important for our potential future growth and long term development, as substantially all of our operations are in the PRC.

Proposed Bridging Arrangements

In connection with the Listing, the Designated Dealer and the Alternate Designated Dealer have been appointed as bridging dealer and alternate bridging dealer, respectively and intend to implement certain bridging arrangements during the Bridging Period (being the 30-day period from and including the Listing Date). The bridging arrangements are intended to facilitate the migration of Shares to the Hong Kong Share Register to provide the basis for an open market at the time of the Listing.

In connection with the bridging arrangements, the Stock Borrowing and Lending Agreements between Triumph Power (the "**Lender**") and each of the CS Affiliate and the Alternate Designated Dealer were entered into on March 9, 2018, which will come into effect from the first day of the Bridging Period. Pursuant to the Stock Borrowing and Lending Agreements, the Lender will make available to the CS Affiliate and the Alternate Designated Dealer stock lending facilities of up to 260,658,000 Shares, or approximately 10% of the Shares in issue, on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including that the lending and the subsequent acceptance or redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the CS Affiliate and the Alternate Designated Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving advance notice of seven days. Additionally, to facilitate the role of the Designated Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Listing, the Sale and Repurchase Agreement was entered into between Triumph Power (the "**Vendor**") and the CS Affiliate for the sale of 16,682,000 Shares, or approximately 0.64% of the Shares in issue, at a sale price based on the closing price of the Shares quoted on the SGX-ST on the date immediately before the day of the Sale and Repurchase Agreement (the "**Sale**"). Conditional upon the CS Affiliate acquiring the Shares under the Sale and Repurchase Agreement, the CS Affiliate shall sell and the Vendor shall repurchase the equivalent number of Shares that the Vendor sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period. For further details, see "Listings, Registration, Dealings and Settlement – Proposed Bridging Arrangements".

Special Arrangements to Facilitate the Transfers Prior to the Listing

Special arrangements have been made to facilitate the transfers of Shares prior to the completion of the Listing. In connection with the Listing, the Singapore Principal Share Registrar and the Hong Kong Share Registrar will provide three (3) batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Share Register prior to the completion of the Listing.

SUMMARY

The key dates in relation to such batch-transfer exercises (the “**Batch-Transfers**”) are set out below:

Events	First Batch-Transfer	Second Batch-Transfer	Third Batch-Transfer
Final date to submit a request for withdrawal of securities form to CDP and a SG Removal Request Form to the Singapore Principal Share Registrar	March 8, 2018	March 14, 2018	March 16, 2018
Share certificates available for collection from the Hong Kong Share Registrar’s office	March 21, 2018	March 27, 2018	March 29, 2018

Shareholders who hold their Shares directly in CDP and who wish to participate in the Batch-Transfers will need to complete and submit the request for withdrawal of securities form to CDP and the SG Removal Request Form to the Singapore Principal Share Registrar before the relevant dates stipulated above. Our Company will bear the costs, fees and duties payable for the Batch-Transfers. The relevant Shareholders will only bear the withdrawal fees payable to CDP. CDP’s existing charges will also apply, together with any other costs to be levied by Shareholders’ own brokers, nominees or custodians (where relevant). Shareholders should note that the Batch-Transfers are expedited transfers, where Share certificates are expected to be available for collection from the Hong Kong Share Registrar’s office 10 business days after the final date for submission of a SG Removal Request Form to the Singapore Principal Share Registrar. For further details on the removal of Shares from the principal register of members in Singapore to the Hong Kong Share Register, see “Listings, Registration, Dealings and Settlement – Removal and Transfer of Shares – From the SGX-ST to the Hong Kong Stock Exchange”. Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcements on the respective websites of our Company at www.siicenv.com and the SGX-ST at www.sgx.com.

Investor Education

Prior to the Listing, our Company and the Sole Sponsor will cooperate to inform the investor community of general information about our Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this listing document. After the Listing has taken place, our Company and the Sole Sponsor may continue to take measures to educate the public. The measures, including but not limited to holding media briefings and press interviews, analyst briefings to local brokerages/research houses that cover Hong Kong-listed water-treatment companies and publication of announcements containing, among other matters, information on the developments and updates of the liquidity arrangements, may be taken to enhance transparency of our Company and the bridging arrangements as appropriate. For further details, see “Listings, Registration, Dealings and Settlement – Investor Education”.

WAIVER APPLICATIONS

We have applied for, and the Stock Exchange has granted us, a number of waivers from strict compliance with the Hong Kong Listing Rules. For further details, please see “Waivers from strict compliance with the Hong Kong Listing Rules” in this listing document.

RISK FACTORS

Our business may be materially and adversely affected by the following risks, among others: (i) we are subject to risks associated with changes in regulations and policies for wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration services in the PRC; (ii) the successful operation of our business depends heavily on the wastewater treatment and water supply projects we are involved in. If we encounter difficulties in the construction, operation or expansion of these projects or any other related projects, our financial condition, results of operations and prospects may be adversely affected. In addition, any adverse change in the economic development, social conditions, government

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policies or environmental conditions in the PRC, especially in Central China or East China, could materially and adversely affect our business, financial condition, results of operations and prospects; (iii) changes in accounting standards applicable to service concession arrangements and changes in our judgments and assumptions in applying these accounting standards may have a material impact on our results of operation and financial position; (iv) our further expansion may place strains on our resources; (v) our business requires a significant amount of capital to finance our ongoing operations and expansion. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, financial condition and results of operations; and (vi) our projects are subject to construction and operational risks, including accidents, disruptions and delays. For further information, see “Risk Factors” on pages 40 to 82 of this listing document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since September 30, 2017, being the date of our latest audited financial statements, and up to the date of this listing document, there has been no material adverse change in our financial or trading position or prospects. Furthermore, there has been no event since September 30, 2017 and up to the date of this listing document that would materially affect the information shown in the Accountants’ Report set out in Appendix I to this listing document.

LISTING EXPENSES

The total amount of expenses in relation to the listing is estimated to be approximately RMB63.2 million, of which RMB7.1 million was charged to our consolidated statement of profit or loss during the Track Record Period and RMB11.0 million had been included in prepayment as at September 30, 2017. The remaining estimated listing expenses of RMB56.1 million will be charged to our consolidated statements of profit or loss after September 30, 2017. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

DEFINITIONS

In this listing document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in the section headed “Glossary of Technical Terms” in this listing document.

“Administrative Measures on Concession Operation”	Administrative Measures on the Concession Operation of Infrastructures and Public Utilities (《基礎設施和公用事業特許經營管理辦法》), as promulgated by NDRC, MOF and MOHURD, among others, on April 25, 2015 and effective on June 1, 2015, as amended, supplemented and otherwise modified from time to time;
“Alternate Designated Dealer”	Haitong International Securities Company Limited, being the alternate designated dealer during the Bridging Period;
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules that apply to our Company;
“Board” or “Board of Directors”	the board of directors of our Company;
“Bridging Period”	being the period of 30 calendar days from and including the Listing Date;
“Business Day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours and on which the Hong Kong Stock Exchange is open for the business of dealing in securities;
“Canvest”	Canvest Environmental Protection Group Company Limited (粵豐環保電力有限公司), an exempted company incorporated with limited liability in the Cayman Islands on January 28, 2014. It is a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1381);
“Canvest Group”	Canvest and its subsidiaries;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“CCASS Rules”	the General Rules of CCASS and CCASS Operational Procedures in effect from time to time;
“CDP”	The Central Depository (Pte) Limited;
“CECEP”	China Energy Conservation and Environmental Protection Group (中國節能環保集團有限公司), a limited liability company established in the PRC on June 22, 1989 and had an 8.58% equity interest in the Company as of the Latest Practicable Date;
“Central China”	Henan Province, Hubei Province, Hunan Province;
“China” or “PRC”	The People’s Republic of China, excluding, for the purpose of this listing document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“close associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Companies Act”	the Companies Act (Cap. 50) of Singapore, as amended from time to time;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Company” or “our Company”	SIIC Environment Holdings Ltd. (上海實業環境控股有限公司), formerly known as Asia Water Technology Ltd., a company incorporated under the laws of Singapore as a private limited company on November 19, 2002, and was listed on the SGX-ST Catalist Board in 2005 and has been transferred to the SGX-ST Main Board since November 2012;
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Constitution”	the constitution of the Company, which will become effective upon Listing. A summary of the Constitution is set out in Appendix IV to this Listing Document;
“Controlling Shareholder” or “our Controlling Shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules, which, when applied to the Company, includes SIHL Holdings, Triumph Power, S.I. Infrastructure, SIHL Treasury, SIIC Capital (B.V.I.) Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, Shanghai Industrial Financial Holdings Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited, SIIC CM Development Limited and SIIC. Please see “Relationship with our Controlling Shareholders”;
“core connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“CS Affiliate” or “Sole Sponsor”	Credit Suisse (Hong Kong) Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sole sponsor of the Introduction; and an affiliate of the Designated Dealer to enter into the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement;

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated March 8, 2018 entered into between SIIC and our Company in relation to certain indemnities and covenants given by SIIC in favor of our Company (for itself and as trustee for the benefit of each of our subsidiaries from time to time), particulars of which are summarized in “Business – Properties – Deed of Indemnity”;
“Deeds of Non-Competition Undertakings”	two respective deeds of non-competition undertakings both dated March 8, 2018 entered into in favor of our Company (for itself and as trustee for the benefit of each of our subsidiaries from time to time) by (i) SIIC (for and on behalf of SIIC Capital (B.V.I.) Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, Shanghai Industrial Financial Holdings Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited) and (ii) SIHL Holdings, Triumph Power, S.I. Infrastructure and SIHL Treasury, particulars of which are summarized in “Relationship with our Controlling Shareholders – Non-competition Undertakings” in this listing document;
“Designated Dealer”	Credit Suisse Securities (Hong Kong) Limited, being the designated dealer during the Bridging Period;
“Director(s)”	director(s) of the Company whose name(s) are set out in “Directors and Senior Management” of this listing document;
“East China”	Anhui Province, Fujian Province, Jiangsu Province, Jiangxi Province, Shandong Province, Zhejiang Province, Shanghai Municipality;
“EIA”	environmental impact assessments;
“EIT Law”	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as promulgated by NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented and otherwise modified from time to time;

DEFINITIONS

“Entrustment Agreement”	an entrustment agreement dated March 8, 2018 entered into among SIHL Holdings, the Company, Shun Yuen, Topper Gain and Gold Orient pursuant to which Gold Orient was entrusted to exercise the rights of Shun Yuen and Topper Gain as shareholders of Longjiang (including the right to appoint the directors of Longjiang);
“ESAS”	the share award scheme adopted pursuant to a resolution passed by our Shareholders on April 27, 2012, the principal terms of which are set out in the section headed “Appendix VI – Statutory and General Information – D. Other Information – 1. Share Option Scheme and Share Award Scheme” in this listing document;
“ESOS 2012”	the share option scheme adopted pursuant to a resolution passed by our Shareholders on April 27, 2012 and as amended on March 7, 2018, the principal terms of which are set out in “Appendix VI – Statutory and General Information – D. Other Information – 1. Share Option Scheme and Share Award Scheme” in this listing document;
“Frost & Sullivan Report”	the industry overview report issued by Frost & Sullivan;
“Fudan Water”	Fudan Water Engineering and Technology Co., Ltd. (上海復旦水務工程技術有限公司), a limited liability company established in the PRC on January 29, 2002 and an indirectly owned subsidiary of the Group. The Group acquired 92.15% of the equity interest in Fudan Water in May 2015;
“General Water”	General Water of China Co., Ltd. (中環保水務投資有限公司), a limited liability company established in the PRC on November 5, 2003. It is a joint venture of SIHL Holdings and a non-wholly owned subsidiary of CECEP). The SIHL Holdings, through a wholly owned subsidiary, indirectly holds 45% of the equity interest in General Water;

DEFINITIONS

“General Water Custodial and Management Services Agreement”	the custodial and management services agreement dated March 8, 2018 entered into among our Company, SIHL Holdings and S.I. Infrastructure, particulars of which are summarized in “Connected Transactions – Fully Exempt Continuing Connected Transactions – General Water Custodial and Management Services Agreement” in this listing document;
“General Water Group”	General Water and its subsidiaries;
“General Water JV Agreement”	the joint venture agreement dated September 5, 2003 entered into between the shareholders of General Water in relation to, among other things, the management and operation of General Water (as subsequently amended on November 24, 2003, January 14, 2005, August 17, 2007, December 19, 2007, July 23, 2008, July 28, 2010, July 4, 2011 and October 25, 2013);
“Gold Orient”	Gold Orient Investments Limited (金韻投資有限公司), a limited liability company incorporated in Hong Kong on November 22, 2013 and a wholly owned subsidiary of our Company;
“Government Designees”	functional departments of local governments that serve as designees of the local governments;
“Government Grantor”	the party (generally local governments at or above the county level in the PRC or the designees of such local governments) granting concession rights to a grantee under service concession arrangement to develop (or upgrade), operate and maintain its infrastructure assets during a concession period;
“Government Procurement Law”	Government Procurement Law of the PRC (《中華人民共和國政府採購法》), as promulgated by the Standing Committee of NPC on June 29, 2002 and effective on January 1, 2003, as amended, supplemented and otherwise modified from time to time;
“Government Subordinate Enterprises”	enterprises that are subordinate to the local government (with the local governments as the sole shareholder or controlling shareholder or actual controller of such subordinate enterprises);

DEFINITIONS

“Group,” “we,” “our” and “us” or “our Group”	the Company and its subsidiaries and, where the context requires, in respect of the period prior to the Company becoming the holding company of any of its present subsidiaries, such present subsidiaries of the Company, some or any of them and the businesses carried on by such subsidiaries and (as the case may be) their predecessors;
“HK\$,” “Hong Kong dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Share Register”	the branch share register of members of our Company in Hong Kong maintained by our Hong Kong Share Registrar;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited, being the Hong Kong branch share registrar of our Company;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“IASB”	International Accounting Standards Board;
“IFRS”	International Financial Reporting Standards promulgated by the IASB, including the International Accounting Standards and their interpretations and amendments;
“Independent Third Party(ies)”	individual(s) or company(ies) who, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are not connected person(s) of our Company under the Hong Kong Listing Rules;

DEFINITIONS

“Introduction” or “Listing”	the listing of Shares on the Main Board of the Hong Kong Stock Exchange by way of introduction pursuant to the Hong Kong Listing Rules;
“Latest Practicable Date”	March 2, 2018, being the latest practicable date prior to the printing of this listing document for ascertaining certain information in this listing document;
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange;
“Listing Date”	the date on which the dealings in our Shares first commence on the Hong Kong Stock Exchange which is expected to be on or about March 23, 2018;
“listing document”	this listing document being issued in connection with the Introduction;
“Listing Manual”	the listing manual of the SGX-ST Main Board as may be amended, varied or supplemented from time to time;
“Longjiang”	Longjiang Environmental Protection Group Co., Ltd. (龍江環保集團股份有限公司), a limited liability company established in the PRC on May 8, 2004, converted into a joint stock company in September 29, 2010, and an indirectly owned subsidiary of our Company. Our Company acquired 13.1% and 12.2% of equity interest in Longjiang in July and November 2014, respectively, and an additional 32.7% in November 2016, increasing the Company’s aggregate holdings to 58.0%;
“Longjiang Business Plan”	a business plan formulated by our Company, which sets out the projects expected to be undertaken and/or under negotiation by the Longjiang Group for the period ending December 31, 2019, particular of which are summarized in “Relationship with Our Controlling Shareholders – Measures to Address Potential Competition and Conflict of Interests – Measures In Relation to the Minority Equity Investment in Longjiang – Geographical Restrictions and the Longjiang Business Plan”;

DEFINITIONS

“Longjiang Custodial and Management Services Agreement”	the custodial and management services agreement dated on March 8, 2018 entered into among our Company, SIHL Holdings, Shun Yuen and Topper Gain, particulars of which are summarized in “Connected Transactions – Fully Exempt Continuing Connected Transactions – Longjiang Custodial and Management Services Agreement” in this listing document;
“Longjiang Group”	Longjiang and its subsidiaries;
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange, which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange;
“MEP”	the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部);
“MOF” or “Ministry of Finance”	the Ministry of Finance of the PRC (中華人民共和國財政部);
“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部);
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部);
“Nanfang Water”	Nanfang Water Co., Ltd. (南方水務有限公司), a limited liability company established in the PRC on July 16, 2002 and an indirectly owned subsidiary of the Company;
“NDRC”	the National Development and Reform Committee of the PRC (中華人民共和國國家發展和改革委員會);
“NEA”	the National Energy Administration of the PRC (中華人民共和國國家能源局);
“North China”	Beijing Municipality, Hebei Province, Shanxi Province, Tianjin Municipality;
“Northeast China”	Heilongjiang Province, Jilin Province, Liaoning Province;

DEFINITIONS

“Northwest China”	Gansu Province, Ningxia Autonomous Region, Shaanxi Province, Qinghai Province, Xinjiang Autonomous Region;
“NPC”	The National People’s Congress of the PRC (全國人民代表大會);
“PBoC”	The People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC Government”	the central government of the PRC, including all political sub-divisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them;
“PRC Legal Advisers”	Zhong Lun Law Firm, legal advisers to our Company as to PRC law;
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) in force immediately prior to March 3, 2014;
“project portfolio”, “portfolio”	In this listing document, the terms “project portfolio” and “portfolio” refers to our projects under service concession arrangements (excluding project under development) and O&M project model;
“project in operation”, “in operation”	In this listing document, unless otherwise indicated the terms “project in operation” and “in operation” refer to our project in operation including project in trial operation, project pending commencement of commercial operation and project with operation suspended;
“Pucheng”	Shanghai Pucheng Thermal Power Energy Limited Company (上海浦城熱電能源有限公司), a limited liability company established in the PRC on June 11, 1998 and a subsidiary of the Company. The Company acquired 50% of the equity interest in Pucheng in January 2014;
“Ranhill”	Ranhill Water (Hong Kong) Ltd. (聯熹水務(香港)有限公司), a limited liability company incorporated in Hong Kong on November 26, 2008 and an indirectly owned subsidiary of the Company. The Company acquired 60% of the equity interest in Ranhill in December 2016;

DEFINITIONS

“Retained SIHL Holdings Group”	SIHL Holdings and its subsidiaries (excluding our Group);
“Rise Wealth”	Rise Wealth Investments Ltd., a limited liability company incorporated in British Virgin Islands on May 6, 2011 and a subsidiary of the Company. The Company acquired 100% of the equity interest in Rise Wealth in December 2015;
“RMB” or “Renminbi”	the lawful currency of the PRC;
“S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore;
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
“Sale and Repurchase Agreement”	the sale and repurchase agreement dated March 9, 2018 as specifically described in the section headed “Listings, Registration, Dealings and Settlement – Proposed Bridging Arrangements – Intended Liquidity Activities during the Bridging Period” in this listing document;
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong;
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“SGX-ST”	Singapore Exchange Securities Trading Limited;
“SGX-ST Catalist Board”	the sponsor-supervised listing platform of the SGX-ST;
“SGX-ST Main Board”	the Main Board of the SGX-ST;
“Share(s)”	ordinary share(s) of our Company from time to time, with no par value;
“Shareholder(s)”	holder(s) of Share(s);

DEFINITIONS

“Shun Yuen”	Hong Kong Shun Yuen Investment (Holdings) Limited, a limited liability company incorporated in Hong Kong on January 12, 1993 and a wholly-owned subsidiary of SIHL Holdings;
“SIHL Holdings”	Shanghai Industrial Holdings Limited (Stock Code: 363), a limited liability company incorporated in Hong Kong on January 9, 1996, which shares are listed on the Main Board of the Hong Kong Stock Exchange, a Controlling Shareholder of our Company;
“SIHL Holdings Group”	SIHL Holdings and its subsidiaries;
“SIHL Treasury”	SIHL Treasury Limited (上海實業財務管理有限公司), a limited liability company incorporated in Hong Kong on May 16, 1997, a Controlling Shareholder of our Company;
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited (上海實業(集團)有限公司), a limited liability company incorporated in Hong Kong on July 17, 1981. It is a state-owned enterprise directly and wholly owned by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government;
“SIIC Group”	SIIC and its subsidiaries;
“S.I. Infrastructure”	S.I. Infrastructure Holdings Limited (上實基建控股有限公司), a company incorporated in the British Virgin Islands on October 2, 1996, a Controlling Shareholder of our Company;
“Singapore”	the Republic of Singapore;
“Singapore Code”	Singapore Code on Takeovers and Mergers;
“Singapore Principal Share Register”	the principal share register of members of our Company in Singapore maintained by our Singapore Principal Share Registrar;
“Singapore Principal Share Registrar”	RHT Corporate Advisory Pte. Ltd., being the Singapore share registrar of our Company;
“SOE”	State-owned enterprise;

DEFINITIONS

“South China”	Hainan Province, Guangdong Province and Guangxi Autonomous Region;
“Southwest China”	Chongqing Municipality, Guizhou Province, Sichuan Province, Tibet Autonomous Region, Yunnan Province;
“State Council”	State Council of the PRC (中華人民共和國國務院);
“Stock Borrowing and Lending Agreements”	the stock borrowing and lending agreements dated March 9, 2018 as specifically described in “Listings, Registration, Dealings and Settlement – Proposed Bridging Arrangements – Intended Liquidity Activities during the Bridging Period” in this listing document;
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-Backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Topper Gain”	Topper Gain Group Limited, a limited liability company incorporated in Hong Kong on September 24, 2014 and a wholly-owned subsidiary of SIHL Holdings;
“Track Record Period”	the financial years of our Company ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017;
“Triumph Power”	Triumph Power Limited (力勝有限公司), a company incorporated in the British Virgin Islands on May 29, 2009, a Controlling Shareholder of our Company;
“U.S.” or “United States”	the United States of America;
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States;
“VAT”	value-added tax;

DEFINITIONS

“Water 10”	Action Plan for Water Pollution Prevention and Control (《水污染防治行動計劃》), as promulgated by the State Council on April 2, 2015 and effective on April 2, 2015, as amended, supplemented and otherwise modified from time to time;
“Wenling”	Wenling Hanyang Resources Power Co., Ltd. (溫嶺瀚洋資源電力有限公司), a limited liability company established in the PRC on January 18, 2005 and a subsidiary of the Company. The Company acquired 50% of the equity interest in Wenling in 2011;
“13-5 Plan”	The Thirteenth Five-year Construction Plan for Municipal Wastewater Treatment and Recycling Facilities (《“十三五”全國城鎮污水處理及再生利用設施建設規劃》), as promulgated by NDRC and MOHURD on December 31, 2016 and effective on December 31, 2016, as amended, supplemented and otherwise modified from time to time;
“%”	percent

In this listing document:

- Certain amounts and percentage figures have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.
- Unless otherwise stated, certain amounts denominated in RMB and SGD have been translated into HK\$ at an exchange rate of RMB1.00 = HK\$1.1794 and SGD1.00 = HK\$5.7708 for illustration purposes only. Such conversions shall not be construed as representations that amounts in RMB were or could have been or could be converted into HK\$ at such rates or any other exchange rates on such date or any other date.
- If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this listing document as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“A/O and modified”	the A/O (Anaerobic/Oxic) and modified process that improves upon the activated sludge process by using an anaerobic selector to develop a selective biomass that is naturally re-occurring in nearly all treatment plants. The process enhances phosphorus removal while reducing sludge-bulking organisms;
“AAO and modified”	AAO (Anaerobic – Anoxic – Oxic) is a commonly used technique for wastewater treatment, including pretreatment, biological treatment, and biological and chemical post-treatment (after coagulation, sludge treatment, etc.);
“activated sludge”	a process for treating wastewater using air and a biological floc composed of bacteria and protozoa;
“aerobic”	an environment in which oxygen is present or a process that occurs only in the presence of oxygen;
“anaerobic”	an environment in which oxygen is absent or a process that occurs only in the absence of oxygen;
“Bardenpho”	it is a biological nutrient removal. It is a popular choice for biological nutrient removal (BNR) of phosphorus and nitrogen;
“biochemical treatment”	a method for treating wastewater by using biochemical methods;
“BOO”	Build-Operate-Own, a project model whereby, pursuant to service concession arrangements entered into between an enterprise and a government, the enterprise undertakes the financing, design and construction of a plant and the government grants to the enterprise the right to operate and maintain the plant throughout the concession period, during which the enterprise can charge fees based on the services it provides to cover its costs of investment, construction and operation while at the same time earning reasonable returns. Upon the expiration of the concession period, the relevant plant is owned by the enterprise;

GLOSSARY OF TECHNICAL TERMS

“BOT”	Build-Operate-Transfer, a project model whereby, pursuant to service concession arrangements entered into between an enterprise and a government, the enterprise undertakes the financing, design and construction of a plant and the government grants to the enterprise the right to operate and maintain the plant throughout the concession period, during which the enterprise can charge fees based on the services it provides to cover its costs of investment, construction and operation while at the same time earning reasonable returns. Upon the expiration of the concession period, the relevant plant is transferred back to the government for nil consideration;
“CAGR”	compound annual growth rate;
“Class I”	the treated wastewater standard as stipulated in the “Discharge Standard of Pollutants For Municipal Wastewater Treatment Plant” (GB 18918-2002), consisting Class I Standard A and Class I Standard B;
“Class I Standard A”	the highest treated wastewater standard as stipulated in the “Discharge Standard of Pollutants For Municipal Wastewater Treatment Plant” (GB 18918-2002);
“Class I Standard B”	the second highest treated wastewater standard as stipulated in the “Discharge Standard of Pollutants For Municipal Wastewater Treatment Plant” (GB 18918-2002);
“Class II”	the third highest treated wastewater standard as stipulated in the “Discharge Standard of Pollutants For Municipal Wastewater Treatment Plant” (GB 18918-2002);
“COD”	Chemical Oxygen Demand, a test commonly used to indirectly measure the amount of organic compounds in water;
“COD _{Cr} ”	the corresponding mass concentration of oxygen of the oxidant consumed when potassium dichromate is used to treat a given water sample under certain circumstances;
“decanter”	a vessel or tank that is used to hold the decantation of a liquid (such as wastewater) which may contain sediment;

GLOSSARY OF TECHNICAL TERMS

“DO”	dissolved oxygen, a measure of free, non-compound oxygen present in water or other liquids, which is an important parameter in assessing water quality;
“EPC”	Engineering-Procurement-Commissioning, a project model in which an enterprise is commissioned by a customer to design, procure and construct a project and be responsible for the quality, safety, time control and pricing of the project according to the contract terms;
“filtration”	commonly the mechanical or physical operation which is used for the separation of solids from liquid by interposing a medium through which only the liquid can pass;
“m ³ ”	cubic meter;
“MBR”	membrane bio-reactor technology, a water treatment technology combining activated sludge treatment with a membrane liquid-solid separation process, using low pressure microfiltration or ultrafiltration membranes and eliminating the need for clarification and tertiary filtration;
“membrane”	a selective barrier that allows the passage of certain constituents and retains other constituents found in the liquid, with the degree of selectivity of a membrane depending on the membrane pore size, according to which the membranes can be classified as microfiltration, ultrafiltration, nanofiltration and reverse osmosis membranes;
“MLSS”	mixed liquor suspended solids, which is the concentration of suspended solids in an aeration tank during the activated sludge process in the treatment of wastewater;
“municipal solid waste”	a waste type consisting of solid items that are generated by urban residents’ daily activities, as well as other solid waste deemed by the authorities as waste, including household waste, commercial waste, waste from trading markets, streets and other public places, as well as non-industrial waste from institutions, schools, factories, etc.;

GLOSSARY OF TECHNICAL TERMS

“Municipal Wastewater Discharge Standard”	The Wastewater Quality Standards for Discharge to Municipal Sewers (污水排入城鎮下水道水質標準) (CJ343-2010), as amended, supplemented or otherwise modified from time to time;
“NH ₃ -N”	ammoniacal nitrogen, a measure of the amount of ammonia, a toxic pollutant, often found in wastewater;
“O&M”	Operate-and-Maintain, a project model in which an enterprise undertakes the operation and maintenance of a treatment or supply plant in exchange for fees for a pre-determined period;
“operation treatment capacity”	daily design treatment capacity of facilities in operation, excluding the treatment capacity of facilities under construction or to be constructed;
“ORP”	oxidation/reduction potential, a common measurement of water quality indicating the tendency of a chemical species to acquire electrons and thereby be reduced;
“Oxidation Ditch”	a method of treating sewage in large round or oval ditches with one or more horizontal aerators typically called brush or disc aerators, which drive the mixed liquor around the ditch and provide aeration;
“pH”	a measure of the acidity or basicity of an aqueous solution;
“PPP”	public-private partnership, a government service or private business venture that is funded and operated through a partnership involving government and one or more private sector companies, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project;
“raw water supply”	supply of untreated water from natural resources, such as rivers, lakes, pools or underground aquifers, which can be used directly for, among other things, industrial and irrigation use or used as tap water after purification;

GLOSSARY OF TECHNICAL TERMS

“reclaimed water”	collected rainwater, industrial drainage and domestic sewage, which, after proper treatment, meet the required water quality standards and can be reused as non-drinking water;
“ROT”	Rehabilitate-Operate-Transfer, a project model whereby, pursuant to service concession arrangements entered into between an enterprise and a government, the enterprise undertakes the financing, design and renovation/rehabilitation of an existing plant and the government grants to the enterprise the right to operate and maintain the plant throughout the concession period, during which the enterprise can charge fees based on the services it provides to cover its costs of investment, renovation/rehabilitation and operation while at the same time earning reasonable returns. Upon the expiration of the concession period, the relevant plant is transferred back to the government for nil consideration;
“SBR”	Sequencing Batch Reactor (SBR) is an activated sludge process designed to operate under non-steady state conditions, which operates in a true batch mode with aeration and sludge settlement both occurring in the same tank;
“sedimentation”	settling of suspended solids in a fluid through the natural process of gravity;
“Standards for Drinking Water Quality (GB5749-2006)”	The Drinking Water Standard (生活飲用水衛生標準) (GB5749-2006), as amended, supplemented or otherwise modified from time to time;
“surface water”	surface water is water on the Earth’s surface, such as in a stream, river, lake, wetland or ocean;
“tap water”	water that meets relevant standards for human consumption after being purified and disinfected by water treatment plants;
“tap water supply”	use of physical, chemical and biological processes to remove pollutants from raw water before introducing it into a municipal pipeline network as tap water for various uses;

GLOSSARY OF TECHNICAL TERMS

“tonne” or “ton” or “tons”	Metric ton;
“TOO”	Transfer-Operate-Own, a project model whereby, pursuant to service concession arrangements entered into between an enterprise and a government, the government grants to the enterprise the right to operate and maintain an existing plant throughout the concession period, during which the enterprises can charge fees based on the services it provides to cover its costs of investment and operation while at the same time earning reasonable returns. Upon the expiration of the concession period, the relevant plant is owned by the enterprise;
“TOT”	Transfer-Operate-Transfer, a project model whereby, pursuant to service concession arrangements entered into between an enterprise and a government, the government grants to the enterprise the right to operate and maintain an existing plant throughout the concession period, during which the enterprises can charge fees based on the services it provides to cover its costs of investment and operation while at the same time earning reasonable returns. Upon the expiration of the concession period, the relevant plant is transferred back to the government for nil consideration;
“TP”	total phosphorous, a measure of the remaining dissolved phosphate plus any insoluble phosphorous carried over into wastewater;
“utilization rate”	average treated or supplied volume/designed capacity x 100%;
“utilized capacity”	the actual daily volume of water supplied or wastewater treated, as applicable;
“wastewater”	water that has been used for domestic or industrial purposes, which may contain organic and inorganic pollutants, bacteria, dissolved and/or suspended solids;
“wastewater treatment”	use of chemical and biological processes to remove pollutants from wastewater before discharging it into a water body or reclaiming it for re-use;
“WTE”	waste-to-energy.

FORWARD-LOOKING STATEMENTS

We have included in this listing document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. We have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “consider”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, and any other statements in this listing document that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. These factors include, among others, the following:

- our business strategies and plans to execute these strategies;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new projects and businesses;
- business opportunities that we may pursue;
- projects under construction, projects under planning or projects expected to be acquired pursuant to relevant agreements;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to reduce costs;
- the future developments trends, conditions and competitive environment in our industry;
- the effect of the global financial markets and economic crisis;

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates and overall market changes;
- changes in government policies, laws or regulations, in particular the regulatory environment for our industry in general; and
- the general economic trend of the PRC and general economic conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under the section headed “Risk Factors” and elsewhere in this listing document. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this listing document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this listing document are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this listing document, including, but not limited to, the risks and uncertainties described below when considering making an investment in our Shares. Our business, financial condition and results of operations could be adversely affected by any of these risks and uncertainties. You should pay particular attention to the fact that our principal business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. The trading price of our Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to risks associated with changes in regulations and policies for wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration services in the PRC.

We operate in an industry in which demand for our services is strongly influenced by applicable laws, regulations and government policies. Changes in law or policy could render certain of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects or related technologies obsolete or financially unfeasible for us to operate, which in turn could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In recent years, the PRC Government has adopted various policies favorable to the environmental protection industry, including the Action Plan to Prevent and Control Water Pollution (《水污染防治行動計劃》), the 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》), Opinions of the CPC Central Committee and the State Council on Accelerating the Ecological Civilization Construction (《中共中央國務院關於加快推進生態文明建設的意見》) and the "13th Five" Construction Plan of Municipal Wastewater Treatment and Recycling Facilities (《“十三五”全國城鎮污水處理及再生利用設施建設規劃》). However, there can be no assurance that these policies will be implemented in the time frame or manner intended. In addition, we cannot predict the precise impact of these policies on specific industry sectors or local markets in which we operate. If the PRC Government withdraws or suspends any policies favorable to the environmental protection industry in the future, our growth and prospects could be materially and adversely affected.

Furthermore, if there are any changes in law, regulation or policy that impose more stringent standards in relation to wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration, we may need to invest in the development of new technologies, upgrade existing technologies or upgrade existing facilities and plants, which could impose challenges to our financial, technological and operational capacities. There is no assurance that we can always comply with new standards in a timely manner, or at all. If we are unable to develop or source solutions to comply with such changes in regulatory standards in a timely manner or at reasonable costs, we may be unable to maintain our ability to compete and our market share and profits may be adversely affected.

RISK FACTORS

The successful operation of our business depends heavily on the wastewater treatment and water supply projects we are involved in. If we encounter difficulties in the construction, operation or expansion of these projects or any other related projects, our financial condition, results of operations and prospects may be adversely affected. In addition, any adverse change in the economic development, social conditions, government policies or environmental conditions in the PRC, especially in Central China or East China, could materially and adversely affect our business, financial condition, results of operations and prospects.

For the years ended December 31, 2014, 2015, 2016 and nine months ended September 30, 2016 and 2017, our revenue derived from our wastewater treatment and water supply business lines accounted for 80.9%, 90.5%, 90.1%, 94.0% and 93.0% of our total revenue, respectively. For the same periods, our revenue derived from Central China accounted for 38.4%, 31.1%, 33.7%, 40.9% and 21.6% of our total revenue, and our revenue derived from East China accounted for 35.0%, 40.8%, 30.9%, 36.2% and 28.1% of our total revenue, respectively. While we will continue to grow our operations outside Central China and East China, we expect a substantial portion of our revenue will continue to be derived from our operations in Central China and East China in the near future. If we encounter difficulties in the construction, operation or expansion of our projects, particularly our projects in Central China and East China, our financial condition, results of operations and prospects may be adversely affected.

The success of our projects is dependent in part on the economic and environmental conditions in the geographic area surrounding our projects. Any economic slowdown in Central China and East China could reduce the demand of our services. In addition, a natural disaster or human impact on the environment could affect our ability to successfully construct, operate and expand our projects, as a result of which, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Changes in accounting standards applicable to service concession arrangements and changes in our judgments and assumptions in applying these accounting standards may have a material impact on our results of operation and financial position.

We apply IFRIC 12 and other relevant accounting standards to our service concession arrangements. These standards may be changed or amended in the future from time to time. Any changes in these accounting standards may result in changes in the recognition, measurement and/or classification of our revenue, expenses, assets and liabilities, which could have material impact on our results of operation and financial position. Moreover, in applying these accounting standards, we are required to make judgments, estimates and assumptions with respect to our revenue, expenses, assets, liabilities, as well as our cash flow projections based on historical experience and other factors that we consider to be relevant. For more information on the accounting treatment of our projects accounted for as service concession arrangements, including the nature of construction revenue, operation revenue, and financial income, see “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment of service concession arrangements.” There is no assurance that our estimates and assumptions can always be accurate, and we may have to make necessary changes and adjustments to the relevant policies governing these estimates and assumptions, in which case our results of operation and financial position could be materially and adversely affected.

RISK FACTORS

There is a mismatch between our revenue and the underlying cash flows for our projects accounted for as service concession arrangements.

For projects accounted for as service concession arrangements, we recognize revenue during both the construction phase and the operation phase. There is a mismatch between our revenue and the underlying cash flows for such projects, because we generally do not receive actual payments for our construction services and only receive payments for our operation services. For projects not accounted for as service concession arrangements, we recognize revenue only when the related services are rendered during the operation phase. Thus, when we have projects in the construction phase, we may need to rely on our internal resources and external financing to supplement cash flow from operations so as to meet our payment obligations in full and on time. If we fail to secure sufficient external financing or generate sufficient cash from our operations to finance our projects, or if our finance costs increase materially, our business, financial condition, results of operation and prospects may be materially and adversely affected. Additionally, we may not receive sufficient cash payments from projects for which construction revenue had been recognized, if the relevant project does not materialize or if the actual cash receipts in the operation phase of the project are significantly smaller than expected. In such case, we may need to recognize impairment or write-offs in the subsequent period for the related intangible assets or receivables under service concession arrangements. For the accounting treatment of revenue generated from our construction services in connection with projects accounted for as service concession arrangements and how such revenue is recorded as “intangible assets” and “receivables under service concession arrangements” on our statement of financial position, see “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment for service concession arrangements.” There is no assurance that impairment or write-offs will not occur in the future, in which case our financial condition and results of operations may be materially and adversely affected. Therefore, when reviewing our business, financial condition and results of operations, you should read our financial statements in light of the mismatch between our revenue and the underlying cash flows as a result of the accounting treatment for service concession arrangements in assessing our historical performance and prospects.

Our further expansion may place strains on our resources.

Our future success will depend on our ability to grow our business through geographic expansion. Expansion may place substantial strains on our managerial, operational, human and financial resources. When we enter a new market, we usually need to recruit local personnel to join the project company and operate the facilities or plants. With our continuous expansion into new regions in the PRC, our management may not be able to manage and control our business activities as efficiently as they did in the past and we may need to recruit and allocate more senior members of management to support our business expansion. We cannot assure you that we will be able to recruit a sufficient number of competent local personnel or senior management members in a timely manner, or at all. In addition, we may not have sufficient working capital or sources of financing to take up new business opportunities and may not be able to recover the costs incurred in developing our new projects or be able to realize their projected benefits. The lack of sufficient managerial, operational, human and financial resources could jeopardize our growth plans, which in turn could materially and adversely affect our business and prospects.

RISK FACTORS

Our business requires a significant amount of capital to finance our ongoing operations and expansion. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, financial condition and results of operations.

Maintaining our competitiveness and implementing our growth strategies both require us to have sufficient capital resources. We make significant investments in our projects prior to the commencement of construction and our acquisitions. The average investment payback periods for our projects ranges from seven to 15 years from the date of commencement of construction or acquisition of such projects.

We rely in part on external sources of funding, including bank borrowings and other sources, to fund the construction and operation of our projects, resulting in our business being highly leveraged. During the Track Record Period, we entered into various loan agreements for project development or acquisitions and we expect to continue this practice in the future. As of January 31, 2018, our total borrowings were RMB10.7 billion, which we used primarily for working capital and capital expenditures. As of January 31, 2018, 34.4% of our bank and other borrowings were repayable within one year. Our ability to obtain external funding depends on many factors, including, but not limited to, general economic and capital market conditions, general conditions in our industry, economic conditions in the geographic areas of our proposed projects, government policies, the availability of credit from banks and other lenders and the performance of our operational projects. We cannot assure you that external funding will be available to us in the future on acceptable terms or at all. Failure to obtain sufficient funding for our projects may delay the implementation of our projects, expose us to potential penalties under concession agreements and delay the completion of construction or commencement of operation, which could adversely affect our business, financial condition, results of operations and prospects.

Our projects are subject to construction and operational risks, including accidents, disruptions and delays.

During the construction and operation of a project, risks that are difficult to quantify at the beginning of the project may result in losses that cause our actual revenue, construction costs and operational costs to deviate significantly from our initial estimates. The construction and operation of our projects, including any new project that we undertake, could be adversely affected by a number of factors, including, but not limited to, the following:

- the inability of design institutes and/or contractors hired by us to complete the design, construction or installation work for our projects on time, within budget or to the specifications or standards set out in our contracts with them;
- local governments may refuse to accept, or may delay the acceptance of, our constructed or acquired facilities or plants into the coverage of the relevant service concession arrangements due to disputes with us with respect to the quality of the facilities or plants;
- the failure or malfunction of the equipment installed in our projects resulting in our failure to treat wastewater or raw water to the applicable standards, which could in turn result in a default under the relevant concession agreements;

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- shortages of, and price increases in, equipment or materials;
- labor shortages or disputes;
- accidents during the construction or operation of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration plants;
- delays due to fires, earthquakes or other natural disasters; and
- other unanticipated circumstances or cost increases.

If we are not able to timely mitigate the influences of these factors, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The business models we adopt can adversely affect our financial performance and liquidity position.

We use different business models for our service concession arrangement projects and for most of service concession arrangement projects, we adopted the BOT, TOT and BOO project models. The differences in business models can affect our revenue and cost recognition, gross profit margin and cash flows. For example, we recognize revenue from BOT projects during both the construction and the operational phases of the projects. However, while we recognize construction revenue for the BOT projects, we actually do not receive any payment from the local governments for our construction services. The actual cash inflow for our construction revenue from our BOT projects is only received in the form of cash tariff payments during the operational phase of the relevant BOT projects over the stipulated concession periods, and it may take up to 30 years to settle the mismatch. In contrast, for our TOT projects, we recognize revenue only when we provide services during the operational phase and we normally expect to receive cash flow that matches the recognized revenue.

Meanwhile, due to the low profit margin of the construction phase of BOT projects, our total profit margin may be negatively affected during the construction phase of BOT projects. Should we undertake more BOT projects in the future, it could result in a cash flow mismatch, as we may not have the cash inflow matching the revenue recognized during the construction phase of our BOT projects, and our total profit margin may also be negatively affected. As a result, any change in the business model mix we adopt may adversely affect our financial performance and liquidity position.

Our business is heavily regulated and requires a number of approvals, permits and licenses, which we may be unable to obtain in a timely manner or at all, or to rectify historical non-compliance. Failure to obtain or renew the approvals, permits, licenses and certificates required for the construction and operation of our projects could result in fines and penalties as well as disruption to our operations and growth plan.

We are required to obtain certain approvals, permits, licenses and certificates from various competent government authorities in order to develop and operate each of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects. Details of the approvals, permits, licenses and certificates we are

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required to obtain or maintain to conduct our principal business in the PRC, such as pollutant discharge permit, water intake permit and health permit, are set out in “Regulatory Overview – Business Qualifications and Licences” and “Business – Licenses and Permits”. We cannot assure you that all of these required approvals, licenses, permits and certificates will be obtained or completed in a timely manner, or at all.

As of the Latest Practicable Date, we had failed to obtain construction land use planning permits, construction planning permits and construction work commencement permits and etc. for some of our projects. Under relevant PRC laws and regulations, the government authorities could impose fines or cessation orders on the operation and construction of these projects. For descriptions of these non-compliance incidents, see “Business – Non-Compliance”.

In addition, some of these approvals, licenses, permits and certificates are subject to periodic review and renewal by the competent government authorities and the standards for compliance required in relation thereto may, from time to time, be subject to change. Any changes in the existing policies by the competent government authorities that result in the imposition of more burdensome requirements may result in our failure to obtain or maintain such approvals, permits, licenses and certificates. Any such failure could subject us to fines and other penalties, including the suspension or shutdown of our operations, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to accurately estimate the overall risks, timing and percentage of completion, revenues from or costs of developing, operating or maintaining our projects, our profitability may be adversely affected or we may incur losses.

In managing our service concession arrangement projects under the BOT and BOO project models, we are required to make substantial investments in the construction and/or operation of relevant projects according to the relevant agreements, where parties agree to, among other things, overall construction costs, time of completion and concession period, as well as the tariffs and fees that we may charge. For each project, from the outset, we consider the overall project costs based on our estimation and judgment taking into account various factors, including estimated costs of construction and operation, expected profit, specifications of relevant projects and market competition.

The BOT and BOO project models expose us to, among other things, the risks of inaccurate forecasts such as at the bidding stage, the cost of construction of the project, or in the construction period, the costs of maintenance and repair of the project during the contractual term and the revenue to be derived from the operation of the constructed plant. Inaccuracies or flaws in our measurements, our estimated timing of completion or our estimation methodology as a whole, could have a material and adverse effect on the timing of our revenue recognition and on the amount of revenue recognized. Cost overruns will result in lower profit or even a loss on a project. Unforeseen factors, such as changes in employment costs, variations in labor and equipment productivity over the contractual term and unexpected increases in costs of materials, may cause our revenue and gross profit to be lower than

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expected, despite any buffer we may have built into our bids for increases in costs of labor and materials costs. If our actual costs are higher than expected and if we are not able to obtain sufficient compensation from our customers to offset the cost overruns, our business, financial performance and prospects could be materially and adversely affected. Furthermore, for many of our projects, we finance our construction expenditures with bank and other borrowings. As a result, should our customers delay, or be unable to make, payment upon completion of the project due to reasons beyond our control, we may not be able to satisfy our obligations under the relevant financing agreements, in particular, for those projects where we undertake, or jointly undertake with the government or other companies, the financing, construction, operation and maintenance of a constructed project. As a result, if we incorrectly forecast revenue to be derived from the use of the constructed facility or plant at the bidding stage or are exposed to prolonged fluctuations in economic conditions, our business, financial position and results of operations and prospects may be adversely affected.

Moreover, while most of our projects are operated on the basis of guaranteed minimum volumes and/or guaranteed minimum unit prices, there is no assurance that we can be profitable, or generate sufficient revenue to cover our costs, if there is any adverse change in government policy or market demand for our services, change in urban development that may increase our costs to operate or upgrade our projects, or increases in labor costs or raw material prices in circumstances where we may not be able to timely offset such additional costs by increasing the prices we charge to our customers. In particular, because our projects generally have long concession periods in which we are responsible for all repairs and maintenance of the plants, if our plants fail to function as long or as efficiently as we have estimated, we may need to incur additional costs for replacement parts or repairs and maintenance of the plants or may experience longer shutdown periods than we had originally anticipated, and, as a result, we may experience reduced profitability or even incur losses.

During the Track Record Period, we also entered into arrangements pursuant to which we have agreed to develop projects without guaranteed minimum volumes or guaranteed minimum unit prices. As a result, in addition to the aforementioned factors, these projects are also subject to risks of insufficient volumes of incoming wastewater or reduced unit prices.

We may not be able to successfully acquire, secure, develop and operate new projects to maintain and grow our business.

Our future growth largely depends on our ability to acquire, secure, develop and operate new projects. We intend to actively expand our business operations into various geographic markets that we believe have strong demand for our services and good growth potential. Our ability to acquire, secure, develop and operate these new projects is dependent on a number of factors, many of which are beyond our control, including the following:

- global, national and local economic conditions;
- national and local government policies and regulatory requirements, including environmental standards, the effectiveness and level of government promulgation of environmental protection measures that affect our customers;

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- the development of our target markets, including the development of local economies and local population growth and the resulting demand for wastewater treatment services;
- our ability to identify feasible and attractive projects and successfully win bids or competitive negotiations and complete commercial negotiations for such projects;
- our ability to collaborate with local governments to construct and operate, as applicable, wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects;
- competition in the PRC's wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration industries; and
- the availability and cost of suitable land, infrastructure, equipment and raw materials necessary for the development and operation of facilities or plants.

In particular, with our continuous expansion into other regions in the PRC, our management may not be able to manage and control our business activities as efficiently as they did in the past and we may need to recruit and allocate more senior management members to support our business expansion. We cannot assure you that we will be able to successfully leverage our experience to expand into other parts of the PRC or overseas. The lack of sufficient managerial, operational, human and financial resources could jeopardize our growth plan, which in turn could materially and adversely affect our business operations and prospects. If we fail to acquire, secure, develop and operate new projects on terms and in a manner sufficient to support our anticipated growth, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we fail to successfully identify suitable target companies for acquisition or effectively integrate acquired companies into our existing business operations, our business, financial condition and results of operations could be materially and adversely affected.

Our acquisition strategy has significantly contributed to our historical growth and expansion into new regions. We intend to continue to accelerate our business growth through selective acquisitions of suitable target companies when we deem appropriate. However, our ability to consummate acquisitions is subject to a number of risks and uncertainties, including that we may be unable to identify suitable acquisition targets and reach an agreement on acceptable terms and/or we may fail to obtain governmental approvals (if such is required) and third party consents necessary to consummate any proposed acquisition.

Even if we are able to consummate acquisitions, our ability to successfully integrate our acquired targets remains subject to further risks and uncertainties, including but not limited to the following:

- the acquired targets may not achieve the expected synergies with our own business or we may be unable to improve the operational efficiency of the acquired targets in the manner we contemplated;
- we may be unable to effectively manage our enlarged business operations or manage the acquired targets that may operate in new markets or regions;

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- the acquired targets may not generate the revenue and profitability we had anticipated;
- the acquired targets may be subject to unforeseen liabilities; and
- valuing the assets and liabilities of our acquired subsidiaries and determining the amount of goodwill may have a significant impact on our financial position. In particular, if higher values have been ascribed to our intangible assets, future amortization charges will be higher, which may have a material impact on our future financial position.

Moreover, the process of seeking and consummating acquisitions and integrating and managing acquired businesses, whether or not they are successful, may divert our resources and management attention from our existing businesses and impair our ability to successfully manage and grow our business organically.

We may spend significant time and expend significant resources on acquisitions that do not ultimately increase our profitability. If we make acquisitions using cash from operations or borrowings, it may result in a reduction in our cash flow position. If we make acquisitions or investments using our shares as consideration, our current shareholders' ownership interests will be diluted. Any of these factors could materially affect our business, financial condition and results of operations.

In addition, we may obtain funding for acquisitions through bank and other borrowings, and any such borrowings may increase our financial costs and leverage. If the acquired companies' results of operations do not meet our expectations, we may be required to recognize an operating loss in our consolidated financial statements and impairment charges on goodwill or other assets. In addition, our pursuit of acquisitions may disrupt our ongoing businesses and divert our management's time and attention from our existing operations. Any of these factors may have an adverse effect on our results of operations and financial condition.

Most of our projects are based on the BOT and TOT project models and some of our projects are based on the BOO project model. Failure to obtain financing or payment from relevant counterparties could adversely affect our business, financial condition, results of operations and prospects.

Our plants and projects based on the BOT and BOO project models typically require significant initial cash outlays. We require a considerable amount of capital to purchase property, plant and equipment to construct, upgrade and operate wastewater treatment, reclaimed water treatment, sludge treatment, tap water supply and waste incineration plants and to fund future acquisitions. For our plants and projects based on the BOT and BOO project models, we pay construction costs during the course of construction. We typically receive no payment from our customers before or during the construction phase of our plants and projects based on the BOT and BOO models, during which period we make substantial capital investments. In addition, during the operational phase of plants and projects based on the BOO, BOT and TOT project models, we are responsible for the cost of operation, maintenance and repair of the treatment plants during the relevant concession term. Usually, we receive payment

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from our customers over a period of 20 to 30 years in respect of our plants and projects based on the BOO, BOT and TOT project models, and payments for these plants and projects under BOO and BOT models only begin upon completion of construction and commencement of commercial operations.

We rely on the timely receipt of payment from our customers, which are usually the local governments to meet our working capital needs and to cover our development and investment costs. During the Track Record Period, we also received non-recurring nature of government grants and government subsidies as a financial incentives to encourage our development and investment of our projects in the PRC. For details, see “Risk Factors – Risk Relating to Our Business and Industry – The government grants and governments subsidies received by our Group during the Track Record Period were non-recurring in nature”. However, there is no assurance that the relevant local governments will make payments on time as a result of various factors beyond our control, such as adverse changes in economic conditions, unexpected changes in water pollution that affect the quality of our services or changes in government policy. Failure to receive payment in a timely manner, or at all, from local governments could cause us to breach our financing agreements.

The government grants and governments subsidies received by our Group during the Track Record Period were non-recurring in nature.

For the years ended December 31, 2014, 2015 and 2016 and nine months ended September 30, 2017, we received certain government grants and government subsidies of approximately RMB12.7 million, RMB54.5 million, RMB75.0 million and RMB117.6 million, respectively, which mainly represented as (i) value-added tax refund from PRC local tax authorities; and (ii) financial incentives from local governments, to encourage our development and investment of our projects in the PRC. These government grants and government subsidies are non-recurring in nature and the amounts of these grants and subsidies were subject to the discretion of local tax authorities and local governments and there were no unfulfilled conditions or contingencies. There is no assurance our Group will receive such government grants and government subsidies for future financial years and our financial position may be adversely affected if we fail to obtain such government grant and government subsidies in the future.

Local governments and other customers may make claims against us and/or terminate our services in whole or in part should we fail to meet the requirements in the relevant agreements or fully satisfy their other requirements.

The development and operation of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects are subject to the terms of the agreements with the local governments and our other customers.

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Local governments and other customers may make claims against us or terminate the relevant service concession arrangements or agreements with or without compensation (i) if we fail to complete construction of the facilities according to the specifications in the agreements for our BOT and BOO projects; (ii) if the wastewater discharged, tap water supplied or municipal solid waste treated by our projects fail to meet the contractual or regulatory requirements; or (iii) if serious safety accidents occur as a result of our mismanagement.

Such failures may arise as a result of unsatisfactory project/equipment design or workmanship, staff turnover, human error, untimely delivery of services, default by our contractors or misinterpretation of, or failure to adhere to, regulations and procedures by us or our contractors, some of which may be beyond our control. In addition, if we suffer claims or if our services are terminated by our customers due to our breach of the relevant agreements, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to adjust the tariffs charged for our services in a timely manner to fully reflect any increase in the actual costs of our service concession arrangement projects.

Our service concession arrangements contain provisions specifying the circumstances under which we can adjust the tariffs we charge, including, but not limited to, changes in relevant regulations with regard to incoming wastewater and sludge to be treated and the quality standards for treated wastewater and sludge. Similar provisions exist for our water supply and waste incineration projects. Our service concession arrangements typically provide for periodic assessments of unit prices based on the adjustment formulas specified in the relevant service concession arrangements. However, we cannot assure you that the relevant government authorities will conduct these reassessments and increase the unit prices in a timely manner or that the increased tariffs will sufficiently compensate us for our increased costs. Furthermore, we cannot assure you that the local governments will have sufficient funds to pay for any increase in unit price or will not reduce unit prices in circumstances where the relevant benchmark prices or key cost indices decrease.

There can be no assurance that our actual expenditures will not exceed the expected tariff amount due to reasons beyond our control. If we incur significantly higher operating costs without a corresponding increase in tariff or if a reduction in tariff occurs, we may be unable to sustain our profitability or may even incur a loss, and our financial condition and results of operations may be materially and adversely affected.

If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

We operate in a highly competitive industry. We compete primarily with state-owned, privately owned and foreign owned wastewater and sludge treatment companies, water supply companies and waste incineration companies in the PRC, including new entrants to the market, some of which may have a lower cost structure, such as lower capital expenditures or financing

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costs, or greater access to customers. They may also possess more advanced wastewater treatment, reclaimed water treatment, sludge treatment, water supply or waste incineration techniques and technologies than us or have stronger access to capital than we do. High degrees of competition may require us to enter into agreements with terms less favorable to us than the terms of agreements we have entered into in the past and, as a result, could have an adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to compete successfully with our competitors in our existing markets.

In addition, when we enter into a new market, we may face intense competition from wastewater treatment, reclaimed water treatment, sludge treatment, water supply or waste incineration companies with an established presence in the relevant market and from other companies with similar expansion targets. We cannot assure you that we will be able to successfully compete or expand into other parts of the PRC or overseas. Failure to maintain our competitiveness and any increase in competition may materially and adversely affect our business, financial condition, results of operations and prospects.

We are exposed to risks associated with entering into contracts with local governments in the PRC who have strong bargaining power. Our business and financial performance may be adversely affected by local governments' spending on infrastructure and other projects.

Most of our customers are local governments in the PRC. To the extent that our projects are funded by local governments or receive payments from local governments, they may be subject to delays of payments or changes as a result of changes in the local governments' budgets or as a result of other policy considerations. Local government spending on infrastructure and other construction projects has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in the PRC economy and changes in local government policies. As a result, we have significant exposure to risks associated with contracting with local governments in the PRC. Changes in governmental budgets and policies relating to our projects and any deterioration in the liquidity and cash flow of the local governments which are our customers could result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to us.

In addition, during our negotiation with counterparties, which are usually government entities, we may not be able to negotiate the terms and conditions that we wish to have in our service concession arrangements due to their strong bargaining power.

In some cases, the government may also withdraw the concession and terminate the agreement without compensation if we fail to complete the construction on time and according to the specifications prescribed in the relevant agreement, or if the wastewater discharged or municipal solid waste treated fails to meet the discharging standards as stipulated in the relevant agreement after having been given the opportunity to remedy the problem. During the Track Record Period, we were not notified by any relevant government authorities of any failure to complete construction according to a stipulated timeline or to meet stipulated supply or discharging standards for any of our projects. However, we cannot assure you that local governments will not withdraw the concessions or terminate our agreements in the future.

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Moreover, any disputes with governmental entities and other public organizations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector and payments due to us from these entities and organizations may be delayed as a result. Such entities and organizations may claim sovereign immunity as a defense to any claims we may make against them. If a government entity or other public organization terminates a contract with us, our projects could be reduced, our business plans may need to be modified and our business and financial performance may be materially and adversely affected.

Furthermore, the terms of our BOT and TOT service concession arrangements with local governments generally range from 20 to 30 years. If we are unable to renew a service concession arrangement or obtain service concession arrangements for new projects, our business, financial condition and results of operations may be adversely affected.

We also depend on the timely construction and proper operation of the pipeline networks owned by the PRC government for our wastewater treatment, reclaimed water treatment, sludge treatment and water supply operations. However, we cannot assure you that these networks will operate properly. In the event that there is any defect in these networks, which delays or otherwise obstructs the supply of wastewater to our wastewater treatment plants or raw water to our water supply plants, the wastewater treatment process or water supply process may be substantially disrupted and our ability to process wastewater or supply water in a timely manner may be materially and adversely affected.

Certain defects in titles with respect to the properties occupied by us under certain service concession arrangements may materially and adversely affect our ability to use such properties and in turn affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we occupied certain land and buildings under service concession agreements, pursuant to which the relevant land use right certificates and building ownership certificates are expected to be obtained by the Government Grantors who had not yet obtained such certificates. See “Business – Properties” for further details. We cannot assure you that the lack of land use right or building ownership certificates will not subject us to penalties or fines by the relevant PRC government authorities, including, but not limited to, returning the land we occupy, ceasing the construction work on such land, confiscation of the buildings and structures on such land or paying fines in various amounts stipulated under relevant PRC laws and regulations. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, five of our Group’s projects occupy, in whole or in part, collectively-owned lands in the PRC. As advised by our PRC Legal Advisor, under PRC Law, land is owned by the PRC Government, and parcels of land in rural areas, known as collectively-owned land, is owned by rural farmer collectives. According to the relevant PRC laws and regulations, if the land proposed to be granted and allocated by the local government is collectively-owned land, before such grant and allocation, it must go through a series of procedures. For details, see “Business – Properties – Properties Occupied by Us Pursuant To Services Concession

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Arrangements”. We cannot assure you that the relevant local government will be able to convert the collectively-owned lands into state-owned land and that we will not be subject to any orders from the government authorities requiring us to vacate from the collectively-owned lands and the buildings erected thereon, which in turn could have affect our business and our results of operation.

In addition, as advised by our PRC Legal Advisor, should we suffer any losses or damages due to lack of land use right certificates or building ownership certificate under our service concession arrangements, we cannot assure you that any legal proceeding that we bring against the Government Grantors will reach a favourable outcome for us.

Failure to supply quality tap water or treat wastewater and sludge adequately due to excessive pollution levels in incoming wastewater or sludge or incoming raw water or for any other reason we may be subject to fines and/or government ordered shutdowns of our plants if the government find us to be in violation of any environmental protection law, which could adversely affect our earnings and could damage our plants and reputation.

Our water supply plants and wastewater and sludge treatment plants are built to treat raw water, wastewater and sludge to specified standards. The quality of our supply tap water and treated wastewater and sludge depends on the normal operation of our plants, which could be further affected by defects or compatibility problems with our equipment that we may not be able to discover or prevent in a timely manner. In these instances, our plants may be unable to supply quality tap water or treat wastewater treatment or reclaimed water treatment or sludge or municipal solid waste in compliance with the relevant regulatory and contractual standards, which could result in our being subject to claims from our customers or governmental sanctions, and may lead to the suspension of our operations pending rectification as well as damage to our reputation. Related penalties levied under the terms of our agreements or ordered by the PRC Government may be substantial, and any penalties levied by the PRC Government may not absolve or mitigate contractual penalties. Contractual penalties for failure to meet quality standards may include, among other things, a cancellation of all service fees for the relevant period and the payment of a penalty equal to three times the treatment fee for the relevant period. Such excessive pollution could also damage or accelerate the deterioration of our water supply plants and wastewater and sludge treatment plants. The occurrence of any of the foregoing could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Any excessive pollution levels of the wastewater, sludge and raw water coming into our plants may adversely affect the operating costs and earnings of such plants due to the higher costs required to treat the wastewater, sludge and raw water in order to meet the quality standards specified in the agreements with our customers. There may also be disagreements regarding the extent to which the incoming wastewater, sludge and raw water is considered to include levels of pollutants exceeding those set out in our agreements. Moreover, should the types or quantities of pollutants in the wastewater, sludge or raw water increase significantly, we could be held liable for exposing end users to dangerous substances or any resulting environmental damage. Furthermore, we may be subject to governmental sanctions or damages

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if our supplied tap water or treated effluent (such as wastewater, reclaimed water) or residue of our sludge treatment and municipal solid waste treatment fail to meet applicable regulatory standards, and such failures may lead to the suspension of our operations pending rectification. The occurrence of any of the foregoing could have a material and adverse effect on our business, reputation, financial condition, results of operations and prospects.

During the Track Record Period, 15 of our Group's project companies in the PRC were involved in 26 non-compliance incidents concerning violations of wastewater discharge standard and environment-related incidents. For details, see "Business – Non-compliance." During the Track Record Period, one of our existing projects, Xinxiang City Xiaodian Wastewater Treatment Project 1st Stage (新鄉市小店污水處理工程一期) has been fined by the regulatory authority (before our acquisition of this project) because the wastewater treated by this project did not meet the levels prescribed under the relevant PRC laws and regulations and the fines involved during the Track Record Period amounted to approximately RMB2.8 million in total. This was due to the excessive pollution levels in the incoming wastewater to be treated by this project and this project was not equipped to treat incoming wastewater beyond the level prescribed under the relevant service concession arrangements. As of Latest Practicable Date, we no longer own this project and we are currently involved in a court proceeding with Xinxiang Economic and Technology Development Management Committee in relation to the termination of the service concession arrangement of this project and the court is yet to hold any court hearing. For details, please see "Business – Non-Compliance".

In addition, underground water pollution in the areas surrounding our plants resulting from our failure to properly treat wastewater or any other reason may cause us to be liable to the relevant PRC Government for violating environmental protection laws. If pollution in the areas surrounding our plants causes damage to the property of third parties, including crops and agricultural products, we may, in addition to facing penalties under environmental regulations, be required to compensate such third parties for their losses. If the government finds us to be in violation of any environmental protection laws, we may be subject to fines and/or government-ordered shutdowns of our plants, which would adversely affect our business, financial condition and results of operations.

If our goodwill is impaired, our reported financial results could be negatively affected.

We are required to perform an annual test of our goodwill to determine if impairment has occurred. As of September 30, 2017, we had approximately RMB457.2 million of goodwill on our balance sheet, and our impairment to goodwill amounted to RMB36.4 million, all with respect to our acquisition of SIIC Environment Holdings (Wuhan) Co., Ltd., a subsidiary engaged in the municipal EPC business. The impairment of goodwill in this subsidiary, which was recognized before the Track Record Period, was based on our management's consideration and determination of, among other factors, the cashflow projections and gross margins of the EPC business taking into account past performance and expectations of market development. For details of our goodwill, see Note 19 to the Accountants' Report in Appendix I to this listing document. We cannot assure you that there will not be further impairment to our goodwill in the future, the occurrence of which may negatively impact our reported financial results.

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We are exposed to credit and liquidity risks with respect to the payment structure under our project model agreements and payment delays or defaults by our customers as well as any failure to recoup construction costs due to failure to receive sufficient payments may negatively affect our business, financial condition, results of operations and prospects.

Our profitability and cash flow depend on timely payments by our customers for the services we provide to them. In addition, the payment structures of our project agreements expose us to certain credit and liquidity risks.

Our trade receivables turnover days as of December 31, 2014, 2015, 2016 and September 30, 2017 were 94.7 days, 93.9 days, 94.2 days and 85.8 days, respectively. For the years ended December 31, 2014, 2015, 2016 and nine months ended September 30, 2017, our trade receivables aged over one year were RMB58.7 million, RMB67.6 million, RMB224.4 million and RMB339.9 million, respectively. See “Financial Information – Description of Principal Consolidated Balance Sheet Items – Trade and other receivables – Aging analysis of trade receivables”. During the Track Record Period, the majority of our trade receivables were aged 180 days or less. As of September 30, 2017, our trade receivables aged over 365 days and past due but not considered to be impaired amounted to approximately RMB97.5 million, representing 7.8% of our total trade receivables. If we fail to receive our long overdue trade receivables or if there is any event or change in circumstances that renders the long overdue trade receivables impaired or uncollectible, our liquidity, business, financial condition, results of operations and prospects could be materially and adversely affected.

If any of our customers face financial difficulties, including, but not limited to, fewer financial resources caused by any economic downturn or fiscal constraints, we may be unable to receive full or any partial payment of uncollected sums or enforce any judgment debts against such customers. We may also need to make greater provisions for receivables, which could adversely affect our business, liquidity, financial condition, results of operations and prospects. Any delay in the settlement of amounts due to us could materially and adversely affect our business, financial condition, results of operations and prospects.

Further, our customers may refuse to accept, or may delay the acceptance of, plants we construct due to disputes with us with respect to the standard and quality of the plants. If such disputes arise, we cannot assure you that we will receive adequate payment in a timely manner, or at all. In addition, our customers may unilaterally alter the terms of our agreements with them, including delaying the scheduled delivery of projects or sub-projects. Any such delay would in turn delay the initiation of the related concession or operational period, which would adversely affect our cash flow and financial condition.

We cannot assure you that we will always be able to reach agreements with our customers on amounts to be paid to us or that we will receive payments from our customers in a timely manner. Considering the substantial financial investment required for our most of projects, if the final amounts we agree upon with our customers are insufficient to compensate us for our construction costs and generate interest and investment gains as expected, we may be subject to lower profitability or may even be required to recognize losses, which may have an adverse effect on our business, financial condition, results of operations and prospects.

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We recorded negative operating cash flow during the Track Record Period. If we continue to record negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.

We recorded negative operating cash flow for the years ended December 31, 2015 and 2016 and nine months ended September 30, 2017, respectively, of RMB63.7 million, RMB85.3 million, and RMB910.6 million. Our negative net cash flows from operating activities were mainly due to construction of BOT projects under service concession arrangements with guaranteed minimum treatment volumes. We generally spend cash upfront to build such BOT projects and do not receive cash payments until the project enters into operation. The cash we spend on construction of such projects is recorded as cash used in operating activities. As the building of public infrastructure projects is capital intensive, under the BOT project model, the initial cash outflow for each project will exceed cash inflow resulting from the mismatch between cash spent during the construction phase and cash generated in the operating phase. As of December 31, 2014, 2015, 2016 and September 30, 2017, we had eight, eleven, 30 and 21 BOT projects under construction. Our operating cash flow is affected by the number and scale of projects under construction. Due to the increase in large-scale BOT projects under construction during the Track Record Period, our cash used in operating activities have exceeded cash flows generated from operating activities, especially in the nine months ended September 30, 2017. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected. Please see “Financial Information – Liquidity and Capital Resources – Cash flow – Cash flow from (used in) operating activities” of this listing document for further details. We cannot assure you that we will be able to record positive operating cash flow in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us or at all.

We had net current liabilities during the Track Record Period and may continue to have net current liabilities in the future.

We recorded net current liabilities of RMB1,030.7 million, RMB2,260.4 million and RMB1,578.8 million as of December 31, 2015 and 2016, and September 30, 2017, respectively. Our net current liabilities as of these dates were mainly attributable to the significant bank and other borrowings to finance our acquisitions, as well as our trade and other payables in relation to the construction of our concession projects and our acquisition of Longjiang, Ranhill and Zhonghui. See “Financial Information – Description of Principal Consolidated Balance Sheet Items – Net current assets (liabilities)” for a detailed analysis of our net current liability position. There can be no assurance that we will be able to improve our liquidity and record net current assets. If we continue to record net current liabilities, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

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We are subject to liquidity risk in our investments in associates and joint ventures and if our associates and joint ventures do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or result of operations could be materially and adversely affected.

During the Track Record Period, we recorded share of results of RMB60.4 million, RMB78.2 million, RMB70.7 million and RMB34.3 million, respectively, from our associates and joint ventures. Our share of results of joint ventures mainly represents contribution from Pucheng and Wenling and our share of results of associates mainly represents contribution from our associates such as Longjiang (which was our associate from 2014 until November 2016 when it became our subsidiary), Dongguan Changan Jinxia Sanzhou Water Purification Co. Ltd., Sichuan SIIC Environment Investment Development Co., Ltd., and Yiliuqing (Shanghai) Environment Technology Co. Ltd. For details of our investments in associate and joint ventures, see Note 21 and 22 in Appendix I to this listing document. Should our associates and joint ventures do not perform as we expected them to be or do not generate sufficient revenue in any financial year, our financial condition or results of operations could be materially and adversely affected.

In addition, our investment in associates and joint ventures are subject to liquidity risk. Our investments in associates and joint ventures are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates and joint ventures reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates or joint ventures in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates or joint ventures for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates or joint ventures may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates or joint ventures, we will also be subjected to liquidity risk and our financial condition or result or operations could be materially affected.

An increase in interest rates may increase our finance costs and compromise our profitability.

During the Track Record Period, for most of our service concession arrangement projects, we adopt the BOT, BOO and TOT project models. We are required to make substantial financial investments during the initial phase of these project models and we have relied on bank loans to finance a portion of such investments during the Track Record Period. As such, as of December 31, 2014, 2015, 2016 and September 30, 2017, our net debt to equity ratio was 37.3%, 45.9%, 107.3% and 94.6%, respectively. For the years ended December 31, 2014, 2015, 2016 and the nine months ended September 30, 2017, our finance costs charged to profit or loss were RMB151.3 million, RMB169.9 million, RMB234.6 million and RMB384.9 million, respectively.

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We expect to continue utilizing bank loans to finance a portion of our investments in our projects. As of January 31, 2018 our total borrowings amounted to RMB10.7 billion. As a number of our loans have floating interest rates linked to, among others, benchmark rates of PBoC, HIBOR, LIBOR and SOR, and if there is a material increase in the reference rates during the term of our relevant loan facilities or when our current loan facilities become due, our finance costs may increase substantially and our liquidity, business, financial conditions, results of operations and prospects could be materially and adversely affected.

If there is any significant downtime or decrease in the utilization rate of our wastewater treatment, reclaimed water treatment, sludge treatment plants, water supply plants or waste incineration plants, or if our plants fail to achieve the expected utilization rates due to insufficient incoming wastewater, sludge, raw water or waste, our business, results of operations and financial condition may be adversely affected.

Our treatment plants are subject to normal wear and tear in the course of operation. As a result, our plants will require downtime for repairs and maintenance as and when it is necessary during their lifecycles. However, if the time and cost required for repairs and maintenance exceed our expectations, our operations may be affected for a period longer than anticipated and our revenue from our projects may be less than originally estimated. In addition, if any extraordinary or extensive repairs to our plants or equipment are required due to any significant or catastrophic event or otherwise, our plants could require significant downtime during which they would not be able to supply quality tap water or treat wastewater or sludge as required under our service concession arrangements. Any significant downtime could also have serious consequences for the surrounding communities and industries, which in turn could cause our customers to terminate their agreements with us or subject us to claims for compensation and damages.

In addition, each of our projects has been or will be built to a specified designed capacity in accordance with the terms of the relevant agreements with our customers. For details, see “Business – Utilization Rate”. The utilization rates of our plants depend on a number of factors, including the local population size, the level of urbanization, access to a pipeline network, and the general economic conditions in the serviced areas. Our decision to enter into a project agreement may depend in part on our expectation of future increases in the quantity of tap water supplied or wastewater or sludge to be treated or waste to be incinerated, which may not be realized. Moreover, in most of our wastewater treatment, sludge treatment, and waste incineration projects, we are entitled to charge fees based on a guaranteed minimum volume if the utilized capacity is below such guaranteed minimum volume. However, we cannot assure you that our customers will not request us to change the guaranteed minimum volume if there is a significant reduction in demand for our services or if the incoming raw water, wastewater, sludge or municipal solid waste is significantly below the guaranteed level. Any reduction in the guaranteed minimum volume of wastewater or sludge to be treated or waste to be incinerated could have a material and adverse effect on our business, financial condition, results of operations and prospects.

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The unit retail price for tap water and the procurement price for raw water are both controlled and adjusted from time to time by the competent government authorities and we do not have control over such prices or adjustments.

According to the PRC pricing law, the PRC government may direct, guide or fix the prices of public utilities that are important for public welfare. The NDRC sets the unit retail price guidelines for tap water and makes adjustment to such prices from time to time. For more details, see “Regulatory Overview – Pricing” and “Business – Customers and Pricing – Pricing”. The revenue and gross profit margins in our tap water supply business are directly impacted by the unit retail price for tap water and the unit procurement price for raw water, over which we do not have control. If there is any increase in our actual costs in relation to our tap water supply, there is no guarantee that the relevant local government would adjust in a timely manner the unit retail price for tap water or the procurement price for raw water to fully reflect such increase. The occurrence of the foregoing could adversely affect our financial condition and results of operations.

The preferential tax treatment we currently enjoy and prevailing tax regulations in China may be changed in ways unfavorable to us or discontinued.

Our results of operations and profitability are affected by changes in tax rates in the PRC. A number of the Company’s subsidiaries currently enjoy income tax exemptions and reductions, in accordance with the relevant PRC tax rules and regulations, by reasons that these companies are engaged in the operations of waste treatment public infrastructure or have operations in the Western region of China and qualified for a 15% concessionary corporate income tax rate for a prescribed period of time. See “Financial Information – Description of Principal Income Statement Items – Income tax expenses” for details. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, our effective tax rates, calculated as income tax expense divided by profit before income tax, were 17.3%, 19.0%, 18.7% and 27.4%, respectively. Our effective tax rates may change from year to year due to changes in or discontinuation of any preferential tax treatment.

In addition to income tax, the VAT applicable to our business has also fluctuated during the Track Record Period. Pursuant to Circular on Issuing the Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources (《資源綜合利用產品和勞務增值稅優惠目錄》) issued by the SAT, starting from July 1, 2015, the treatment fees for our wastewater treatment and reclaimed water treatment businesses were no longer fully exempted from VAT, but the wastewater treatment business would instead be qualified for 70% VAT refund and the reclaimed water treatment business would instead be qualified for 50% VAT refund. Such a policy change increased tax burden for our businesses which led to a decrease in our profit before tax for the year ended December 31, 2015.

RISK FACTORS

We cannot assure you that the PRC policies with respect to the preferential tax treatment we currently enjoy will not be changed in ways unfavorable to us or discontinued, or that the approval for such preferential tax treatment will be granted to us in a timely manner, or at all. The termination or expiration of our preferential tax treatment or the imposition of additional taxes on us may lead to an increase in our expenses and may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on our key management team and qualified personnel.

The extensive industrial knowledge and operational expertise of our management team has contributed to our results-driven culture which emphasizes quality, efficiency and market responsiveness. Our continued success is therefore dependent to a large extent on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacement could adversely affect our operations and as a result, our revenue and profit.

Due to the specialized nature of our work, there is a limited supply of adequately qualified technical specialists, including engineers. Our continued success and the implementation of our expansion plans depend largely on our ability to attract and retain high quality personnel, including executive officers, business development personnel and project managers, who have the required experience and expertise to conduct our business. If we are unable to attract and retain a sufficient number of suitably skilled and qualified technical specialists, our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, in the event that a member of our senior management team resigns and joins a competitor or forms a competing company, he or she may compete with us for new customers and business partners on new projects, and for our other key professionals and staff members. Although we have confidentiality and non-competition agreements between our Company and our senior management team members in connection with his or her employment and such provisions are integrated into the terms of employment, there can be no assurance that we will be successful in enforcing these provisions in the event of a dispute between us and any key employee or ex-employee, as the case may be.

We may fail to adequately protect our intellectual property rights or could face claims for infringement of the intellectual property rights of others.

We rely on patents and trademarks to protect our proprietary rights. As of the Latest Practicable Date, we had 45 registered patents and seven registered trademarks. In addition, as of the Latest Practicable Date, our Company is in the process of registering a patent. Our Company is also in the process of registering a trademark under its own name and will cease to share trademarks with the Retained SIHL Holdings Group after completion of the registration of the same. Please see “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – Operational Independence – Trademark Patents and Technical Know-how” and “Appendix VI – Statutory and General Information –

RISK FACTORS

B. Further Information about the Business of Our Group – 2. Intellectual Property Rights” in this listing document. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken to prevent their unauthorized use will be successful. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technologies.

Additionally, applicable laws may not fully protect our intellectual property rights. Any claims or litigation that we may initiate in the future to protect our intellectual property rights could be time consuming and expensive and could divert resources from our business regardless of whether or not the disputes are decided in our favor. Moreover, any significant infringement upon our intellectual property rights could weaken our competitive position, increase our operating costs and have an adverse effect on our operations.

Moreover, third parties may assert that our technologies or techniques infringe upon their intellectual property rights. We cannot assure you that we will not face any claims or litigation for infringement of the intellectual property rights of others. These claims or litigation could adversely affect our relationships with current or future customers, divert management attention and resources and result in substantial expenses, thereby adversely affecting our business, financial condition, results of operations and prospects.

Our business relies heavily on technologies and techniques that are subject to continuous changes. As a result, we cannot assure you that our research and development initiatives will continue to enable us to remain competitive or that we will be able to continue to use or commercialize all of the technologies we currently use.

Our continued success and competitiveness in our industry depend on our ability to develop and improve our technologies and techniques. These technologies and techniques are subject to continuous evolution and changes. We cannot assure you that we will be able to keep up with changes in technology and techniques in a timely manner or at a reasonable cost.

If we are unable to continue developing our technologies and techniques or if there are fundamental technological changes in the industry to which we cannot adapt, we may be unable to remain competitive in our industry. Furthermore, if a third party successfully obtains intellectual property rights to an industrial know-how which we are using but is not protected by any intellectual property rights of our own, we may need to obtain licenses to use such know-how in the future. Any of these events could adversely affect our business, financial condition and results of operations.

In addition, we may need to utilize other technologies developed by third party in the future. If the legal owners of such technologies do not wish to license such technologies to us, we may be required to develop or license alternate technologies, which may involve considerable time and cost. We cannot guarantee that we would be able to develop or obtain license of such technologies in a timely manner, or at a reasonable cost, or at all, which would have an adverse effect on our ability to operate our projects, and as a result, affect our financial condition and results of operations.

RISK FACTORS

We are restricted by covenants in our financing agreements.

During the Track Record Period, we relied on bank borrowings to finance the acquisition and construction of our projects and our business expansion activities. As of December 31, 2014, 2015 and 2016 and September 30, 2017, our bank borrowings were RMB2,054.1 million, RMB2,417.3 million, RMB7,044.6 million and RMB7,277.4 million, respectively. See “Financial Information – Indebtedness”.

Our loan agreements may include material covenants such as requirements to promptly notify the lending banks in the event of material adverse changes in our operations and financial condition as well as restrictions on the use of proceeds from the bank borrowings. We may be required to obtain the relevant lending banks’ prior written consent before we conduct reorganizations, mergers, demergers, joint ventures, capital reductions, equity transfers, transfers of major assets or creditor’s rights, material investments, substantial increases of debt financing or other actions that may adversely affect our ability to repay the loans. In addition, if we breach the covenants, we may trigger an event of default. Some of our loan agreements may also contain cross-default clauses, which could enable creditors under our loan agreements to declare an event of default should there be an event of default on our other loan agreements or those of our subsidiaries. Any event of default or cross-default could lead to an acceleration of our indebtedness or require us to compensate the lending banks for their losses, and as a consequence, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our loan agreements may also include financial covenants, such as obligations to ensure that (i) our gearing ratio does not exceed a certain percentage of our audited net assets, (ii) the amount of our guarantee does not exceed either the amount of our audited net assets or the prescribed amount under our Constitution, and (iii) our interest coverage ratio does not fall below a certain threshold. In the event that we fail to comply with the foregoing financial covenants, the lending banks have the right to, among other things, (i) require us to immediately repay the loans and the accrued interest and indemnify them for any loss they may suffer therefrom and (ii) terminate our loan agreements. Furthermore, we may be required to provide additional guarantees to the lending banks.

We cannot assure you that we will be able to obtain the consent of the lending banks for any of the restricted activities. If we engage in such activities and fail to obtain such consent, our business may be adversely affected. In addition, if we breach the restrictive covenants, make any misrepresentations or commit any other violation under our financing agreements, we may trigger an event of default, which in turn could lead to an acceleration of our indebtedness or require us to compensate the lending banks for their losses, and as a consequence, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISK FACTORS

We depend on third parties for the supply of equipment, raw materials and electricity.

Our business significantly relies on the steady supply of various goods and services from suppliers, such as the supply of electricity, equipment and raw materials from local suppliers in the PRC. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, purchases from our five largest suppliers amounted to RMB156.5 million, RMB320.5 million, RMB548.8 million and RMB683.8 million, respectively, representing 17.9%, 29.8%, 44.6% and 34.1% of our total purchases, respectively. If any of our key suppliers for a particular project is unable to continue providing the products we need at prices and on terms and conditions we consider acceptable, we may need to obtain these items from other suppliers. We cannot assure you that we will be able to locate replacements or find new qualified suppliers in a timely manner or at all. Failure to find suitable replacements could jeopardize or cause a delay in the delivery of our supplies, which could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, our business is significantly affected by the availability, cost and quality of the equipment and raw materials used to construct, install, operate and maintain our wastewater treatment, sludge treatment, water supply and waste incineration plants. If for any reason our primary suppliers of equipment or raw materials reduce or discontinue their delivery of such equipment or materials to us in the quantities we need or provide us with equipment or raw materials that do not meet our specifications or are on unacceptable terms, we may be unable to meet our equipment or raw material requirements and may face disruptions to our construction schedules and operations, which could materially and adversely impact our business, financial condition, results of operations and prospects.

Moreover, the operation of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply, and waste incineration plants also depends on the adequate, timely and continuous supply of electricity. We currently obtain most of our electricity from public electricity networks. Many cities and provinces in the PRC have suffered serious power shortages in recent years. Many of the regional grids do not have sufficient power-generating capacity to fully satisfy the increased demand for electricity driven by continued economic growth. Furthermore, our plants are generally located on the outskirts of developed areas of a city or a county with limited power supply plants, which further increases the possibility of lacking access to an adequate and continuous supply of electricity. Interruption in the power supply to our plants could hamper our ability to adequately treat incoming wastewater. Backup electricity generation equipment cannot serve as a permanent replacement for inadequate third party electricity generation facilities. We cannot guarantee that our backup equipment will successfully ensure an adequate supply of electricity in the event of electricity supply interruptions. As a result, our business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

RISK FACTORS

We depend on third parties for and the provision of design, construction, installation, testing and other services.

We generally subcontract our construction work for wastewater treatment plants to third party contractors. While we have provided certain provisions in our standard subcontract form to mitigate the risk of default by our subcontractors, there is no assurance that our subcontractors will perform all of their obligations pursuant to the relevant subcontracts. If any of our subcontractors defaults under the relevant subcontract, we may not be able to complete our construction work on the relevant wastewater treatment plant on time, which could materially and adversely affect our wastewater treatment business.

We depend in part on the availability of qualified design institutes and independent contractors for the design, construction, installation and testing of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration plants. For details of our arrangements with third parties for the provision of design, construction, installation, testing and other services, see “Business – Suppliers”.

We do not have any direct control over the timing or quality of services or supplies provided by these institutes and contractors. We cannot assure you that such skilled institutes and contractors will continue to be available at reasonable rates in the areas in which we conduct our operations, or at all, and we may be exposed to risks relating to the quality of their services.

If we are unable to find qualified design institutes and independent contractors to undertake the design and construction work for our projects on commercially acceptable terms, in a timely manner or at all, our business, financial condition, results of operations and prospects could be materially and adversely affected.

There is no assurance that we would be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. If our subcontractors fail to meet our requirements, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may incur significant time and costs to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us.

In addition, our subcontractors may not always be readily available whenever we need to engage them. There is no assurance that we would be able to maintain working relationships in the future. Further, there is no assurance that we would be able to find suitable alternative subcontractors that meet project’s needs and requirements to complete the projects, which would in turn adversely affect our operations and financial results.

RISK FACTORS

We are exposed to foreign exchange rate fluctuations.

We conduct nearly all of our operations in the PRC and our functional currency is Renminbi. Some of the functional currency of our subsidiaries are in SGD and HKD and when we consolidate these subsidiaries into our group, we will recognized foreign exchange differences arising from translation. During the Track Record Period, we have recognized significant amount of other comprehensive income due to such foreign exchange differences arising from translation. Any currency fluctuations on translation of the accounts of these subsidiaries and also on the repatriation of earnings, equity investments and loans may therefore impact on our financial position or potential income, asset value and liabilities. For details of exchange differences arising from such translation, see “Consolidated Statements of Profit or Loss and Other Comprehensive Income” in Appendix I to this listing document. In addition, we have paid dividends and have assets denominated in SGD. The value of the Renminbi against the SGD, HKD, USD and other currencies fluctuates and is affected by, among other thing, changes in PRC and international political and economic conditions and the PRC government’s fiscal, monetary and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including USD, HKD and SGD, has been based on rates set by the PBoC, which are set daily based on the previous business day’s inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand and reference to a basket of currencies. In August 2008, the Regulations of the People’s Republic of China on Foreign Exchange Control (外匯管理條例) was revised to promote the reform of its exchange rate regime. In June 2010, the PBoC increased the flexibility of the exchange rate. In August 2015, the PBoC changed the way it calculates the mid-point price of Renminbi against the USD, requiring the market-makers who submit for reference rates to consider the previous day’s closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. Since then, the value of the Renminbi depreciated considerably against the USD. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB against the HKD, USD, SGD or other currencies in the future.

Fluctuations in exchange rates may adversely affect the value, converted into USD, HKD or SGD, of our net assets, earnings and any declared dividends. Any increased costs or reduced revenues as a result of foreign currency fluctuations could also adversely affect the profits and margins of our anticipated businesses abroad.

RISK FACTORS

Our insurance coverage may not adequately cover the risks related to our business and operations.

We maintain insurance coverage for our employees covering accident claims arising during the course of the construction and operation of our projects. We also maintain other insurance coverage for the construction and operation of our projects or the properties or raw materials used in our operations. During the Track Record Period and as of the Latest Practicable Date, no material workers' compensation claims, third party liability claims, accident compensation claims or other kinds of claims had been filed against us. We cannot assure you that such claims will not be brought against us in the future.

In addition, we cannot guarantee the continued availability of any type of insurance at an acceptable premium level, or at all. Furthermore, we cannot assure you that our insurance policies will be sufficient to cover all risks associated with our business and operations. We may be subject to liabilities against which we are not insured adequately or at all or liabilities against which we cannot insure. Should significant property damage or personal injury occur due to accidents, natural disasters or other events, our insurance policies may not adequately cover the losses that we incur, potentially leading to a loss of assets, legal claims, employee compensation obligations or other forms of economic loss, which may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with unlawful acts or other misconduct committed by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, or breach of laws, which may be difficult to detect or prevent.

Fraud or other misconduct conducted by our employees (such as unauthorized business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems, and internal control procedures are designed to monitor our operations and overall compliance. However, we may not be able to identify non-compliance matters in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct, which may have previously occurred but was undetected and these fraud or misconduct may re-occur in the future. This could materially adversely affect our business, financial condition and results of operations and our ability to meet our financial goals.

Our business involves the handling of hazardous chemicals.

In order to operate our business, we are required to handle a variety of hazardous chemicals, typically those related to the chemical treatment processes that we apply to wastewater and waste. In order to purchase and handle certain hazardous chemicals, we are required to obtain and renew hazardous chemical permits. In the event that we are unable to obtain or renew such a permit, or such a permit is revoked for any reason, we would be unable to continue normal operations at the affected plant, which would have an adverse effect on our business and results of operations.

RISK FACTORS

In addition, we rely on third-party suppliers of hazardous chemicals to ensure an adequate and uninterrupted supply of such at our plants. In the event that we are unable to maintain an adequate supply of such chemicals at any of our plants, we would be unable to continue normal business operations until we found a replacement supply, which would have an adverse effect on our business and results of operations. We cannot guarantee with regard to any particular hazardous chemical that we would be able to find a replacement supply at a reasonable price, in a timely manner or at all.

The handling of hazardous chemicals involves a certain degree of risk to our employees, plants and the areas surrounding our plants. In the event of improper handling of hazardous chemicals, defect in the containers or equipment used to handle such chemicals, or any other unforeseen risk, our workers, equipment and the areas surrounding our plants may be exposed to hazardous chemicals. Such exposure could result in death or injury to our workers or nearby residents or damage to the surrounding environment. If such exposure were to occur, we may be subject to legal action and government sanction, and our relationship with our workers and our general reputation may be adversely affected, which would in turn have an adverse effect on our business and results of operations.

We are subject to environmental risks and could be liable for environmental damages resulting from our services.

We are exposed to environmental risks due to the nature of our operations. Challenging environmental issues could arise from time to time in the future, which could affect our construction progress for our plants, our profitability and our ability to pay dividends. In addition to environmental regulations in relation to water and land pollution, we are also subject to regulations in relation to odor emission, exhaust gas and noise pollution. Environmental risks could result in alleged violation of such environmental laws or regulations, which may result in penalties or fines levied against us or damage to our reputation. Violation of environmental laws may occur due to factors outside of our control, such as the breaking of third-party pipelines resulting in the emission of polluted water or the failure of our employees to follow instructed procedures. The water supply to our plants is also at risk of water shortages caused by prolonged periods of drought. If there are supply shortfalls caused by prolonged periods of drought, we may incur additional costs in order to provide emergency reinforcement of supplies to areas facing shortage. Restrictions on water use may adversely affect revenue from metered customers.

In addition, we could be liable if our waste incineration plants cause environmental damage to nearby properties or residents. Any substantial liability for environmental damage could have a material adverse effect on our operating results and financial condition. Furthermore, in the ordinary course of our business, we may become involved in a variety of legal and administrative proceedings relating to environmental laws and regulations. These may include proceedings in which:

- agencies of local, provincial or state governments seek to impose liability on us under applicable statutes, sometimes involving civil or criminal penalties for violations, or to revoke or deny renewal of a permit which we need; and

RISK FACTORS

- citizen groups, nearby residents or governmental agencies oppose the issuance or renewal of a permit or approval we need, allege violations of the permits under which we operate or laws or regulations to which we are subject, or seek to impose liability on us for environmental damage for which we may be responsible.

Any adverse outcome in one or more of these proceedings could have a material adverse effect on our business, financial condition and results of operations.

We are a holding company and a majority of our revenue depends on distributions from our project companies.

Our revenue depends on the revenues and cash flow of, and distributions from, our project companies to satisfy our financial obligations and pay dividends to our shareholders. We currently conduct, and expect to continue conducting, our operations through project companies. The availability of distributions from our project companies is subject to the satisfaction of various covenants and conditions contained in the relevant companies' financing documents and certain regulatory restrictions. In particular, as our project companies incur debt on their own behalf, the loan agreements governing that debt may restrict their ability to make payments to us. In addition, we anticipate that our future project-level financing will contain certain conditions and similar restrictions on distributions to us. Any inability to receive distributions from our project companies may have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may be involved in disputes with various parties involved in our provision of wastewater treatment, reclaimed water treatment, sludge treatment, tap water supply and waste incineration, including the local governments, suppliers, customers and contractors. These disputes may lead to legal or other proceedings and may result in substantial costs, delays in our development and operation schedule, and the diversion of resources and management's attention, regardless of the outcome. In addition, labor disputes at our treatment or supply plants could significantly disrupt our operations or our expansion plans. We may also have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in penalties or delay or disrupt the development and operations of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration plants. In such cases, our results of operations could be materially and adversely affected.

RISK FACTORS

Our waste incineration plants are highly dependent on the due performance of our waste providers.

Our waste incineration operations are highly dependent on our ability to successfully secure sufficient amounts of municipal solid waste supplies and the municipal solid waste providers' ability to fulfill their obligations under the relevant supply contracts.

While in general our waste incineration projects have the benefit of certain undertaking from governmental bodies in respect of municipal solid waste under the relevant concession agreements, we may encounter difficulties in enforcing such undertaking against the governmental bodies. Other uncertainties include failure to renew waste treatment contracts upon expiry or early termination as a result of any breach or liquidation of the municipal solid waste providers. If we fail to renew our existing contracts or secure replacement contracts for the sufficient supply of municipal solid waste on commercially acceptable terms, our business, financial condition and results of operations may be materially and adversely affected.

All of our waste incineration plants, rely on the steady supply of municipal solid waste and the municipal solid waste providers to duly perform their contractual obligations to supply the agreed amounts of municipal solid waste to us. The transportation of municipal solid waste to our waste incineration plants may be subject to various uncertainties, including road conditions, transport infrastructure, weather, public demonstrations, unrest or strikes. A failure to maintain a continuous supply of municipal solid waste or a disruption in our supply of electricity to the relevant power grid company could result in an adverse effect on our business, financial condition and results of operations.

The turnover of each waste incineration plant depends on the amount of waste supplied to it and the calorific value of such waste.

The turnover of each of our waste incineration plants is dependent on the amount of municipal solid waste that it processes and electricity it generates. The amount of electricity which the plant can generate depends on the quantity and calorific value of the municipal solid waste it processes. Municipal solid waste with higher calorific values will produce more electricity when incinerated. In the event there is a decrease in the quantity and/or the calorific values of the municipal solid waste we process, the amount of electricity generated may decrease, thereby reducing the turnover and efficiency of our waste incineration plant, which could have a material adverse effect on our financial condition and results of operations.

In addition, depending on the growth in the population and level of industrialization in the areas serviced by our plants, there can be no assurance that the plants we operate will be able to achieve the forecasted utilization rates of their designed capacity, which may adversely affect our results of operations. If the plants we operate are not utilized to their designed capacity, we may not generate the turnover and profit expected from the relevant projects and our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

Negative public perceptions of waste incineration projects may adversely affect our business.

Negative public perceptions, stemming from concerns about the environmental impact of waste incineration projects, have adversely impacted the development of the waste incineration industry in the PRC, as such the government's policy for the waste incineration industry may be adversely affected. In May 2014, local residents protested against a proposed waste incineration plant in Yuhang District of Hangzhou City, Zhejiang Province. In response to the protests, the local government announced that there would be no further work on the waste incineration plant until the public had been consulted over the scheme. Also it was reported in September 2014 that local residents took part in a protest against building a waste incinerator in Bolou County of Huizhou, Guangdong Province. Public perception of waste incineration projects and opposition by local residents against the construction of waste incineration plants located near their residence may delay the awarding of waste incineration projects by municipal governments. Similarly, public protests may significantly delay the completion of waste incineration projects which have been awarded to us or which may be awarded to us in the future. Such delays could have a material adverse impact on our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could have a material and adverse effect on our business and operations.

Our main business and operations are conducted in the PRC and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes and their interpretations in terms of application and enforcement by relevant legislative and judicial authorities, various administrative regulations and decrees. Prior court decisions may be adduced for reference but have limited preferential value. Since the late 1970s, the PRC Government has committed to developing a comprehensive system of commercial law to regulate business practices and the country's overall economy. The PRC has made significant progress in the promulgation of laws and regulations dealing with economic matters, such as shareholders' rights, foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws and regulations are relatively new, and given the limited volume of published decisions, the involvement of different enforcement bodies and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of these laws and regulations involve significant uncertainties and may not be as consistent and predictable as in other jurisdictions. These uncertainties, which may impede our ability to enforce our contracts, or any development or interpretation of PRC laws that is adverse to us, could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them.

Changes in economic, political, legal and social conditions and developments in the PRC as well as policies adopted by the PRC Government may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We conduct our business in the PRC, as a result, our business, financial condition, results of operations and prospects are significantly affected by the economic, political, legal and social conditions and developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, the growth rate, and government control of foreign exchange. Historically, the PRC economy was centrally-planned, with a series of economic plans promulgated and implemented by the PRC Government. Since 1978, the PRC Government has been undergoing a transition from a planned economy to a market-oriented economy.

These reforms have brought about marked economic growth and social progress in the PRC, and the economy of the PRC has shifted gradually from a planned economy towards a market-oriented economy. However, we cannot assure you that the PRC Government will continue to pursue economic reform. A variety of policies and measures that may be implemented by the PRC Government to regulate the economy, including the introduction of measures to control inflation, deflation, or reduce growth, changes in the rates or methods of taxation, or the imposition of additional restrictions on currency conversions and remittances abroad, changes in foreign exchange regulations, taxation and import and export restrictions may have a material and adverse effect on our business, financial condition, results of operations and prospects. Also, many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined and improved over time. Other economic, political, legal and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may adversely affect our operations and the growth of our business. In addition, while the PRC's economy has experienced significant growth over the last three decades, such growth has been uneven across both geographic regions and the various sectors of the economy. Moreover, the economic growth rate of the PRC has decreased in recent years. Our business may also be affected by the PRC Government's economic, political and social policies on the development of regions where our major operations are located, policies in relation to wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration, and any changes to the relevant PRC regulations regarding the our industry. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as a result of current economic, political, social and regulatory conditions in the PRC, and many of these risks are beyond our control.

RISK FACTORS

We may be subject to PRC income tax if we are recognized as PRC tax resident.

Under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) (the “EIT Law”) and its implementation rules, if an enterprise incorporated outside the PRC has its “de facto management bodies” located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. Since almost all of our management is currently located in the PRC, we may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes.

We are a Singapore holding company and most of our income is ultimately derived from dividends that are paid by our subsidiaries in the PRC. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources paid to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempt under applicable tax treaties or similar arrangements.

In addition, if we are considered to be a PRC resident enterprise, dividends we pay with respect to our Shares, or any gain our Shareholders may realize from the transfer of our Shares, may be treated as income derived from sources within the PRC and subject to PRC tax. In such case, we may be required under the EIT Law to withhold PRC income tax on dividends payable to our investors that are non-PRC resident enterprises, and our Shareholders would be required to pay PRC income tax on the transfer of our Shares. The value of our Shareholders' investment in our Shares would be reduced as a result.

RISK FACTORS

Any future occurrence of force majeure events, natural disasters, industrial accidents, mass protests or outbreaks of contagious diseases in the PRC may have a material and adverse effect on our business operations, financial condition, results of operations and prospects.

Any future occurrence of force majeure events, natural disasters, industrial accidents, mass protests or outbreaks of contagious diseases, including but not limited to those caused by avian influenza or swine influenza, may restrict business activities in the areas affected and adversely affect our business and results of operations. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies of the PRC. If in the future any of our employees or our customers in our facilities are suspected of having SARS, H5N1 or H7N9 avian flu, or H1N1 human swine flu, or any other epidemic disease or any of our plants are identified as a possible source of spreading such epidemic disease, we may be required to quarantine the employees or customers that have been suspected of becoming infected, as well as others that have come into contact with those employees or customers. We may also be required to disinfect the affected properties and therefore suffer a temporary suspension of our operations. Any quarantine or suspension of our operations will affect our results of operations.

Mass assembly or demonstrations obstructing project construction or operation as a result of political protests against certain local governmental policies with regard to relocation compensation or environmental matters may occur, which may adversely affect our ability to manage and develop our projects.

Moreover, the PRC has experienced natural disasters like fires, earthquakes, floods and droughts in the past few years, which have resulted in the loss of lives, injuries, the destruction of assets and the disruption of the operations of certain businesses. Natural disasters may cause construction of our plants to be significantly delayed. In addition, the types and quantities of pollutants in the wastewater that we treat may increase unexpectedly due to a number of factors, including the occurrence of natural disasters or industrial accidents, increases in levels of manufacturing activities, increases in water consumption or shortages of water supplies. In the event that such increase in pollution or contamination occurs and we are unable to adequately and efficiently treat the contaminated water or remove pollutants from wastewater, we could be held liable for human exposure to dangerous substances in treated wastewater or environmental damage. Environmental damage may also result from the handling, storage or disposal of hazardous substances. The laws governing such environmental risks are subject to change and any failure to comply with them by us or our subcontractors may result in significant fines or penalties. Any of the foregoing could subject us to liability and damage our reputation, which could materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

Any future occurrence of severe natural disasters in the PRC may adversely affect the PRC economy and as a result, our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC Government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our suppliers or subcontractors, which may have an adverse effect on our business, financial condition, results of operations and prospects.

Changes in government control of currency conversion and in PRC foreign exchange and funds transfer regulations may adversely affect our business operations.

The PRC Government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of the PRC. We receive all of our revenues in Renminbi. Under our current corporate structure, our revenues are primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or meet their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments under current account may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (“SAFE”), by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of the PRC for capital-account transactions, such as the repatriation of equity investment in the PRC and the repayment of the principal of loans or debt denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in the PRC. Our investment decisions are also affected by various other measures taken by the PRC Government relating to the PRC wastewater treatment, reclaimed water treatment, sludge treatment, tap water supply and waste incineration industries, including those disclosed in the section headed “Regulatory Overview” in this listing document. In addition, our transfer of funds to our PRC subsidiaries is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to registration with PRC governmental authorities in case of shareholder loans to the extent that the shareholder loans do not exceed the difference between the total amount of investment and the registered capital of the relevant PRC subsidiaries. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

The enforcement of the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and increases in labor costs in the PRC may adversely affect our business and our profitability.

The PRC Labor Contract Law and its implementation rules impose more stringent requirements on employers with regard to entering into written employment contracts, hiring temporary employees and dismissing employees. The PRC Labor Contract Law and its

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implementation rules also establish requirements relating to, among other things, minimum wages, severance payments and non-fixed term employment contracts, time limits for probation periods as well as the duration and the number of times that an employee can be placed on fixed-term employment contracts. It also provides that social insurance is required to be paid on behalf of employees and that employees are entitled to unilaterally terminate the labor contracts if this requirement is not satisfied.

In addition, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》), which came into effect on January 1, 2008, and its implementation measures, which were promulgated and became effective on September 18, 2008, employees who have served more than one year for an employer are entitled to paid annual leave ranging from five to 15 days, depending on their length of service. Employees who waive such annual leave at the request of employers shall be compensated at a rate of three times of their normal salaries for each waived annual leave day. Such new laws and regulations may increase our labor costs. Any significant increases in our labor costs or the occurrence of disputes with our employees could have a material and adverse effect on our business, financial condition, results of operations and prospects.

A failure to comply with PRC regulations regarding the registration of shares and share options held by our employees who are PRC citizens may subject such employees or us to fines and legal or administrative sanctions.

Pursuant to the Implementation Rules of the Administrative Measures on Individual Foreign Exchange (《個人外匯管理辦法實施細則》), promulgated on January 5, 2007 and implemented in February 2007 by SAFE and the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), promulgated on February 15, 2012, PRC citizens or residents who will be granted shares or share options by an overseas-listed company according to its employee shareholding plan, share option plan or other similar share incentive plans will be required to, through the PRC subsidiary of such overseas-listed company or a qualified PRC agent appointed by the PRC subsidiary, register with SAFE and complete certain other procedures related to the share option or share incentive plan. Currently, foreign exchange income of the participating PRC residents received from the sale of share and dividends distributed by the overseas listed company are required to be fully remitted into domestic foreign currency account of the PRC subsidiary or the qualified PRC agent before the distribution to such participants. In addition, the PRC subsidiary or the qualified PRC agent required to amend or deregister the registrations with SAFE in case of any material change in, or termination of, the share incentive plans, within the time periods provided by the Stock Option Rules. We and our PRC resident employees who will be the participants of our share incentive plan will be subject to these rules. After the Introduction, we will urge the relevant employees, through our relevant PRC subsidiary or qualified PRC agent appointed by us, to conduct the registration and other procedures with SAFE. However, if we or our domestic employees fail to comply with these rules, we or our domestic employees may be subject to fines and legal or administrative sanctions.

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There are considerable uncertainties concerning the proposed pollutant discharge quota trading scheme and we may not be able to obtain the expected benefit as a result.

The PRC government applies a system for controlling the total amount of pollutants discharged, such as COD and sulfur dioxide, based on relevant PRC laws and regulations such as the Law of the People's Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》). The total amount of pollutants that can be discharged by each province is determined by the PRC government. Based on such determination, each province allocates the pollutant discharge quota among cities and counties at its own discretion. In turn, each city or county then sets the pollutant discharge quota for each pollutant discharging unit under its jurisdiction.

There are no national laws or regulations issued by the PRC Government governing the trading or transfer of the pollutant discharge quota. The environmental protection authorities are entitled to reduce or cancel the pollutant discharge quota based on a number of factors, such as the adjustments of various discharging standards for pollutants, total pollutant discharging amount allocated or any new environmental protection laws and regulations promulgated with respect to pollutant discharge. Therefore, due to the considerable uncertainties involved in the proposed trading scheme, we may not obtain the economic benefits we expected.

It may be difficult to effect service of process on our Directors or executive officers who reside in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

Most of our senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons are located in the PRC. Therefore, it may be difficult for you to effect service of process upon those persons in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many developed countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

A deterioration of overall market conditions and credit availability from lending institutions in the PRC, including those related to inflation, may significantly affect our business and financial performance.

Our ability to successfully expand our business operations in the PRC depends on the overall macroeconomic conditions and other market conditions of the PRC and on the availability of credit from lending institutions. Due to concerns regarding inflation and overheating of the PRC economy, the PRC Government has taken a series of measures in recent years, including adjusting the deposit reserve ratio, as a result of which commercial banks in the PRC have increased interest rates, reducing the availability of credit in the PRC. Stricter lending policies in the PRC may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. Furthermore, recent events illustrate

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the PRC Government's determination to undertake a tightening of monetary policy. We cannot assure you that the PRC Government will not implement any additional measures to tighten lending standards or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in money supply and inflation. To control inflation in the past, the PRC Government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on State bank lending. Such policies can however lead to a slowdown in economic growth and may have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE INTRODUCTION AND OUR SHARES

The market price and trading volume of the Shares may be volatile.

The trading price of our Shares on the SGX-ST might not be indicative of the expected market price for our Shares on the Hong Kong Stock Exchange following the Introduction. Further, the trading price of our Shares on the SGX-ST has been, and might continue to be subject to substantial fluctuations. The trading price of our Shares could increase or decrease in response to a number of events and factors, including without limitation:

- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment;
- the operating and securities price performance of companies that investors consider to be comparable to us;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for the Shares; and
- changes in global financial and credit markets and global economies and general market conditions, such as interest or foreign exchange rates as well as stock and commodity valuations and volatility.

The volatility can adversely affect the trading price of our Shares regardless of our operating performance. Further, for these reasons amongst others, our Shares might trade at prices that are higher or lower than the attributable net asset value of our Shares. In addition, we cannot guarantee that investors can regain the amount invested. It is possible that investors could lose all or a part of their investment in our Shares.

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Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of our other Shareholders.

Upon Listing, Triumph Power, S.I. Infrastructure, SIHL Treasury and SIHL Holdings will own approximately 46.31% of the Shares. As such, the Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other shareholders.

Future sales or perceived sales of a substantial number of our Shares in public markets could adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings.

Difficulties in enforcing your shareholder rights because we are incorporated in Singapore and the laws of Singapore for minority shareholders' protection could be different from those under the laws of Hong Kong and other jurisdictions.

We are a company incorporated in Singapore with limited liability, and the laws of Singapore differ in some respects from those of Hong Kong or other jurisdictions where investors might be located. Our corporate affairs are governed by our Constitution, the Companies Act and the laws of Singapore. The laws of Singapore relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedents in existence in Hong Kong and other jurisdictions. This could mean that the remedies available to our Company's minority Shareholders could be different from those they would have under the laws of Hong Kong and other jurisdictions.

RISK FACTORS

The liquidity of our Shares on the Hong Kong Stock Exchange could be limited and the effectiveness of the bridging arrangements is subject to limitations.

Our Shares have not been traded on the Hong Kong Stock Exchange before the Introduction and there could be limited liquidity in our Shares on the Hong Kong Stock Exchange. Although Shareholders will be able to transfer the registration of our Shares from Singapore to Hong Kong, and vice versa, there is no certainty as to the number of Shares that Shareholders may elect to transfer to Hong Kong. This could adversely affect investors' ability to purchase or liquidate Shares on the Hong Kong Stock Exchange. Accordingly, there is no guarantee that the price at which Shares are traded on the Main Board of the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which Shares are traded on the main board of the SGX-ST or that any particular volume of Shares will trade on the Main Board of the Hong Kong Stock Exchange.

Throughout the Bridging Period (being the period of 30 calendar days from and including the Listing Date), the Designated Dealer and the Alternate Designated Dealer intend to carry out arbitrage activities between the Singapore and Hong Kong markets (as set out in the section headed "Listings, Registration, Dealings and Settlement – Proposed Bridging Arrangements" in this listing document). Such arbitrage activities are intended to contribute to the liquidity of our Shares in the Hong Kong market by facilitating the migration of Shares to the Hong Kong Branch Share Register to develop an open market in our Shares in Hong Kong following the Introduction. One should be aware that the bridging arrangements are subject to the Designated Dealer's and the Alternate Designated Dealer's ability to sell our Shares or obtain sufficient number of Shares for settlement in the Hong Kong market, as well as the existence of adequate price differentials between the Hong Kong and Singapore markets.

We cannot guarantee you that the bridging arrangements will attain and/or maintain liquidity in our Shares at any particular level on the Hong Kong Stock Exchange, nor is there assurance that an open market will in fact develop. The bridging arrangements will be terminated and ceased to continue beyond the Bridging Period (being the period of 30 calendar days from and including the Listing Date).

We also cannot guarantee you that the price at which our Shares are traded on the Hong Kong Stock Exchange will be substantially the same as or similar to the price at which our Shares are traded on the SGX-ST or that any particular volume of our Shares will trade on the Hong Kong Stock Exchange. The bridging arrangements being implemented in connection with the Introduction are not equivalent to the price stabilization activities that could be undertaken in connection with an initial public offering. In addition, the Designated Dealer or the Alternate Designated Dealer is not acting as a market maker and does not undertake to create or make a market in our Shares on the Hong Kong Stock Exchange.

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The time lag of the transfer of Shares between the Hong Kong and Singapore markets could be longer than expected, and our Shareholders might not be able to settle or realize any Share sale during this period.

There is no direct trading or settlement between the stock exchanges of Singapore and Hong Kong. To enable the transfer of Shares between the two stock exchanges, our Shareholders are required to comply with specific procedures and bear the necessary costs. Under normal circumstances and assuming that there are no deviations from the usual share transfer procedures, our Shareholders can expect a normal transfer from the Singapore Principal Share Register to the Hong Kong Branch Share Register to complete within 15 Business Days and from the Hong Kong Branch Share Register to the Singapore Principal Share Register within 15 Business Days depending on whether our Shares are registered under CCASS, CDP or in the name of our Shareholders. However, we cannot assure you that the transfer of Shares will be completed in accordance with this timeline. There could be unforeseen market circumstances or other factors that could delay the transfer, thereby preventing our Shareholders from settling or effecting the sale of their Shares.

Difference in characteristics between the Singapore and Hong Kong stock markets.

Our Shares have been listed and traded on the main board of the SGX-ST since 2012. Following the Introduction, it is our current intention that our Shares will continue to be traded on the main board of the SGX-ST. Our Shares traded on the Hong Kong Stock Exchange will be registered by the Hong Kong Branch Share Registrar. As there is no direct trading or settlement between the stock markets of Singapore and Hong Kong, the time required to transfer shares between the Singapore Principal Share Register and the Hong Kong Branch Share Register could vary and there is no certainty when transferred Shares will be available for trading or settlement. The main board of the SGX-ST and the Main Board of the Hong Kong Stock Exchange have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules and investor bases (including different levels of retail and institutional participation). As a result, the trading price of our Shares on the main board of the SGX-ST and the Main Board of the Hong Kong Stock Exchange might not be the same.

Further, fluctuations in the price of our Shares on the main board of the SGX-ST could adversely affect the price of our Shares on the Main Board of the Hong Kong Stock Exchange, and vice versa. Moreover, fluctuations in the exchange rate between Singapore dollars and Hong Kong dollars can also adversely affect the trading prices of our Shares on the main board of the SGX-ST and the Main Board of the Hong Kong Stock Exchange. Due to the different characteristics of the stock markets of Singapore and Hong Kong, the historical prices of our Shares on the main board of the SGX-ST might not be indicative of the performance of our Shares on the Main Board of the Hong Kong Stock Exchange after the Introduction. You should therefore not place undue reliance on the prior trading.

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We cannot guarantee that we will pay dividends.

Any declaration of dividends will be proposed by our Directors after taking into account our operations, earnings, financial condition, cash requirement and availability and the amount of any dividends will depend on various factors, including, without limitation, and other factors that our Directors deem relevant at such time. As of the Latest Practicable Date, we did not have a formal dividend policy. While we currently do not have any dividend plans in the foreseeable future, we may re-evaluate in the future and the amount of dividends to be distributed to our Shareholders, if any, in the future will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders. For further details of our past dividend payments, see “Financial Information – Dividends” in this listing document. We cannot guarantee if and when we will pay dividends in the future.

Concurrently subject to Hong Kong and Singapore listing and regulatory requirements.

As we are listed on the main board of the SGX-ST and will be listed on the Main Board of the Hong Kong Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

Singapore taxes may differ from tax laws of other jurisdictions, including Hong Kong.

The Company is incorporated in Singapore. Prospective investors should consult their tax advisers concerning the overall tax consequences of acquiring, owning, or selling the Shares. Singapore tax law may differ from the tax laws of other jurisdictions, including Hong Kong. Please see “Appendix VI” for further information.

Forward-looking information in this listing document may prove inaccurate.

This listing document contains certain forward-looking statements and information relating to us that is based on our management’s belief and assumptions. The words “anticipate”, “believe”, “expect”, “going forward” and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect our management’s current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described herein. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. Subject to the requirements of the Hong Kong Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this listing

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document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed herein might not occur in the way we expect, or at all. In all cases, you should consider carefully how much weight or importance you should attach to, or place on, such facts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Introduction.

Before the publication of this listing document, there may be press and media coverage which contains certain information regarding the Introduction and us that is not set out in this listing document. We have not authorized the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this listing document is inconsistent or conflicts with the information contained in this listing document, we disclaim it. Accordingly, prospective investors should not rely on any such information.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this listing document.

Certain facts, statistics and data contained in this listing document relating to China and the industries where we operate our business have been derived from various official government publications or other third-party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this listing document and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials.

They have not been prepared or independently verified by us or the Sole Sponsor or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this listing document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

In preparation for the Introduction, our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules:

1. MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Hong Kong Listing Rules provides that a listing applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong, and this normally means that at least two of the executive directors of such listing applicant must be ordinarily resident in Hong Kong. Our principal business and operations are located, managed and conducted in the PRC through our operating subsidiaries in the PRC. All of our turnover is substantially generated from the PRC. Save for Mr. Xu Xiaobing (“**Mr. Xu**”) who is ordinarily based in Hong Kong, none of our executive Directors are Hong Kong permanent residents or are ordinarily based in Hong Kong. As a result, our Company currently does not, and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rule 8.12 of the Hong Kong Listing Rules. Furthermore, we consider that it would be impractical and commercially unnecessary for our Company to appoint additional executive Directors who are ordinarily resident in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Hong Kong Listing Rules. Each of our Directors who are not ordinarily resident in Hong Kong currently holds valid travel documents that allow them to travel to Hong Kong for meetings with the Hong Kong Stock Exchange within a reasonable period of time.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Hong Kong Listing Rules. In order to maintain regular and effective communication with the Hong Kong Stock Exchange, we have implemented the following measures:

- (1) pursuant to Rule 3.05 of the Hong Kong Listing Rules, we have appointed and will continue to maintain two authorized representatives who will act as our Company’s principal point of communication with the Hong Kong Stock Exchange. The two authorized representatives (the “**Authorized Representatives**”) of our Company are Mr. Xu and Mr. Man Yun Wah (“**Mr. Man**”), who is one of our joint company secretaries and a Hong Kong permanent resident;
- (2) any meetings between our Directors and the Hong Kong Stock Exchange will be arranged through the Authorized Representatives or the compliance adviser of our Company or directly with our Directors within a reasonable time frame. We will inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives and/or our compliance adviser;

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- (3) each of the Authorized Representatives will be available to meet with the Hong Kong Stock Exchange within a reasonable period of time upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and/or email;
- (4) each of the Authorized Representatives has means to contact all members of the Board (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact our Directors for any matters. To enhance the communication among the Hong Kong Stock Exchange, the Authorized Representatives and our Directors, we have implemented a policy that (a) each Director will provide his office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Authorized Representatives; and (b) all our Directors and the Authorized Representatives will provide their respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Hong Kong Stock Exchange. In the event that a Director expects to travel or is out of office, he will provide the phone number of the place of his accommodation or offer means of communication to the Authorized Representatives;
- (5) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong and, when required, meet with the Hong Kong Stock Exchange upon reasonable notice;
- (6) we have, in compliance with Rule 3A.19 of the Hong Kong Listing Rules, appointed Haitong International Capital Limited as our compliance adviser who will, among other things, in addition to the Authorised Representatives, act as an additional point of communication with the Hong Kong Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will advise our Company on on-going compliance requirements and other issues arising under the Hong Kong Listing Rules and other applicable laws and regulations in Hong Kong after the Introduction and have full access at all times to the Authorized Representatives and our Directors to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange; and
- (7) we will retain legal advisers to advise on on-going compliance requirements as well as other issues arising under the Hong Kong Listing Rules and other applicable laws and regulations of Hong Kong after the Introduction.

We and our Directors believe that the arrangements set out above will be sufficient to ensure that disclosure of information and contact with the Hong Kong Stock Exchange will be made on a timely basis.

2. APPOINTMENT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Hong Kong Listing Rules provides that a listing applicant must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules. Rule 3.28 of the Hong Kong Listing Rules provides that the company secretary of a listing applicant must be a person who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (1) a member of the Hong Kong Institute of Chartered Secretaries;
- (2) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (3) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In accessing “relevant experience”, the Hong Kong Stock Exchange will consider the following of the individual:

- (1) length of employment with the issuer and other issuers and the roles he or she has played;
- (2) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (3) relevant training taken and/or to be taken in addition to be the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and
- (4) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Shirley Tan Sey Liy (“**Ms. Tan**”) as one of its joint company secretaries. Please see “Directors and Senior Management – Joint Company Secretaries” in this listing document for Ms. Tan’s biography. Ms. Tan has been our company secretary since May 2015 and has been handling the corporate secretarial matters as well as other legal matters for our Company since then. However, Ms. Tan does not possess the requisite qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Therefore, our Company has appointed Mr. Man Yun Wah (“**Mr. Man**”) in September 2017, who is a Hong Kong resident and possesses such qualifications, to be a joint company secretary to work closely with Ms. Tan in the compliance matters for the Introduction as well as other Hong Kong regulatory requirements and in the discharge of his duties and responsibilities as a joint company secretary of our Company for a period of three years commencing from the Listing Date. Please see “Directors and Senior Management – Joint Company Secretaries” in this listing document for Mr. Man’s biography.

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As our Company was incorporated in Singapore with its shares being listed on the SGX-ST, our Company is subject to Singapore laws and regulations, inter alia, the Companies Act and the Listing Manual. As such, our Directors are of the view that Ms. Tan is a suitable person to act as the company secretary of our Company with her respective qualifications and experience and her presence in Singapore enables her to attend to the day-to-day corporate secretarial matters concerning our Company, from the perspective of Singapore laws and the Listing Manual. In view of the above, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 8.17 and 3.28 of the Hong Kong Listing Rules for an initial period of three years commencing from the Listing Date, on the condition that:

- (1) our Company will ensure it will have at least one company secretary who possesses the requirements of a company secretary as stipulated under Rules 8.17 and 3.28 of the Hong Kong Listing Rules at all times;
- (2) the above waiver is granted for a period of three years commencing from the Listing Date. Also, if Mr. Man ceases to provide assistance to Ms. Tan, the waiver will be revoked by the Hong Kong Stock Exchange with immediate effect; and
- (3) prior to the end of the three year period as mentioned above, the Hong Kong Stock Exchange will revisit the situation. Our Company should then demonstrate to the Hong Kong Stock Exchange's satisfaction that Ms. Tan, having had the benefit of Mr. Man's assistance for three years, would then have acquired the "relevant experience" within the meaning of Rule 3.28 of the Hong Kong Listing Rules so that a further waiver would not be necessary.

3. DEALING IN SECURITIES BY CORE CONNECTED PERSONS

Pursuant to Rule 9.09 of the Hong Kong Listing Rules, there must be no dealing in the securities for which listing is sought by any core connected person of the issuer (except as permitted by Rule 7.11 of the Hong Kong Listing Rules) (a) in the case of a listing application by a listed issuer, from the time of submission of the formal application for listing until listing is granted; and (b) in the case of a new applicant, from four clear business days before the expected hearing date until listing is granted (the "**Relevant Period**"). Directors of the issuer for whose securities listing is being sought shall forthwith notify the Hong Kong Stock Exchange of any such dealing or suspected dealing of which they become aware. If any of the directors or their close associates is found to have engaged in such dealing, the listing application may be rejected.

To the best of our Company's knowledge and as of the Latest Practicable Date, (i) the Controlling Shareholders were directly or indirectly interested in approximately 46.31% of the total issued share capital of our Company, in the aggregate, (ii) each of Value Partners Limited, Value Partners Hong Kong Limited and Value Partners Group Limited (collectively, the "**Existing Substantial Shareholders**") was interested or deemed to be interested in approximately 11.93% of the total issued share capital of our Company and each would be

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regarded as a substantial Shareholder under the Hong Kong Listing Rules. Other than our Controlling Shareholders and the Existing Substantial Shareholders, to the best knowledge of our Directors after making all reasonable enquiries, there was no other Shareholder who held 10% or above of the total issued share capital of our Company as of the Latest Practicable Date. Furthermore, other than Mr. Yang Changmin, our executive Director, who was interested in approximately 0.43% of the total issued share capital of our Company, none of our Directors was interested directly or indirectly in any Shares as of the Latest Practicable Date.

Accordingly, each of our Controlling Shareholders, the Existing Substantial Shareholders and Mr. Yang Changmin are subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

In addition, as our Shares are publicly traded on the SGX-ST, there may be Shareholders who currently hold less than 10% of the total issued Shares but may further acquire additional Shares during the Relevant Period and thereby become new substantial Shareholders (the “**New Substantial Shareholders**”). The New Substantial Shareholders and their respective close associates, if any, will be regarded as core connected persons of our Company under the Hong Kong Listing Rules and are therefore subject to the restrictions under Rule 9.09(b) of the Hong Kong Listing Rules.

So far as our Directors are aware, the Existing Substantial Shareholders, but for their shareholdings in the Company, would be Independent Third Parties and have become substantial Shareholders through trading in our Shares on the SGX-ST. Each Existing Substantial Shareholder is a passive investor in our Company, which has not been and will not be involved in our Group’s management and administration or the Introduction. None of the Existing Substantial Shareholders or their respective close associates is entitled to any right to appoint any director or other senior management members of our Group. Our Company has no dealings with the Existing Substantial Shareholders and is not in a position to control dealings in our Shares by the Existing Substantial Shareholders and their close associates. Given the absence of any relationship between our Company and the Existing Substantial Shareholders and the lack of control that our Company has over the Substantial Shareholders and their close associates, it would be unwarranted if the non-compliance by any Existing Substantial Shareholder or New Substantial Shareholder or their respective close associates with the dealing restrictions under Rule 9.09(b) of the Hong Kong Listing Rules were to jeopardize our listing application. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with Rule 9.09(b) of the Hong Kong Listing Rules in respect of any dealings in our Shares by the Existing Substantial Shareholders, the New Substantial Shareholders and their respective close associates during the Relevant Period, on the following conditions:

- (1) the Existing Substantial Shareholders, the New Substantial Shareholders and their respective close associates have not been and will not be involved in our Group’s management and administration or in the Introduction;

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- (2) our Company and our management do not have control over the investment decisions of the Existing Substantial Shareholders, the New Substantial Shareholders or their respective close associates;
- (3) none of the Existing Substantial Shareholders or their respective close associates will be entitled to any right to appoint any director or other senior management members of the Group;
- (4) our Company shall promptly release any inside information to the public in accordance with the relevant laws and regulations in Singapore and Hong Kong (if applicable on the SGX-ST) so that anyone who may deal in our Shares under this waiver will not possess any inside information which has not been released to the public;
- (5) our Company shall procure that none of our Controlling Shareholders, our Directors or their respective close associates shall deal in our Shares during the Relevant Period;
- (6) our Company shall notify the Hong Kong Stock Exchange as soon as practicable if there is any dealing or suspected dealing in our Shares by any core connected persons of our Company during the Relevant Period; and
- (7) the Company and the Sole Sponsor shall undertake that non-public information will not be disclosed to the Existing Substantial Shareholders.

4. ISSUE OF FURTHER SECURITIES AND RESTRICTION ON DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER AFTER A NEW LISTING UPON ISSUE OF FURTHER SECURITIES

Rule 10.08 of the Hong Kong Listing Rules provides that no further shares or securities convertible into equity securities of a listed issuer may be issued or form the subject of any agreement to such an issue within six months from the date on which securities of the listed issuer first commence dealings on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing) except for the circumstances more particularly stated in the Hong Kong Listing Rules.

Rule 10.07(1)(a) of the Hong Kong Listing Rules provides that the controlling shareholders of the issuer shall not in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Hong Kong Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s).

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Our Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 10.08 and 10.07(1)(a) of the Hong Kong Listing Rules on the following grounds:

- (1) our Shares have been listed on the SGX-ST for more than 10 years;
- (2) our Company will not raise any new funds pursuant to the Introduction, thus our Shareholders would not suffer any dilution of their interests in our Company as a result of the Introduction;
- (3) although our Company does not have any current plan to raise funds in the short term, it is essential for us to have flexibility in raising funds by way of further issue of Shares or entering into further acquisitions for share consideration should an appropriate opportunity arise. Any issue of new Shares by our Company will enhance our Shareholders' base and increase the trading liquidity of our Shares, and the interests of our existing Shareholders would be prejudiced if we cannot raise funds for our expansion due to the restrictions under Rule 10.08 of the Hong Kong Listing Rules;
- (4) save for the lending or disposal of Shares by Triumph Power as contemplated under the Stock Borrowing and Lending Agreements to be entered into between Triumph Power and each of the CS Affiliate and the Alternate Designated Dealer and the Sale and Repurchase Agreement to be entered into between Triumph Power and the CS Affiliate to facilitate the bridging arrangements of our Company, none of our Controlling Shareholders intends to dispose of any Shares owned by them within six months after the Listing Date and will each continue to be a controlling shareholder in our Company for 12 months after the Listing Date;
- (5) the interests of our Shareholders are well protected because any further issue of Shares by our Company will be made under general mandate or subject to our Shareholders' approval as required under Rule 13.36 of the Hong Kong Listing Rules; and
- (6) it is a consequential technical waiver of Rule 10.07(1)(a) of the Hong Kong Listing Rules in respect of the deemed disposal of Shares by our Controlling Shareholders upon any issue of securities by our Company within the first six months from the Listing Date if a waiver from strict compliance with Rule 10.08 of the Hong Kong Listing Rules is granted.

Accordingly, our Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 10.07(1)(a) and 10.08 of the Hong Kong Listing Rules, on the following conditions:

- (1) any issue of new Shares will not result in our Controlling Shareholders ceasing to be Controlling Shareholders of our Company as a result of the dilution of their holdings of Shares (i.e., deemed disposal of Shares) upon the issue of any Shares within 12 months after the Listing Date; and

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- (2) any issue of Shares or convertible securities by our Company within the first six months from the Listing Date must be:
 - (i) either for cash to fund a specific acquisition of assets or business that will contribute to the growth of our Group's operation or for full or partial settlement of the consideration for such acquisition; and
 - (ii) pursuant to a general mandate approved by our Shareholders for the issue of further Shares as disclosed in this listing document.

5. RESTRICTION ON DISPOSAL OF SHARES BY A CONTROLLING SHAREHOLDER AFTER A NEW LISTING IN RESPECT OF THE BRIDGING ARRANGEMENTS

Rule 10.07(1)(a) of the Hong Kong Listing Rules provides that the controlling shareholders of the issuer shall not in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Hong Kong Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s).

Background

It is expected that, upon the Introduction and during the Bridging Period, the Designated Dealer (and/or its affiliates authorised to carry out arbitrage activities), on its own account, will seek to undertake, or request the Alternate Designated Dealer to undertake arbitrage activities in the circumstances described in "Listings, Registration, Dealings and Settlement" of this listing document, including but not limited to:

- (1) conducting arbitrage trades in line with market practice in the context of dually listed stocks during the Bridging Period when: (i) there is a meaningful Share price differential between the Hong Kong and Singapore markets (as determined by the Designated Dealer); and (ii) the Designated Dealer or the Alternate Designated Dealer is able to purchase sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent; and
- (2) building a sufficient inventory of securities in Hong Kong to enable it to carry out arbitrage, bridging and/or trading activities during the Bridging Period.

The Alternate Designated Dealer will only undertake arbitrage activities at the request of the Designated Dealer.

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To facilitate the bridging arrangements set out above, the Stock Borrowing and Lending Agreements were entered into between Triumph Power (the “**Lender**”) and each of the CS Affiliate and the Alternate Designated Dealer on March 9, 2018, which will come into effect from the first day of the Bridging Period. Pursuant to the stock borrowing arrangements under such agreements, the Lender will make available to the CS Affiliate and the Alternate Designated Dealer stock lending of 260,658,000 Shares representing approximately 10% of the Shares in issue on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including without limitation, that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the CS Affiliate and the Alternate Designated Dealer, will not lead to any party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving an advance written notice of seven days to the borrower at any time during the period of such loan.

Pursuant to the stock borrowing arrangements under the Stock Borrowing and Lending Agreements, the 260,658,000 borrowed Shares will be allocated as to 234,592,200 Shares to the CS Affiliate and 26,065,800 Shares to the Alternate Designated Dealer. Such borrowed Shares will be used for settlement in connection with the arbitrage trades carried out by the Designated Dealer and the Alternate Designated Dealer in Hong Kong.

In addition, to facilitate the role of the Designated Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Introduction, it is proposed that the Designated Dealer will make arrangement to build up a small inventory of Shares prior to the commencement of trading. The Sale and Repurchase Agreement was entered into between Triumph Power (the “**Vendor**”) and the CS Affiliate on March 9, 2018 for the sale of 16,682,000 Shares by the Vendor as vendor to the CS Affiliate, at a sale price based on the closing price of our Shares quoted on the SGX-ST on the date immediately before the date of the Sale and Repurchase Agreement. Conditional upon the CS Affiliate acquiring our Shares under the Sale and Repurchase Agreement, the CS Affiliate shall sell, and the Vendor shall repurchase, the equivalent number of Shares the Vendor sold under the Sale and Repurchase Agreement, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period.

Based on the foregoing, a waiver from strict compliance with Rule 10.07(1)(a) of the Hong Kong Listing Rules has been sought to allow the arbitrage activities as described in “Listings, Registration, Dealings and Settlement” of this listing document to take place during the Bridging Period.

Reasons for the waiver application

The application for waiver from strict compliance with Rule 10.07(1)(a) of the Hong Kong Listing Rules is made for the following reasons:

- (1) The bridging arrangements mentioned above are measures designed to ensure liquidity for trading in our Shares and settlement of arbitrage trades upon the Introduction. Arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices on the Hong Kong and the Singapore markets. Besides, the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to the Shares, as it is open to all Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Designated Dealer and the Alternate Designated Dealer (as appropriate). Although the bridging arrangements would result in a technical breach of Rule 10.07(1)(a) of the Hong Kong Listing Rules, they are made for the purpose of enhancing the listing process and ensuring the successful listing of our Shares on the Hong Kong Stock Exchange. In particular, the Sale and Repurchase Agreement was entered into (and will take effect before the commencement of trading of the Shares on the Hong Kong Stock Exchange) to facilitate the role of the Designated Dealer to allow it to build up a small inventory shares in the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Introduction, thereby contributing towards trading liquidity of our Shares on the Hong Kong market during the Bridging Period by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period when buy and sale orders are executed on the Singapore and Hong Kong markets respectively.
- (2) Stock borrowing and lending arrangements are commonplace in initial public offerings in Hong Kong. Such arrangements are specifically covered under Rule 10.07(3) of the Hong Kong Listing Rules. Although the Stock Borrowing and Lending Agreements contemplated in the Listing do not fall within the ambit of Rule 10.07(3), there is no breach of Rule 10.07 of the Hong Kong Listing Rules as the purposes of the Stock Borrowing and Lending Agreements contemplated are to allow the Designated Dealer or the Alternate Designated Dealer (as appropriate) to use the borrowed Shares purely for settlement in connection with the arbitrage trades carried out by them in Hong Kong during the Bridging Period.
- (3) The bridging arrangements contemplated above represent the most cost-effective way of ensuring trading liquidity in the following ways:
 - (i) under the Stock Borrowing and Lending Agreements, the CS Affiliate and the Alternate Designated Dealer (as appropriate) are not required to pay the Lender any interest or consideration; and

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- (ii) under the Sale and Repurchase Agreement, the total consideration payable by the CS Affiliate with respect to our Shares sold by the Vendor is netted against the total consideration payable by the Vendor with respect to our Shares repurchased by the Vendor on the basis that the underlying transactions are undertaken solely as part of the liquidity measures in connection with the Introduction.

Given the size of our Controlling Shareholders' shareholding in our Company compared to other Shareholders in Singapore, and the alignment of our Controlling Shareholders' interest with that of our Company's in the successful outcome of the Listing, both the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement represent the most conducive and cost-effective way of ensuring trading liquidity of Shares in the Hong Kong market during the Bridging Period.

- (4) Triumph Power will maintain a neutral position under both the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement before and after the arrangements contemplated thereunder. All Shares purchased or borrowed under both agreements will be repurchased by or returned to Triumph Power not later than 15 Business Days after the expiry of the Bridging Period, thereby ensuring that the end-result of the shareholding of Triumph Power in our Company remains the same before and after the arrangements contemplated under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement. This arrangement is not aimed at circumventing the restrictions covered under Rule 10.07 of the Hong Kong Listing Rules.

Application for waiver

Based on the above, our Company has applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the restrictions under Rule 10.07(1)(a) of the Hong Kong Listing Rules in respect of the disposal of Shares by Triumph Power pursuant to the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement subject to the following conditions:

- (1) the arrangements under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement are fully disclosed in this listing document and are for the sole purpose of facilitating the arbitrage activities in circumstances as described in "Listings, Registration, Dealings and Settlement – Proposed Bridging Arrangements" in this listing document;

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- (2) any Shares which may be made available to the CS Affiliate or the Alternate Designated Dealer (as appropriate) under the Stock Borrowing and Lending Agreements shall be returned to the Lender no later than 15 Business Days after the expiry of the Bridging Period;
- (3) the maximum number of Shares to be borrowed from the Lender by the CS Affiliate and the Alternate Designated Dealer under the Stock Borrowing and Lending Agreements is 260,658,000 Shares in aggregate representing approximately 10% of the Shares in issue;
- (4) the number of Shares to be sold by the Vendor to the CS Affiliate under the Sale and Repurchase Agreement is 16,682,000 Shares, representing approximately 0.64% of the Shares in issue, and such Shares will be repurchased by the Vendor not later than 15 business days after the expiry of the Bridging Period;
- (5) the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement will comply with all applicable laws, rules and regulations;
- (6) no payment will be made to the Lender by the CS Affiliate and the Alternate Designated Dealer (as appropriate) in relation to the stock borrowing arrangements under the Stock Borrowing and Lending Agreements; and
- (7) each of our Controlling Shareholders will not dispose of their Shares during first six months following the Introduction other than under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement or pursuant to the waivers granted from strict compliance with Rules 10.08 and 10.07(1)(a) of the Hong Kong Listing Rules regarding the deemed disposal of Shares by our Controlling Shareholders upon any issue of Shares by our Company within the first six months from the Listing Date.

6. COMPANIES ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules require that, amongst other things, the results and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited financial statements of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of this listing document.

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The Acquisitions/Proposed Acquisitions

After the Track Record Period, in order to expand our business, we have acquired or entered into agreements to acquire certain companies (the “**Target Companies**”) as set out below (the “**Acquisitions**”):

Project Name	Company	Business	Percentage of equity interest acquired/proposed to be acquired and status of the acquisition	Expected consideration to be paid/ consideration paid for the acquisition
Weifang City Fangzi District Water Corporation Capital Increase and Share Enlargement Project (濰坊市坊子區自來水總公司增資擴股項目)	Weifang City Fangzi District SHC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司) (formerly known as Weifang City Fangzi District Water Company (濰坊市坊子區供水總公司)) (“ Weifang City Fangzi District Water ”)	Water supply	Tender offer for 51% equity interest was accepted on September 18, 2017; share increase agreement was signed on November 16, 2017. The transaction was completed on February 12, 2018.	RMB79.1 million
Dalian Laohutan Wastewater Treatment Plant Project (大連老虎灘污水處理廠項目) and Dalian Laohutan Wastewater Treatment Plant Project (Upgrade and Expansion) (大連老虎灘污水處理廠提標改造項目)	Dalian Ziguang Water Co., Ltd (大連紫光水務有限公司) (“ Dalian Ziguang Water Treatment ”)	Wastewater treatment	100% equity interest; share transfer agreement signed on November 30, 2017.	RMB108.5 million
Dalian Lingshui River Wastewater Treatment Plant Project (大連凌水河污水處理廠項目) and Dalian Lingshui River Wastewater Treatment Plant Project (Upgrade and Expansion) (大連凌水河污水處理廠提標改造項目)	Dalian Ziguang Lingshui Waste Water Treatment Co., Ltd (大連紫光凌水污水處理有限公司) (“ Dalian Ziguang Lingshui Waste Water Treatment ”)	Wastewater treatment	100% equity interest; share transfer agreement signed on November 30, 2017.	RMB97.0 million

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For further information in relation to the acquisition of the Target Companies, please see “Business – Acquisitions after the Track Record Period”. Disclosure in “Business – Acquisitions after the Track Record Period” has been made in accordance with the requirements for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

In such circumstance, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules on the following grounds:

(1) We have entered into the Acquisitions in its ordinary and usual course of business

We have entered into the Acquisitions in our ordinary and usual course of business as this is one of our principal business strategies to expand its market share through acquisitions of local players in China’s environmental industry. Our Directors believe that the terms of the Acquisitions are fair and reasonable and in the interests of our Shareholders as a whole.

(2) Exemption would not prejudice the interests of the investing public

The Acquisitions are de minimus as all the applicable size test calculations (as set out in Rule 14.07 of the Hong Kong Listing Rules) relating to each of the Acquisitions produce a ratio of less than 5% for each applicable size test.

Based on the above, we believe that the Acquisitions are not significant enough to require our Company to prepare pro forma financial information under Rule 4.28 of the Hong Kong Listing Rules.

Accordingly, we believe that the Acquisitions have not resulted in any significant change to the financial position of our Group since September 30, 2017 and all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this listing document. As such, an exemption from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules would not prejudice the interests of the investing public.

(3) Limited historical financial information of the Target Companies is available

For the acquisition of Dalian Ziguang Water Treatment and Dalian Ziguang Lingshui Waste Water Treatment, given that such Acquisitions are yet to be completed, save for the limited financial information provided by the two Target Companies for our due diligence purposes, our Group is unable to have access to the historical financial information of the two Target Companies for the purpose of preparing the accounts to satisfy the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

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The acquisition of 51% equity interest in Weifang City Fangzi District Water through an open bid process was completed on February 12, 2018. Before such completion, Weifang City Fangzi District Water Company was a state-owned enterprise which was previously wholly owned by Weifang Gong Li State-owned Assets Management and Investment Co., Ltd. (濰坊公利國有資產經營投資有限公司), an Independent Third Party, and we were unable to obtain its historical financial information, save for those stated in the open bid notice, the share increase agreement, an audit report for the financial year ended December 31, 2016 and an asset evaluation report dated April 28, 2017. Given that such Acquisition was only completed recently, it is expected that a substantial amount of time shall be required before our Group can have full access to all the historical financial information of Weifang City Fangzi District Water and to prepare the accounts to satisfy the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules.

(4) It would be impracticable and detrimental to our Company and the investors

As our Company does not have sufficient information to prepare the historical financial information of the Target Companies, it would be impracticable and detrimental to our Company and our Shareholders as a whole to require our Company to prepare the accounts required by the requirements under Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules for inclusion in this listing document.

(5) Alternative information will be provided in this listing document

Our Company will provide in this listing document alternative information in connection with the Acquisitions in order to compensate for the non-inclusion of historical financial information of the Target Companies.

7. FINANCIAL STATEMENTS IN THIS LISTING DOCUMENT

Rule 4.04(1) of the Hong Kong Listing Rules requires that the accountants' report to be included in a listing document must include the consolidated results of the listing applicant in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

Rule 13.49(1) of the Hong Kong Listing Rules further requires our Company to publish preliminary results for the financial year ended December 31, 2017 no later than three months after the end of the financial year.

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The financial year of our Company ends on December 31 and according to the present proposed timetable of the Listing, this listing document is issued on March 12, 2018 and our Shares are proposed to be listed on the Hong Kong Stock Exchange on or before March 31, 2018. This listing document contains the audited financial results of our Company for the three financial years ended December 31, 2016 and the nine months ended September 30, 2017, but does not include the audited financial results of our Company in respect of the full year immediately preceding the proposed date of issue of this listing document, being the full year ended December 31, 2017, as required under Rule 4.04(1) of the Hong Kong Listing Rules, as the strict compliance with the requirements under Rules 4.04(1) and 13.49(1) of the Hong Kong Listing Rules would be unduly burdensome and the waiver thereof would not prejudice the interest of the investing public for the following reasons:

- (1) it would be impracticable for the audited consolidated results of our Group for the financial year ended December 31, 2017 to be finalized shortly after the year end. Strict compliance with the requirements would be unduly burdensome for our Company as there would not be sufficient time for our Company to prepare the full year financial statements for the financial year ended December 31, 2017 and for our Company's reporting accountants to complete the audit thereon prior to the issue of this listing document;
- (2) the accountants' report set out in Appendix I to this listing document was made up to September 30, 2017. Our Directors have confirmed that all information necessary for the public to make an informed assessment of our Group's activities, assets and liabilities, financial position, management and prospects has been included in this listing document. In these circumstances, a waiver from compliance would not prejudice the interests of the investing public. Furthermore, according to Guidance Letter HKEx-GL25-11, the maximum allowable time gap between the latest financial year-end of a listing applicant and the proposed listing date is three months. The dealing of the Shares is expected to commence on or before March 31, 2018, which is within three months of our Company's latest financial year end (i.e. December 31, 2017);
- (3) our Company expects to issue its annual report for the financial year ended December 31, 2017 on or before April 30, 2018. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2017;
- (4) we have included in Appendix IA to the listing document the preliminary financial information and a commentary on the results of our Group for the financial year ended December 31, 2017, which follow the same content requirements as for preliminary results announcements under Rule 13.49 of the Hong Kong Listing Rules and be agreed with the reporting accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

- (5) our Group has maintained a steady flow of new projects, stable revenues, strong relationships with its customers, profit margins in line with management's expectations and timely settlement of accounts receivable by customers, and our Directors confirmed that they have performed a sufficient review up to the date of this listing document to ensure that since September 30, 2017 and up to December 31, 2017, there had been no material adverse change in the financial and trading position or prospects of our Group and there had been no material event that would affect the information contained in the accountants' report (as set out in Appendix I to this listing document) and in the section headed "Financial Information – No Material Adverse Change" of this listing document.

In light of the above, we have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 4.04(1) of the Hong Kong Listing Rules as referenced above on the condition that:

- (1) our Company must list on the Hong Kong Stock Exchange on or before March 31, 2018;
- (2) the preliminary financial information and a commentary on the results of our Group for the financial year ended December 31, 2017, which follow the same content requirements as for preliminary results announcements under Rule 13.49 of the Hong Kong Listing Rules and are agreed with the reporting accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, must be included in the listing document; and
- (3) our Company is not in breach of its constitutional documents or the laws or regulations of Singapore or other regulatory requirements regarding its obligation to publish preliminary results announcements.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS LISTING DOCUMENT

This listing document includes particulars given in compliance with the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this listing document and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, the information contained in this listing document is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this listing document misleading.

NO CHANGE IN THE NATURE OF OUR BUSINESS

No change in the nature of our business is contemplated immediately following the Introduction.

LISTINGS AND DEALINGS

Application for Listing on the Hong Kong Stock Exchange

Our Shares are currently listed on the SGX-ST. An application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, any Shares which may be issued pursuant to the exercise of options under the ESOS 2012 and any Shares which may be issued pursuant to the ESAS on the main board of the Hong Kong Stock Exchange pursuant to Rule 8.05(1) of the Hong Kong Listing Rules. Our listings on both the Hong Kong Stock Exchange and the SGX-ST will be dual primary listings. Consequently, unless otherwise agreed by the SGX-ST or, as the case may be, the Hong Kong Stock Exchange, our Company must comply with the Hong Kong Listing Rules and the Listing Manual and any other relevant regulations and guidelines in Hong Kong and Singapore which are applicable to us. In the event where there is a conflict or inconsistency between the requirements of the listing rules of the two stock exchanges, the Company will comply with more onerous requirements. Our Directors will use their best endeavors to ensure that no release of information will be made in Singapore unless a simultaneous release is made in Hong Kong and vice versa.

Our Directors confirmed that our Company has been in compliance with relevant applicable laws and listing rules of Singapore during their respective terms of office. In addition, each of our Directors has confirmed that he/she has been in compliance with relevant applicable laws of Singapore and Listing Manual during their respective terms of office.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

As Shareholders' approval is required for the proposed Introduction and the proposed amendments to the Constitution to, amongst other things, comply with the requirements of the Hong Kong Listing Rules and the Listing Manual, a circular in relation to such matters was submitted to the SGX-ST for clearance on September 22, 2017. On October 17, 2017, our Company received the requisite clearance for the contents of the circular and such circular was dispatched by our Company on January 5, 2018 to our Shareholders. An extraordinary general meeting of our Company was consequently held on January 29, 2018 whereby resolutions were passed for, inter alia, the approval of the proposed Introduction and the proposed amendments to the Constitution. Save as disclosed aforesaid, no approval from the SGX-ST is required for the proposed Introduction.

Details of the arrangement for the removal of Shares from the principal share register to the Hong Kong share register or from the Hong Kong share register to the principal share register are set out in the section headed "*Listings, Registration, Dealings and Settlement*" in this listing document.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE LISTING

Commencement of Dealings in our Shares

Dealings in our Shares on the main board of the Hong Kong Stock Exchange are expected to commence on March 23, 2018. Our Shares will be traded on the main board of the Hong Kong Stock Exchange in board lots of 1,000 Shares each.

Conditions of the Introduction

The Introduction is subject to the fulfillment of the conditions that, among other things, the Listing Committee grants the listing of, and permission to deal in, on the main board of the Hong Kong Stock Exchange, our Shares presently in issue and listed on the SGX-ST, any Shares which may be issued pursuant to the exercise of options under the ESOS 2012 and any Shares which may be issued pursuant to the ESAS as well as the approval of our Shareholders of the resolutions relating to the proposed Introduction and the adoption of the proposed amendments to the Constitution at our extraordinary general meeting held on January 29, 2018.

Reasons for the Introduction

Our Shares were listed on the SGX-ST Catalist Board in 2005 and transferred to the SGX-ST Main Board in November 2012. Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong so that our Company can have ready access to these different equity markets in the Asia Pacific region when opportunity arises. We believe the two markets attract different investor profiles, thereby widening the investor base of our Company and increasing the liquidity of our Shares. In particular, dual primary listing status in both Singapore and Hong Kong enables us to benefit from our exposure to a wider range of private and institutional investors. Our Directors believe that a listing in Hong Kong is in line with our focus on our operations in the PRC, which is important for our growth and long-term strategic development.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

Shares Will be Eligible for Admission into CCASS

Subject to the granting of the approval for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Hong Kong Stock Exchange or on any other date as maybe determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the CCASS Rules and operational procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisors.

PROFESSIONAL TAX ADVICE

Potential investors are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Sole Sponsor, any of their respective directors or any other person or party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our Shares.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, RHT Corporate Advisory Pte. Ltd. in Singapore and our Company's branch register of members will be maintained by our branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. Further details of the transfer, trading and removal of Shares between the Singapore principal share register and Hong Kong branch share register are set out under the section headed "Listings, Registration, Dealings and Settlement" in this listing document.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to our Shareholders listed on our Company's Hong Kong branch share register, by ordinary post, at our Shareholder's risk, to the registered address of each Shareholder.

INFORMATION ABOUT THIS LISTING DOCUMENT AND THE INTRODUCTION

EXCHANGE RATE CONVERSION

Unless otherwise specified, for illustration purposes only, the following exchange rates are used in this listing document:

RMB1.00 = HK\$1.1794

SGD1.00 = HK\$5.7708

No representation is made that any amounts in RMB, SGD or HKD can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

Certain amounts and percentage figures included in this listing document have been subject to rounding adjustments/are rounded to one decimal place. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

DIRECTORS

<u>Name</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Chairman of our Board and non-executive Director</i>		
Mr. Zhou Jun (周軍)	21F, No. 98 Huai Hai Zhong Road, Huangpu District, Shanghai, China	China
<i>Executive Directors</i>		
Mr. Feng Jun (馮駿)	Room 24-201, Lane 128, Long Rui Road Xuhui District, Shanghai, China	China
Mr. Yang Changmin (楊長民)	15A, Block 2, Ming Cui Ju Waterside View, Shenzhen, China	China
Mr. Li Zengfu (李增福)	Room 1501, No. 8 Building, No. 5 Court, San Li He Yi District, Xi Cheng District, Beijing	China
Mr. Xu Xiaobing (徐曉冰)	Flat E, 20/F, Li Chit Garden Li Chit Street, Wan Chai Hong Kong, China	China
Mr. Xu Zhan (許瞻)	Room 1001, No. 33 Lane 77 Fang Dian Road, Pudong New Area, Shanghai, China	China
<i>Independent non-executive Directors</i>		
Mr. Yeo Guat Kwang (楊木光)	Block 715, Hougang Avenue 2, # 10-349 Singapore 530715	Singapore
Mr. An Hongjun (安紅軍)	Room 2101, No. 23, Lane 666, Jin Xiu Road, Pudong New District, Shanghai, China	China
Mr. Zhong Ming (鍾銘)	3 Binjai Hill	Singapore

Please see “Directors and Senior Management” in this listing document for further details.

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

PARTIES INVOLVED IN THE INTRODUCTION

Sole Sponsor

Credit Suisse (Hong Kong) Limited
Level 88 International Commerce Centre
1 Austin Road West Kowloon
Hong Kong

Legal Advisers to our Company

as to Hong Kong law:

Paul Hastings
21-22/F, Bank of China Tower
1 Garden Road
Hong Kong

as to Singapore law:

RHTLaw Taylor Wessing LLP
Six Battery Road
#10-01
Singapore 049909

as to PRC law:

Zhong Lun Law Firm
Level 10 & 11, Two IFC
No. 8 Century Avenue
Pudong New Area
Shanghai
China

Legal Advisers to the Sole Sponsor

as to Hong Kong law:

Mayer Brown JSM
16-19/F, Prince's Building
10 Chater Road
Central
Hong Kong

as to PRC law:

King & Wood Mallesons
20/F, East Tower, World Financial Centre
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE INTRODUCTION

**Auditor and Reporting
Accountants**

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
35/F, One Pacific Place
88 Queensway
Hong Kong

Compliance Adviser

Haitong International Capital Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CORPORATION INFORMATION

Headquarters, Registered Office and Principal Place of Business in Singapore	One Temasek Avenue #37-02 Millenia Tower Singapore 039192
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	Unit 912, 9/F Two Harbourfront 22 Tak Fung Street Hung Hom, Kowloon Hong Kong
Company's website	<u>www.siicenv.com</u> <i>(the contents of this website do not form part of this listing document)</i>
Joint company secretaries	Ms. Shirley Tan Sey Liy <i>ACIS</i> Six Battery Road #10-01 Singapore 049909 Mr. Man Yun Wah <i>HKICS</i> Unit 912, 9/F Two Harbourfront 22 Tak Fung Street Hung Hom, Kowloon Hong Kong
Authorised representatives	Mr. Xu Xiaobing Flat E, 20/F, Li Chit Garden Li Chit Street, Wan Chai Hong Kong Mr. Man Yun Wah <i>HKICS</i> Unit 912, 9/F Two Harbourfront 22 Tak Fung Street Hung Hom, Kowloon Hong Kong
Executive Committee	Mr. Zhou Jun (<i>Chairman</i>) Mr. Feng Jun Mr. Yang Changmin Mr. Xu Xiaobing Mr. Xu Zhan

CORPORATION INFORMATION

Audit Committee	Mr. An Hongjun (<i>Chairman</i>) Mr. Yeo Guat Kwang Mr. Zhong Ming
Nominating Committee	Mr. Yeo Guat Kwang (<i>Chairman</i>) Mr. Zhong Ming Mr. An Hongjun
Remuneration Committee	Mr. Zhong Ming (<i>Chairman</i>) Mr. Zhou Jun Mr. Yeo Guat Kwang Mr. An Hongjun
Risk and Investment Management Committee	Mr. Feng Jun (<i>Chairman</i>) Mr. Xu Zhan Mr. Xu Xiaobing Mr. Wu Qiang Mr. Huang Hanguang Mr. Yang Anyuan
Singapore principal share registrar and transfer office	RHT Corporate Advisory Pte. Ltd.
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	Standard Chartered Bank (Singapore) Limited Level 23, Marina Bay Financial Centre (Tower 1) 8 Marina Boulevard Singapore 018981 United Overseas Bank Limited (Singapore) 80 Raffles Place #05-00 UOB Plaza 1 Singapore 048624

CORPORATION INFORMATION

Bank of China (Hong Kong) Limited
9/F Bank of China Tower
1 Garden Road
Hong Kong

Agricultural Bank of China (Huizhou Branch)
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Huicheng District
Huizhou
Guangdong Province
China

Bank of Communications (Wuchang Sub-branch)
No. 80 Zhongnan Road
Wuchang District
Wuhan
Hubei Province
China

Bank of Weifang (Xincheng Sub-branch)
No. 336 Dongming Road
Developmental Zone
Weifang
Shandong Province
China

China Citic Bank (Haerbin Branch)
No. 260 Zhongshan Road
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Haerbin
Heilongjiang Province
China

China Merchants Bank (Shanghai Nanxi Sub-branch)
F1 Yongxin Plaza
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Shanghai
China

CORPORATION INFORMATION

Huaxia Bank (Donghu Sub-branch)
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Hubei Province
China

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(Shenzhen Longgang Sub-branch)
Business Street, Block 10
Xinyayazhou Garden
Zhongxincheng
Longgang District
Shenzhen
Guangdong Province
China

Nanyang Commercial Bank (Dalian Branch)
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Dalian
Liaoning Province
China

Industrial Bank Co., Ltd. (Haerbin Nangang
Sub-branch)
No. 169, Gexin Street
Nangang District
Haerbin City
Heilongjiang Province
China

Shanghai Pudong Development Bank (Shanghai
Branch)
F6, Pu Fa Building
No. 588 Pudongnan Road
Shanghai
China

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government resources and the commissioned Frost & Sullivan Report, reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our Group.

We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in the extraction, compilation and reproduction of the information presented in this section. We have no reason to believe that such information is false or misleading in any material respect or that any part has been omitted that would render such information false or misleading in any material respect. Neither we, the Sole Sponsor nor any of our or their respective directors, officers or representatives or any other person involved in the Introduction have independently verified the information directly or indirectly derived from official government sources, or make any representation as to the accuracy of the information from official government or other third party sources. Such information may not be consistent with and may not have been compiled with the same degree of accuracy or completeness as other information compiled within or outside the PRC. Accordingly, the information derived from official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the Introduction, we have engaged Frost & Sullivan, an independent third party, to conduct a study of the wastewater treatment industry, the water supply industry, the reclaimed water industry, the sludge treatment industry and the waste incineration industry in PRC. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in PRC includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. We agreed to pay Frost & Sullivan a fee of RMB650,000 for the preparation of the Frost & Sullivan Report.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various public and private sources, as well as Frost & Sullivan's management with respect to Frost & Sullivan's market position. Primary research involved interviewing leading industry participants, government officials, and Frost & Sullivan's executives. Secondary research involved reviewing company reports, independent research reports, data based on Frost & Sullivan's own research database, and data from government publications and industry sources. Forecast data is based on historical growth rates as well as government announcements of planned investment.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (i) PRC's economy is likely to maintain steady growth in the next decade; (ii) PRC's social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers such as economic growth and increasing urbanization rate of PRC, strong and sustained government support, and increasingly high standard for water quality are likely to drive the growth of PRC's water industry. Frost & Sullivan has adopted the following parameter: the weight of one cubic meter is one metric tonne.

INDUSTRY OVERVIEW

The research results may be affected by the accuracy of the foregoing assumptions and the choice of the parameter. Our Directors confirm that, as of the Latest Practicable Date, after taking due and reasonable care, there was no material adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information in this listing document.

OVERVIEW OF PRC'S WATER SECTOR

Water Resources in PRC

According to Frost & Sullivan, PRC is one of the most water-deficient countries in the world. In 2016, PRC's total water resource was 3,015 billion tons, but per capita water resource of PRC was merely 2,181.0 tons, less than one-third of the global average. Water shortage is further exacerbated by PRC's growing demand for water due to increasing urbanized population. In addition, pollution has also aggravated PRC's water shortage. According to the MEP, surface water is facing contamination in 2016, while groundwater pollution remained severe with the total proportion of bad to very bad categories reaching 60.1% in 2016.

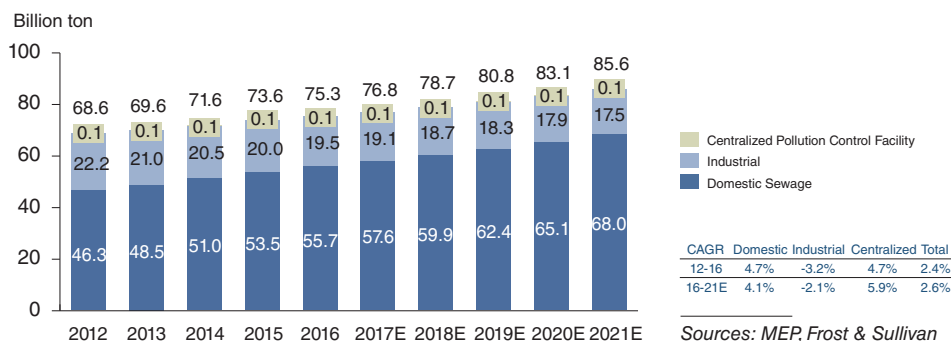
To tackle the above issues, the PRC government has issued a number of policies and incentives to encourage the development of the water industry, including "Water 10" released in 2015, which involves a massive investment initiative over the next five years and is expected to impose strict supervision and rigid punishment systems against violations in wastewater treatment and discharge. According to "Water 10", all the municipal wastewater treatment plants in sensitive regions (i.e., key water lakes and reservoirs and catchment in offshore areas) should generally reach Class I Standard A before the end of 2017, which accelerated the upgrading and expansion of existing municipal wastewater treatment plants in recent years.

Wastewater Discharge in PRC

The accelerating urbanization process in China generated more water consumption in cities and counties. The discharge volume of domestic sewage has continued to grow since 2012, increasing from 46.3 billion tons in 2012 to 55.7 billion tons in 2016, representing a CAGR of 4.7%. The industrial wastewater discharge volume showed a decline trend in China in the past five years from 2012 to 2016 primarily due to the industrial upgrading and government's sustaining efforts on industrial pollution control. The industrial wastewater discharge volume decreased from 22.2 billion tons in 2012 to 19.5 billion tons in 2016.

Based on the continuous trend of urbanization, growing population and economic development, domestic sewage discharge volume is expected to grow at a 4.1% CAGR from 2016 to 2021. In contrast, along with government's continuous promotion on industrial water saving and projects of zero of wastewater in the industrial segment, the industrial wastewater discharge volume is estimated to be further decreased to 17.5 billion tons in 2021.

Wastewater Discharge Volume Breakdown by Source (China), 2012-2021E



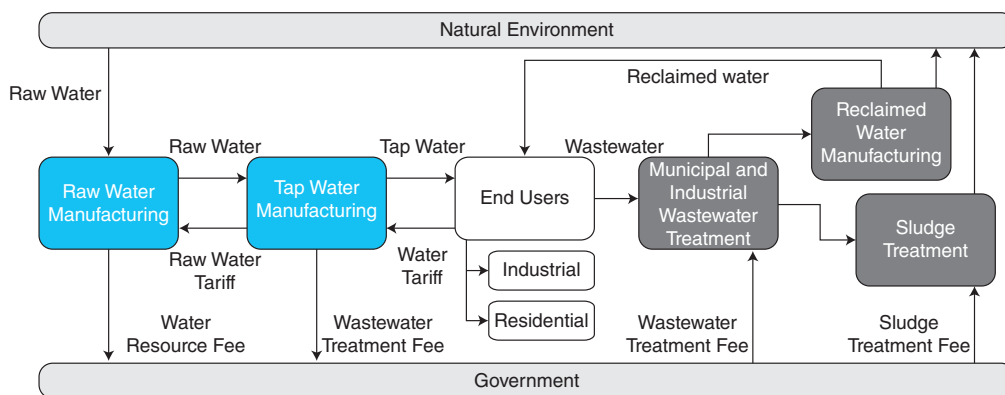
INDUSTRY OVERVIEW

Urbanization is one of the factors that contribute to the increased municipal wastewater discharge volume. According to Frost & Sullivan, from 2012 to 2016, PRC's urban population increased from 711.8 million to 793.0 million, with a CAGR of 2.7%. During the same period, the urbanization rate in PRC increased by 4.7%, from 52.6% to 57.3%. Frost & Sullivan forecasts that by 2021, PRC's urban population is expected to reach 912.8 million and PRC's urbanization rate is likely to reach 64.1%. This rapid urbanization progress is expected to increase the growth potential of PRC's water industry.

Industry Chain of PRC's Water Industry

Tap water manufacturers pay tariff to and obtain raw water from raw water manufacturers. Then tap water is delivered to end users through pipe network, and the water tariff paid by end users is usually composed of tap water tariff and wastewater treatment fee. Wastewater treatment removes pollutants through physical, chemical, and biological processes or transforms them into non-toxic substance.

Reclaimed water generated through certain treatment processes are delivered to end users, primarily for applications such as irrigation, roadway sanitation, car washing, etc. Treatment of wastewater generates sludge, which contains a massive amount of pollutants. Sludge treatment and disposal is one of the key segments after wastewater treatment, which includes a series of processes that stabilize and reduce sludge, make sludge environmentally safe, and utilize the treated sludge. For details of the value chain, please see the following flowchart.



Source: Frost & Sullivan

Competitive Landscape of Municipal Water Industry in PRC

PRC's water industry is highly fragmented, whereby the top five participants together take approximately 11.6% share in total water supply and wastewater operation treatment capacity in 2016, which is expected to encourage those large-scale water companies to accelerate the industry consolidation process in the coming years. Our Group has built up nationwide presence in the PRC's municipal water market, and with a total operation treatment capacity of 7.9 million tons per day, captured a capacity share of 1.5% and ranked fifth in the PRC's municipal water market. Please see the table below for ranking of the competitive landscape of the municipal water industry as of December 31, 2016.

INDUSTRY OVERVIEW

Competitive Landscape of Municipal Water Industry (China), as of December 31, 2016

Ranking	Municipal Water Companies	Water Supply and Wastewater Operation Treatment Capacity ⁽¹⁾ as of December 31, 2016 (Million tons/day)	Market Share (%)
1	Company A	15.7	2.9
2	Company B	15.1	2.8
3	Company C	12.0	2.2
4	Company D	11.9	2.2
5	Our Group	7.9	1.5
	Top 5 Subtotal	62.6	11.6
	Others	474.4	88.4
	Total	537.0	100.0

Sources: The Group and Frost & Sullivan

Note: (1) Operation treatment capacity also includes the capacity of O&M projects.

Main Market Drivers of PRC's Water Industry

- Continuous Urbanization and Increasing Living Standard Along with Economic Growth:** Consumption of water is directly driven by the development of PRC's economy, especially the continuing increase in PRC's urbanization rate and residents' living standard. PRC's urbanization rate was continually increasing during the last few years, and first reached 50% in 2010 and continued to rise to 57.3% in 2016. From 2016 to 2021, the rate is expected to rise from 57.3% to 64.0%. As a result, PRC's rapid and continuous urbanization and growing living standard are expected to lead to more water consumption and wastewater discharge, which drives the demand for water supply, wastewater treatment and water reclamation services. Moreover, the payment capacity and credibility of the governments in those developed cities and regions for municipal water infrastructural projects are relatively more reliable and residents' water consumption and demand are relatively higher, which are also likely to drive further business development and expansion of those market participants in water industry who have accumulated rich operation experience in those developed cities and regions.
- Increasingly High Standard to Water Quality and Public's Rising Awareness of Environmental Protection:** Although the PRC's latest water quality standard for municipal water supply and wastewater discharge has been very stringent, the government is still likely to further increase the demand for water quality in the future, in order to better control the water pollution situation in PRC. This is expected to lead to further increase in water tariffs and investments in advanced treatment technology. Meanwhile, the general public's awareness of environmental protection has been gradually improving, showing greater attention to water quality. Accordingly, the PRC government is likely to increase relevant investment and effort regarding water pollution control to cater for public's rising attention.
- Improving Regulatory Framework:** PRC's water industry enjoys strong and sustained government support. The PRC government has issued a series of incentive policies including Water Pollution Control Action Plan which focuses on the reduction of pollution emissions, the improvement of drinking water safety, and the promotion of eco-friendly industries and specifies the targets of PRC's water pollution control in coming years. Also, policies released recently like the "13-5 Plan" specifies that the investment into the construction of wastewater and reclaimed water is expected to be around RMB564.4 billion during the 13th FYP period, and by 2020, the treatment rate of wastewater in cities is expected to reach 95% and the treatment rate of sludge in cities is expected to reach 75%. Moreover, following the lead of the PRC government's "One Belt, One Road" strategy, more and more infrastructure investments, including water projects, are encouraged to be deployed and funded in neighboring countries and regions, which allows those players in the water industry to further expand their services to other foreign markets through Public-Private-Partnership and other investment methods.

INDUSTRY OVERVIEW

- **Water Pricing/Tariff Reform:** Currently, water tariffs, including both a tap water tariff and wastewater treatment fee, in PRC, still remains at a low level compared to many other developed countries, such as the U.S. Thus PRC's water tariff still has plenty of room for improvement in the future. The PRC government is now encouraging the implementation of tiered tap water tariffs in cities and counties. A tiered tap water tariff is a charging mode of water tariff which applies different levels of charge rates based on the water consumption volumes of the end-users. By adopting a tiered tap water tariff system, tap water tariffs are expected to have a sustained rise in the coming years. A rising water tariff is expected to drive the development of PRC's municipal water industry, as well as the water supply industry and wastewater treatment industry.
- **Development of a Third Party Treatment Model:** To help improve pollution reduction efficiency and to achieve optimal results from investment in the environmental protection sector, in recent years PRC government promulgated a series of policies to promote a third-party treatment model in the environmental protection sector, including the Opinions on Promoting the Third-Party Treatment of Environmental Pollution (《關於推行環境污染第三方治理的意見》), the Administrative Measures on Concession Operation. A third-party treatment model allows for polluters to contract out their pollution treatment obligations to professional third party pollution control service providers, and also allows the government to better supervise and monitor the progress of pollution reduction efforts.

Water Industry Outlook of the PRC

In the past, PRC's municipal water industry is highly scattered as the massive local municipal water market is controlled by local enterprises. In 2016, the top five players in the PRC municipal water industry only accounted for 11.6% in terms of water supply and wastewater treatment capacity. In recent years, with the development and modernization of PRC's municipal water industry, some integrated and large-scale water companies have emerged and achieved rapid expansion. By leveraging their advantage in project experience, capital strength, business coverage and brand reputation, those leading companies with extensive nationwide business operation experience and business presence are likely to further consolidate the industry through mergers and acquisitions in the future.

With regard to newly built municipal wastewater treatment plants, the construction has been focused on middle-and small-sized cities during the twelfth five-year plan period, namely 2011 to 2015. It is estimated that, in the future, at least 20,000 small wastewater treatment plants need to be built throughout PRC. The penetration of wastewater treatment in middle-and small-sized cities is likely to expand the coverage of PRC's municipal wastewater treatment, so that PRC's urbanization and municipal wastewater treatment industry can achieve simultaneous development.

Water supply is a government-led industry. Local governments and state enterprises dominate in the investments in water supply projects. Recent policies issued by the central government attached high importance to water quality, which is likely to be the key focus of the water supply industry in the future and thereby also drive investments in the municipal water supply industry.

For the water reclamation industry, the market is expected to be further developed in the following several years under the concrete policy support such as "13-5 Plan", Working Guideline of Municipal Water-saving (《城鎮節水工作指南》), etc. Both the reclaimed water supply capacity and utilization volume are estimated to increase in the foreseeable future.

Major Entry Barriers to PRC's Water Industry

- **Capital Barrier:** The water industry is capital-intensive. To establish a new wastewater treatment plant, a huge amount of capital is required, and the payback period of the investment ranges from five years to ten years, or even over ten years. Also, sludge treatment requires a heavy initial capital investment in related plants such as centralized

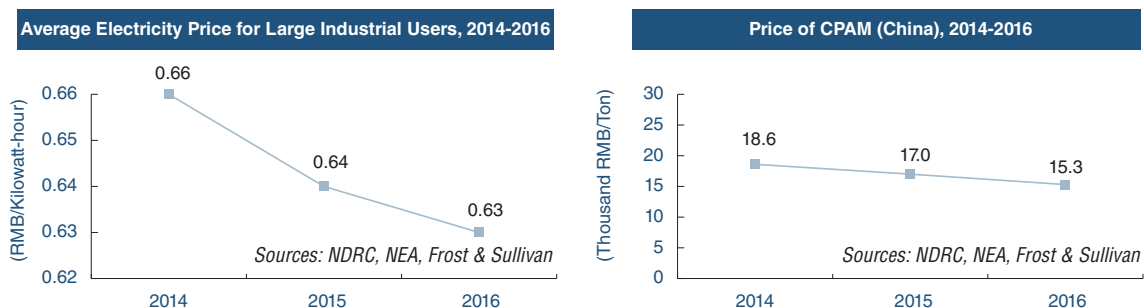
INDUSTRY OVERVIEW

sludge treatment plants, construction of water treatment plants, and distribution pipelines for water supply. The high requirement of capital poses high barriers to those new entrants with limited financing capability.

- **Government Authorization and Regional Barrier:** Obtaining special authorization from the local government is generally the prerequisite for entry into the operation of water businesses, and the local government has strong influence on the development of local municipal water industry. Once having obtained the concession operation contract from the local government, a company would establish a strong advantage in the local municipal water market. Those contracts are usually exclusive agreements, and the company tend to be in a more advantageous position to win renewal of its contracts once they expire. Hence, for those incumbent market players with good relationships with local governments, their competitiveness is relatively strong, which also poses a barrier to new players who want to expand their business into a certain region.
- **Operation and Management Capabilities:** The operation and management of wastewater treatment plants is complex, and new participants in the industry face a steep learning curve. In addition, operation of a wastewater treatment plant and water distribution system has to meet strict requirements to ensure a stable and safe water supply, which demands an experienced operator with strong capability. Local government prefers those companies with necessary qualifications and proven past performance to lower-risk operations. Industry qualifications and a track record have to be accumulated over a long period, therefore, new entrants are less competitive than existing players. Having operated the business in the PRC's water industry for years, our Group has built up a stable senior management team with an average of over ten years of the relevant management and industry experience.

Price for Raw Materials

Electricity cost constitutes a large part of the overall cost for wastewater treatment companies, sludge treatment companies, and municipal water supply companies. The price of electricity is adjusted by NDRC. The average electricity price for large industrial users has shown a decline during the past three years, from RMB0.66 per kilowatt-hour in 2014 to RMB0.63 per kilowatt-hour in 2016.



For wastewater treatment and municipal water supply operations, key production costs also include chemicals. CPAM (cationic polyacrylamide) is one of the major wastewater treatment chemicals. The price had witnessed a gradual decrease in recent years, dropping from RMB18,600 per ton in 2014 to RMB15,300 per ton in 2016, and is expected to have a moderate decline in the short term future. Chlorine is a commonly used water treatment chemical for municipal water supply companies. The price declined gradually from RMB692 per ton in 2014 to RMB540 per ton in 2016, and is expected to have a moderate decline in the short term future.

Fluctuation of raw material prices is unlikely to exert a significant influence on water enterprises as local government usually adjusts the water tariff according to the fluctuation of water companies' costs.

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Pricing Mechanism of Water Tariff and Wastewater Treatment Fee

Water tariff is usually set by the pricing departments of the relevant local governments, and its adjustment often requires public hearings. The wastewater treatment tariff is usually collected as part of the tap water tariff by tap water suppliers and then transferred to wastewater treatment operators. A wastewater treatment operator collects the total wastewater treatment tariff, which is typically calculated to cover the daily operational costs to provide a reasonable return on the operator's investment. The total wastewater treatment tariff consists of two components, public procurement and government purchases. For market-oriented projects such as BOT and BOO projects, wastewater treatment operators often sign with local governments or their designees concession contracts in which both the wastewater treatment tariff and its adjustment mechanism are specified.

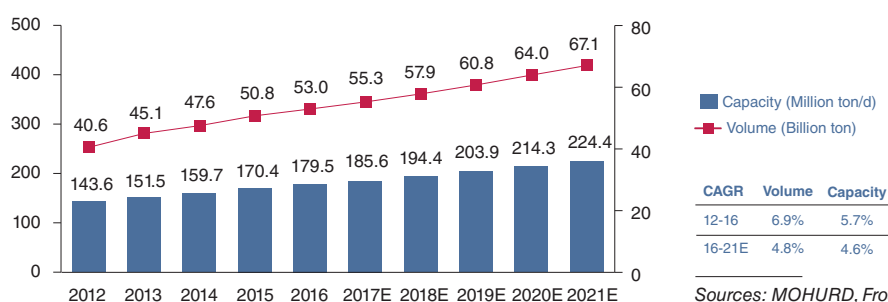
Tap water tariffs are the direct income of tap water supply companies. It is the core part of the water tariff. The tap water tariff consists of water supply cost, expenses, taxes and profit. According to the Measures for the Administration on the Prices of Municipal Water Supply (《城市供水價格管理辦法》) promulgated by the NDRC and the former Ministry of Development on September 23, 1998 and amended on November 29, 2004, when determining the tap water tariff, the government should examine the operating cost and provide a profit margin of 8% to 10%.

OVERVIEW OF PRC'S WASTEWATER TREATMENT

Treatment Capacity and Volume of PRC's Wastewater Treatment Industry

The total treatment capacity of municipal wastewater treatment plants has increased from 143.6 million tons per day in 2012 to 179.5 million tons per day in 2016, at a CAGR of approximately 5.7%. The treatment volume of wastewater has increased from 40.6 billion tons in 2012 to 53.0 billion tons in 2016, at a CAGR of 6.9%. According to Frost & Sullivan, the municipal wastewater treatment volume is expected to hit 67.1 billion tons in 2021, with a CAGR of 4.8% from 2016 to 2021, and the municipal wastewater treatment capacity is likely to increase from 179.5 million tons per day in 2016 to 224.4 million tons per day in 2021, at a CAGR of 4.6%.

Municipal Wastewater Treatment Capacity and Treatment Volume (China), 2012-2021E



Sources: MOHURD, Frost & Sullivan

Major Wastewater Treatment Technologies Overview

Wastewater treatment is to remove pollutants through physical, chemical, and biological processes or transform them into non-toxic substance. It can be categorized into primary treatment, secondary treatment, and advanced treatment. Primary treatment removes particles through physical ways. Secondary and advanced treatments remove organic contaminants, nitrogen, and phosphorus.

Currently, biological treatment takes up to more than 90% of all methods for municipal wastewater treatment in PRC. Other methods include physical-chemical treatment and pure physical or chemical treatment. Biological treatment is the preferred method for removing key pollutants in wastewater. There are five major technologies in the biological treatment process, namely, activated sludge process, oxidation ditch, A/O, A²/O and SBR. The latter four technologies are upgrades of different kinds based on traditional activated sludge process. Currently in the PRC, activated sludge process, along with its derivatives, is a mature technology and has dominant position in Chinese municipal wastewater treatment market.

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Market Condition and Competitive Landscape of Municipal Wastewater Treatment Market in PRC

The overall Chinese municipal wastewater treatment market is highly fragmented with hundreds of companies in operation, whereby the top five participants together take a 17.3% share in total operation treatment capacity.

PRC's municipal wastewater treatment industry is highly fragmented. Our Group, with a daily municipal wastewater operation treatment capacity of 6.14 million tons per day, captured a capacity share of 3.4% and ranked third in PRC's municipal wastewater treatment industry.

Market Share of Top Five Players in Municipal Wastewater Treatment Market in Terms of Total Operation Treatment Capacity as of December 31, 2016

Ranking	Municipal Wastewater Treatment Companies	Operation Treatment Capacity ⁽¹⁾ as of December 31, 2016 (Million tons/day)	Market Share (%)
1	Company A	9.96	5.5
2	Company B	7.70	4.3
3	Our Group	6.14	3.4
4	Company E	3.75	2.1
5	Company C	3.51	2.0
	Top 5 Subtotal	31.06	17.3
	Others	148.40	82.7
	Total	179.46	100.0

Sources: The Group and Frost & Sullivan

Note: (1) Operation treatment capacity also includes the capacity of O&M projects.

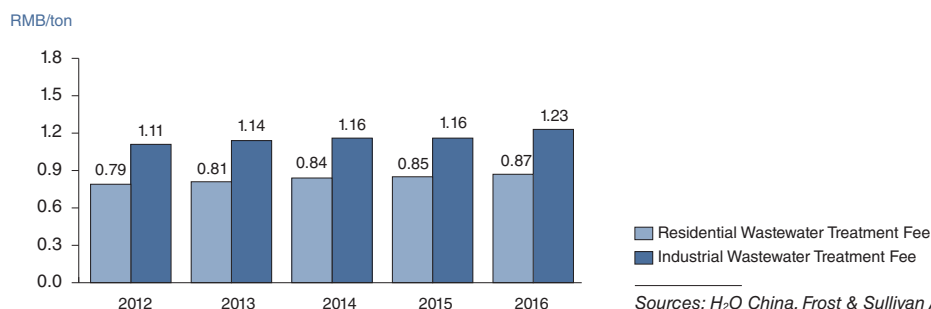
Threats and Challenges to the Industry

Although the wastewater treatment industry in PRC has experienced substantial development in recent years, the wastewater pipeline network construction in PRC is still facing various kinds of problems such as improper combination of sewage pipe and rain water pipe, inappropriate wastewater discharge and pipe connecting by end-users, etc. These problems of wastewater pipeline construction exist in the current wastewater treatment industry in the PRC and are likely to affect the treatment efficiency of water plants and hence pose significant threats and challenges to the wastewater treatment industry.

Wastewater Treatment Fee

Wastewater treatment fee has experienced steady growth in the past decade. The wastewater treatment fee for residential users rose from RMB0.79 per ton in 2012 to RMB0.87 per ton in 2016, and the wastewater treatment fee for industrial users rose from RMB1.11 per ton in 2012 to RMB1.23 per ton in 2016. With rising pressure of cost, both residential and industrial wastewater treatment fees are expected to have sustained growth.

Average Wastewater Treatment Fee for Residential and Industrial Users (China), 2012-2016



Sources: H₂O China, Frost & Sullivan Analysis

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OVERVIEW OF PRC WATER SUPPLY INDUSTRY

Supply Capacity and Volume of PRC's Municipal Water Supply Industry

Municipal water supply capacity of PRC grew from 326.2 million tons per day in 2012 to 390.4 million tons per day in 2016, representing a CAGR of 2.3%. The annual supply volume increased from 62.5 billion tons in 2012 to 77.4 billion tons in 2016 with a CAGR of 2.4%. The municipal water supply capacity and volume are expected to keep growing at a moderate annual pace of 1.8% and 2.4%, respectively, in the next five years, reaching 390.4 million tons per day and 77.4 billion tons in 2021.



Major Tap Water Treatment Technologies Overview

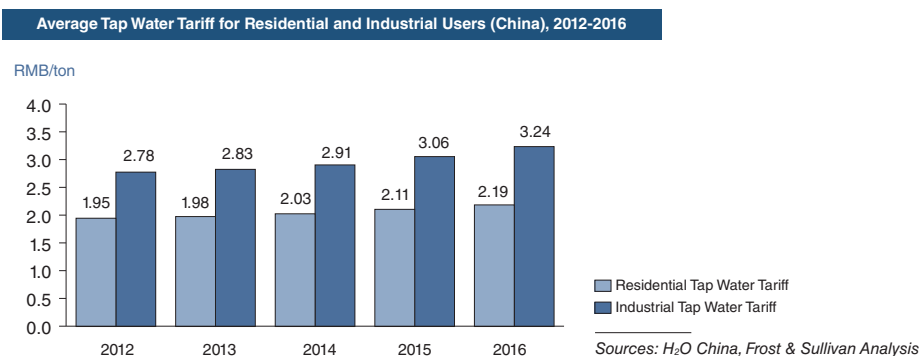
In the typical process of tap water treatment, raw water is pumped into the treatment plant and goes through coagulation and sedimentation, filtration and disinfection. Then the water is stored in a clean water tank before its distribution to terminal users. The conventional process using traditional filtration technology dominates the market, with a market share of over 90%. However, worsening raw water quality poses challenges to tap water treatment. New technologies in filtration, deep treatment and pre-treatment, such as ozone and membrane technology, have been developed to meet higher treatment requirements.

Threats and Challenges to the Industry

With increasing quality of urban life, city and county residents tend to consume more water per person. However, with the promotion and implementation of Action Plan for Water Pollution Prevention and Control (《水污染防治行動計劃》) and the public's increasing awareness of tap water quality, the water quality in PRC is expected to achieve a leap, and the demand for better-quality water will require an upgrade of the water supply industry.

Tap Water Tariff

For residential users, the tap water tariff increased from RMB1.95 per ton in 2012 to RMB2.19 per ton in 2016. During the same period, the tap water tariff for industrial users rose from RMB2.78 per ton to RMB3.24 per ton. According to Frost & Sullivan, with rising pressure of cost, both residential and industrial tap water tariff are expected to have sustained growth.



INDUSTRY OVERVIEW

OTHER SERVICES

Overview of PRC's Reclaimed Water Industry

The contradiction between the limited water resources and continuous increasing water consumption has become increasingly conspicuous in PRC, and water reuse and reclamation is becoming a feasible solution for this problem. PRC government is encouraging the reuse and reclamation of wastewater, and this segment is expected to witness healthy growth in the coming years.

In 2012, the total production capacity of reclaimed water supply was 17.4 million tons per day, and in 2016 the capacity reached 28.4 million tons per day, representing a CAGR of 13.0%. Meanwhile, the utilization volume of reclaimed water also increased from 3.5 billion tons in 2012 to 5.2 billion tons in 2016, with a CAGR of 10.4%. Going forward, both capacity and utilization volume are expected to maintain stable growth, at estimated CAGRs of 19.7% and 21.0%, respectively from 2016 to 2021. By 2021, the total production capacity of reclaimed water supply is forecasted to reach 69.9 million tons per day and the total utilization volume is expected to reach 13.5 billion tons.

Overview of PRC's Sludge Treatment Industry

Treatment of wastewater generates sludge which contains massive amount of pollutants. Sludge treatment is one of the key segments after wastewater treatment, and involves a series of processes to stabilize and reduce sludge, make it environmentally safe and utilize the treated sludge. Proper treatment of sludge is becoming increasingly important, and several treatment targets have been stipulated and planned by the PRC government.

The municipal sludge treatment volume increased from 5.9 million tons in 2012 to 13.9 million tons in 2016, representing a CAGR of 23.9%. The treatment ratio increased from 29.1% in 2012 to 52.5% in 2016. According to the "Water 10" and "13-5 Plan", by 2020, the sludge treatment ratio in city level and county level should reach 75% and 60%, respectively. The municipal sludge treatment capacity is expected to reach 75,800 tons per day in 2021 and the treatment volume is estimated to reach 25.1 million tons.

Overview of PRC's Waste Incineration Industry

Waste incineration plants generate electricity or heat through the incineration of municipal solid waste. Household waste is the most significant raw material for power generation at waste incineration plants. The process of waste incineration usually consists of three steps: separation, incineration and pollution control.

In order to alleviate the predicament of "besieged by garbage" in many cities and achieve the target for municipal solid waste incineration capacity, favorable policies have been issued to encourage the construction of waste incineration power plants. The treatment capacity of waste incineration plants totaled 249.3 thousand tons per day as the end of 2016, increasing from 124.0 thousand tons per day in 2012, representing a CAGR of 19.1% from 2012 to 2016. The municipal solid waste treatment volume by incineration has been increasing from 38.8 million tons in 2012 to 77.5 million tons in 2016, representing a CAGR of 18.9%.

As the favourable regulatory environment for waste incineration plants is expected to continue, the total capacity of waste incineration plants is predicted to continue growing at a fast pace. According to Frost & Sullivan, from 2016 to 2021, the treatment capacity of waste incineration plants is expected to increase to 618.8 thousand tons per day with a CAGR of 19.9%, and the municipal solid waste treatment volume is expected to increase to 191.4 million tons with a CAGR of 19.8%.

Besides the favorable policy support, the major industry drivers of PRC's waste incineration industry include PRC's rapid urbanization process, the scarcity of land and the advance in waste incineration technology.

REGULATORY OVERVIEW

OVERVIEW

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out (i) an introduction to the major PRC government authorities with jurisdiction over our current operations and (ii) a summary of the main laws, regulations and policies to which we are subject.

CAPITAL FUND SYSTEM

According to the Notice of the State Council on Trial Implementation of Capital Fund System in Fixed Asset Investment Projects (Guo Fa [1996] No.35) (《國務院關於固定資產投資項目試行資本金制度的通知》(國發[1996]35號)) promulgated and implemented by the State Council on August 23, 1996, the Opinion on Utilizing Foreign Funds in the Construction of Municipal Public Utilities (For Trial Implementation) (Jian Ji [1997] No.97) (《關於城市市政公用設施建設利用外資工作的意見(試行)》(建計[1997]97號)) promulgated and implemented by the former Ministry of Construction (now known as MOHURD, as referred to hereinafter) on May 20, 1997, the Notice of the State Council on Adjusting the Proportions of Capital Fund in Fixed Asset Investment Projects (Guo Fa [2009] No.27) (《國務院關於調整固定資產投資項目資本金比例的通知》(國發[2009]27號)) promulgated and implemented by the State Council on May 25, 2009, and the Notice of the State Council on Adjusting and Improving the Capital Fund System of Fixed Asset Investment Projects (Guo Fa [2015] No. 51) (《國務院關於調整和完善固定資產投資項目資本金制度的通知》(國發[2015]51號)) promulgated and implemented on September 9, 2015, the capital fund system is applied in fixed asset investment projects.

Under the capital fund system, investors must contribute a certain proportion of capital as the project company's capital funds. The proportion of such contribution in wastewater treatment, water supply and municipal garbage disposal projects must be no less than 20% of the total project investment amount. The specific proportion will be determined by the approval authority of that project when reviewing the feasibility research report, taking into consideration the project's future economic benefits, banks' willingness to grant loans and appraisal opinions.

FOREIGN INVESTMENT SYSTEM

According to Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) jointly promulgated by the National Development and Reform Committee of the PRC (NDRC) and the Ministry of Commerce and revised in 2007, 2011, 2015 and 2017 and according to the latest revised Catalogue of Industries for Guiding Foreign Investment (Revision 2017) (Order of the National Development and Reform Commission and the Ministry of Commerce No.22) (《外商投資產業指導目錄(2017年修訂)》(國家發展和改革委員會、商務部令第22號)), industries for foreign investment are classified into encouraged, restricted and prohibited industries for foreign investment. The construction and operation of water supply plants, reclaimed water plants, wastewater treatment plants and garbage disposal plants belong to the category of encouraged industries for foreign investment.

FOREIGN EXCHANGE MANAGEMENT SYSTEM

According to the Regulation of the People's Republic of China on Foreign Exchange Administration (Order of the State Council No.532) (《中華人民共和國外匯管理條例》(國務院令第532號)) promulgated by the State Council on January 29, 1996 and revised on January 14, 1997 and August 1, 2008, the government imposes regulation on foreign exchange income and expenditure and foreign exchange business operations of domestic institutions and foreign exchange income and expenditure and foreign exchange business operations within the territory by overseas institutions.

According to the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors (Hui Fa [2013] No.21) (《外國投資者境內直接投資外匯管理規定》(匯發[2013]21號)) promulgated by the State Administration of Foreign Exchange on May 10, 2013, direct investment within the PRC territory shall be subject to registration management. Enterprises involved in domestic direct investment shall register with the State Administration of Foreign Exchange and its branch offices. Banks shall provide the relevant domestic direct investment service in accordance with the registration information filed with the foreign exchange authorities.

REGULATORY OVERVIEW

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) promulgated by the State Administration of Foreign Exchange on February 13, 2015, (a) the State Administration of Foreign Exchange cancels two administrative approval items: confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; instead, banks shall directly examine and handle foreign exchange registration under direct investment pursuant to the Operating Guidelines for Foreign Exchange Business in Direct Investment (《直接投資外匯業務操作指引》) and the State Administration of Foreign Exchange and its branch offices shall indirectly regulate the foreign exchange registration under direct investment through banks; (b) cancels the registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; instead, the capital contribution under domestic direct investment shall be entered into accounts; (c) cancels filing of foreign exchange under overseas reinvestment; (d) cancels annual inspection of foreign exchange under direct investment.

CONCESSION IN MUNICIPAL PUBLIC UTILITIES PROJECTS

According to the Circular of the Ministry of Construction on Issuing the Opinions on Accelerating the Marketization of Municipal Public Utilities Industry (Jian Cheng [2002] No. 272) (《建設部關於印發〈關於加快市政公用行業市場化進程的意見〉的通知》(建城[2002]272號)) promulgated and implemented by the former Ministry of Construction on December 27, 2002, the concession system shall be established in the municipal public utilities industries, under which the governments grant enterprises the right to engage in certain products or services of municipal public utilities within a given time limit and scope and specify through contracts and agreements or otherwise the rights and obligations between the governments and the enterprises granted concession. The municipal public utility industries subject to concession include urban water, gas and heat supply, wastewater treatment, garbage disposal and public transport and other industries directly related to social public interests and involving allocation of limited public resources. For the municipal public utilities industries subject to concession, the governments shall select relevant investors or operators following the specified public bidding procedures.

According to the Measures for the Administration on the Concession of Municipal Public Utilities (Order of the Ministry of Housing and Urban-Rural Development of the People's Republic of China No. 24) (《市政公用事業特許經營管理辦法》(中華人民共和國住房和城鄉建設部令第24號)) promulgated by the former Ministry of Construction on March 19, 2004, implemented on May 1, 2004 and revised on May 4, 2015, for urban water, gas and heat supply, public transport, wastewater treatment, garbage disposal and other industries that are subject to concession according to law, the governments shall select investors or operators of municipal public utilities projects through market competition mechanism, clarifying that they may engage in certain products of municipal public utilities or provide certain services within a given time limit and scope. The competent departments of municipal public utilities of the people's governments of municipalities directly under the central governments, cities, and counties (hereinafter referred to as the Competent Departments) shall be responsible for the specific implementation of the concession of municipal public utilities within their own administrative regions with the authorization of the people's governments. (According to the Law on Organization of Local People's Congresses at Different Levels and Local People's Governments at Different Levels of the People's Republic of China (2015 Amendment) (《中華人民共和國地方各級人民代表大會和地方各級人民政府組織法(2015修正)》) promulgated on August 29, 2015, each department of a local government is under the unified leadership of such local government.) Where the competent departments or enterprises that have obtained concession rights is in breach of the agreement, the party in fault shall be liable for breach of contract, and shall bear compensation liabilities for losses to the other party.

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According to the Measures for the Administration on the Concession of Infrastructure and Public Utilities (Order of the NDRC, MOF, MOHURD, the Ministry of Transport, the Ministry of Water Resources and PBoC No. 25) (《基礎設施和公用事業特許經營管理辦法》(國家發展和改革委員會、財政部、住房和城鄉建設部、交通運輸部、水利部、中國人民銀行令第25號)) promulgated by the NDRC, the MOF, the MOHURD, the Ministry of Transport, the Ministry of Water Resources and the PBoC on April 25, 2015 and implemented on June 1, 2015, the competent departments of the relevant industry in people's governments at or above county level or the departments authorized by the governments may, in accordance with the needs of economic and social development, as well as the proposals for concession projects made by the relevant legal persons and other organizations, etc., put forward the implementation plans of concession projects. People's governments at or above county level authorize relevant departments or entities as implementing organizations responsible for relevant implementation of concession projects and specify the specific scope of authorization. The development and reform department, finance department, land and resources department, environmental protection department, housing and urban-rural development department, transport department, water resources department, pricing department, energy department, financial supervision department shall be responsible for the implementation, supervision and administration of relevant concession projects in accordance with their assignment of responsibilities. The implementing organizations shall, in accordance with the approved implementation plans of concession projects, select the grantees of concession rights through bidding, competitive negotiation and other competitive modes and sign concession agreements with grantees of concession rights selected according to law. A concession agreement may, in accordance with the relevant laws, administrative regulations and national regulations, prescribe that the grantees of concession rights could gain earnings by charging users. When the charges are insufficient to cover the construction and operating costs of concession projects and an amount of reasonable earnings, the governments may provide feasibility gap subsidies, including other relevant development and operation rights and interests granted by the governments for concession projects. Parties to concession agreements shall abide by the principle of good faith, and completely fulfill their obligations pursuant to the agreements. Unless otherwise stipulated in laws or administrative regulations, any party of implementation authorities or concessionaires who failed to fulfill the contractual obligations under the concession agreements or their fulfillment of obligations failed to meet the requirements as agreed, shall continue to fulfill their obligations, take remedial measures or compensate for losses.

PROMOTION ON PPP (PUBLIC-PRIVATE PARTNERSHIP)

According to the Guiding Opinions of the State Council on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (Guo Fa [2014] No. 60) (《國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見》(國發[2014]60號)) promulgated and implemented by the State Council on November 16, 2014, the PRC government encourages social capital's participation in the municipal infrastructure projects including urban water supply, wastewater treatment and garbage disposal by concession, investment subsidy, government's purchase of services and other methods and shall choose eligible operators in accordance with the law. The government may also employ the entrusted operation or transfer-operate-transfer (TOT) and other operation ways to transfer the built municipal infrastructure projects to social capital for operation and management.

According to the Guiding Opinions of the National Development and Reform Commission on Launching the Cooperation between Governments and Social Capitals (Fa Gai Tou Zi [2014] No. 2724) (《國家發展改革委關於開展政府和社會資本合作的指導意見》(發改投資[2014]2724號)) promulgated and implemented by the NDRC on December 2, 2014, PPP mode is mainly applicable to the public services and infrastructural projects which are provided by the government and suitable for marketable operation, such as water supply, wastewater treatment and garbage disposal. Development and reform committees of all provinces and cities shall establish the PPP project library, and shall submit the project progress information to the NDRC prior to the fifth day of each month from January 2015 onwards.

REGULATORY OVERVIEW

According to the Circular of the Ministry of Finance on Issues Concerning the Promotion and Application of the Public-Private Partnership Model (Cai Jin [2014] No.76) (《財政部關於推廣運用政府和社會資本合作模式有關問題的通知》(財金[2014]76號)) promulgated and implemented by the MOF on September 23, 2014, the Circular of the Ministry of Finance on Issues Concerning the Implementation of the Demonstration Project Cooperated between Governments and Social Capitals (Cai Jin [2014] No.112) (《財政部關於政府和社會資本合作示範項目實施有關問題的通知》(財金[2014]112號)) promulgated and implemented by the MOF on November 30, 2014 and the Circular of the Ministry of Finance on Regulating the Management of Co-operative Contract between Governments and Social Capitals (Cai Jin [2014] No.156) (《財政部關於規範政府和社會資本合作合同管理工作的通知》(財金[2014]156號)) promulgated and implemented by the MOF on December 30, 2014, government authorities set up series guidelines of the cooperation between governments and social capitals under PPP mode, including project management and co-operative contract management.

TERMS OF CONCESSION RIGHTS

According to the Measures for the Administration on the Concession of Municipal Public Utilities (Order of the Ministry of Housing and Urban-Rural Development of the People's Republic of China No.24) (《市政公用事業特許經營管理辦法》(中華人民共和國住房和城鄉建設部令第24號)) promulgated by the former Ministry of Construction on March 19, 2004, implemented on May 1, 2004 and amended on May 4, 2015 and the Measures for the Administration on the Concession of Infrastructure and Public Utilities (Order of the NDRC, MOF, MOHURD, the Ministry of Transport, the Ministry of Water Resources and PBoC No.25) (《基礎設施和公用事業特許經營管理辦法》(國家發展和改革委員會、財政部、住房和城鄉建設部、交通運輸部、水利部、中國人民銀行令第25號)) which was promulgated by the NDRC, the MOF, the MOHURD, the Ministry of Transport, the Ministry of Water Resources and the PBoC on April 25, 2015 and implemented on June 1, 2015, the term of concession for infrastructure and public utilities shall be determined in light of the industry characteristics, the public products provided or service needs, the project life cycle, the investment payback period, and other integrated factors and shall not exceed 30 years at a maximum. For a concession project of infrastructure and public utilities with large investment scale and long payback period, the government or its authorized department may, in light of the reality of the project, agree on a term of concession exceeding the term as prescribed in the preceding paragraph, with the concessionaire. Upon expiry or early termination of concession agreement, where the infrastructure and public utility shall continue to be operated under concession, implementing institutions shall conduct new selection on concessionaire. Where new selection is conducted upon expiry, the original concessionaire shall be prioritized for such concession under equal conditions.

PRICING

For wastewater treatment, according to the Regulations on Urban Drainage and Sewage Treatment (Order of the State Council No.641) (《城鎮排水與污水處理條例》(國務院令第641號)) promulgated on October 2, 2013 and implemented on January 1, 2014 by the State Council, where the concession operation contract or the contract on entrusted operation involves the reduction of pollutants and service fees for sewage treatment operation, the competent departments of urban drainage shall consult competent departments of environmental protection and competent price departments. The competent department of urban drainage shall approve the operation service fee for urban sewage treatment facilities in accordance with the implementation of operation and maintenance contract by the urban sewage treatment facilities operation and maintenance unit and the supervision and inspection results of the effluent quality and quantity of the urban sewage treatment facilities by the Department of Environmental Protection. The relevant divisions of the local people's government shall fully disburse the operating service expenses of urban sewage treatment facilities in a timely manner.

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For sludge treatment, according to the Circular of the NDRC, the MOF, the MOHURD on the Relevant Issues concerning the Formulation and Adjustment of the Charging Standard for Sewage Treatment (Fa Gai Jia Ge [2015] No.119) (《國家發展改革委、財政部、住房城鄉建設部關於制定和調整污水處理收費標準等有關問題的通知》(發改價格[2015]119號)) promulgated and implemented by the NDRC, the MoF and the MOHURD on January 21, 2015, the charging standard for sewage treatment shall be formulated and adjusted on the comprehensive consideration on factors such as the current condition of water pollution prevention and control and the bearing capacity of the economy and society of the region according to the principles of “Polluter-pays, Equitable Burden Sharing, Cost-reimbursement, Reasonable Profit Gaining”. The charging standard shall be set for the compensation of the operating cost of sewage treatment and sludge disposal facilities and reasonable profit gaining.

By the end of 2016, the charging standard for sewage treatment of cities shall be adjusted to be not less than RMB0.95 per ton for residents, and not less than RMB1.4 per ton for non-residents in principle; the charging standard for sewage treatment of counties and the key designated towns shall be adjusted to be not less than RMB0.85 per ton for residents, and not less than RMB1.2 per ton for non-residents in principle.

For water supply, according to the Measures for the Administration on the Price of Municipal Water Supply (Ji Jia Ge (1998) No.1810) (《城市供水價格管理辦法》(計價格[1998]1810號)) promulgated and implemented on September 23, 1998 and revised and implemented on November 29, 2004 by the former State Development Planning Commission, the former State Planning Commission and the former Ministry of Construction, the sewage treatment fees shall be calculated into the price of municipal water supply and collected according to both the range for municipal water supply and the volume of water used by consumers. The standard for sewage treatment fees shall be reviewed and determined according to the fees on the operation, maintenance and construction of municipal drainage pipeline networks and sewage treatment plants. The competent price departments of the government at or above county level shall be the competent departments for the municipal water supply price. The price of municipal water supply is determined by government in accordance with the principle of unified leadership and hierarchical management and the specific pricing authority shall be executed based on the price management catalogue. In determining the price of municipal water supply, a hearing system and an announcement system shall be adopted. The price of municipal water supply consists of the costs of water supply, expenses, taxes and profits. A municipal water supply enterprise shall apply in writing to the competent price departments of the local municipal people’s government and send a duplicate of the price-adjusting declaration documents to the competent departments of municipal water supply at the same level when there is a need to adjust the price of water supply. The adjustment for the price of the municipal water supply shall be examined and verified by the competent price departments of the local municipal people’s government, carried out upon the approval by the local municipal people’s government and reported to the competent price departments and competent departments for the administration of water supply for record. Different on-grid water prices adopted by different water supply enterprises are permitted if there are water plants or pipeline networks operating independently in the city. However, for the consumers of the same kind, the same price shall be adopted.

For waste incineration and power generation, according to the Renewable Energy Law of the PRC (Order of the President No.23) (《中華人民共和國可再生能源法》(主席令第23號)) promulgated by the Standing Committee of the NPC on February 28, 2005, implemented on January 1, 2006 and revised on December 26, 2009, the on-grid tariff of renewable energy power generation projects shall be determined by the price department of the State Council based on the principles which are conducive to promoting the development and utilization of renewable energy and economic rationality in accordance with the characteristics of different types of renewable energy power generation and the situation of different regions and duly adjusted in accordance with the development of renewable energy utilization technology. The on-grid tariff should be announced. The on-grid tariff of tendered renewable energy power generation projects shall be subject to the price determined in the bid winning; but shall not be higher than the on-grid tariff of the same type of renewable energy power generation project determined in accordance with the provisions of the preceding paragraph.

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According to the NDRC's Notice in relation to the Optimization of Waste Incineration and Power Generation Tariff Policy (Fa Gai Jia Ge [2012] No.801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》(發改價格[2012]801號)) promulgated by the National Development and Reform Committee on March 28, 2012 and implemented on April 1, 2012, for waste incineration and power generation projects which use domestic waste as a raw material, the on-grid electricity is first calculated based on waste treatment capacity. Each ton of domestic waste received is temporarily set at 280kWh of on-grid electricity and is priced at the standard electricity price of RMB0.65/kWh (including tax, the same below). The remaining on-grid electricity is priced based on an on-grid tariff for local coal-fuelled generators. If the on-grid electricity generated by waste treatment is less than 50% of the actual on-grid electricity, the relevant project will be considered a conventional power generation project which is not entitled to subsidies for waste incineration and power generation. If the converted on-grid electricity is higher than 50% of the actual on-grid electricity and less than the actual on-grid electricity, the converted on-grid electricity will be treated as on-grid electricity for waste incineration and power generation. When the converted on-grid electricity is higher than the actual on-grid electricity, the actual on-grid electricity will be considered on-grid electricity for waste incineration and power generation.

QUALITY STANDARD

The water quality of effluent flowing from municipal wastewater treatment plants, exhaust emissions and sludge disposal (control) management and pollutant limits should comply with the standards set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》) (GB18918-2002) (Notice of State Environmental Protection Administration in 2006 No.21) (國家環境保護總局公告2006年第21號) promulgated by the former State Environmental Protection Administration on December 24, 2002, implemented on July 1, 2003 and amended on May 8, 2006. According to the Law of the People's Republic of China on the Prevention and Control of Water Pollution (Order of the President No.87) (《中華人民共和國水污染防治法》(主席令第87號)) promulgated by the NPC Standing Committee on May 11, 1984, implemented on November 1, 1984 and amended on May 15, 1996, February 28, 2008 and implemented on June 1, 2008, the company operating centralised treatment facilities for municipal wastewater is responsible for the quality of the effluent from the municipal wastewater treatment facilities.

The water quality of reclaimed water used for groundwater recharge, industry, agriculture, forestry, animal husbandry, urban non-drinking water, landscape environment should comply with the standards set out in Reclaimed Water Quality Standard (《再生水水質標準》) (SL368-2006) promulgated by the Ministry of Water Resources of the PRC on March 1, 2007 and implemented on June 1, 2007. For reclaimed water used in flushing, road cleaning, fire control, greening, car washing, construction, the reclaimed water quality should comply with the Quality Standard for Municipal Wastewater Reclamation for Municipal Multi-Purpose Uses (《城市污水再生利用城市雜用水水質標準》) (GB/T18920-2002) promulgated by the State Administration of Quality Supervision, Inspection and Quarantine and the National Standardization Management Committee on December 20, 2002 and implemented on May 1, 2003. For reclaimed waters used for landscape, the reclaimed water quality should comply with the Quality Standard for Municipal Wastewater Reclamation for Scenic and Environmental Uses (《城市污水再生利用景觀環境用水水質標準》) (GB/T18921-2002) promulgated by the State Administration of Quality Supervision, Inspection and Quarantine and the National Standardization Management Committee on December 20, 2002 and implemented on May 1, 2003. For reclaimed waters used for industrial cooling, washing, boiler and other productions and processes, the reclaimed water quality should comply with the standards set out in Quality Standard for Municipal Wastewater Reclamation for Industrial Uses (《城市污水再生利用工業用水水質標準》) (GB/T19923-2005) promulgated by State Administration of Quality Supervision, Inspection and Quarantine ("AQSIQ") and Standardization Administration of the PRC on September 28, 2005 and implemented on April 1, 2006. For reclaimed waters used for farm irrigation, the reclaimed water quality should comply with the standards set out in Quality Standard for Municipal Wastewater Reclamation for Farm Irrigation (《城市污水再生利用農田灌溉用水水質標準》) (GB20922-2007) promulgated by AQSIQ and Standardization Administration of the PRC on April 6, 2007 and implemented on October 1, 2007.

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The water quality of the domestic drinking water provided by the means of various centralised and non-centralised water supply in urban and rural areas should comply with the standards set out in the Standards for Drinking Water Quality (《生活飲用水衛生標準》) (GB5749-2006) promulgated by the former Ministry of Health and the National Standardization Management Committee on December 29, 2006 and implemented on July 1, 2007.

For pollution control, supervision and management during construction and operation of municipal solid waste landfill site as well as during maintenance and management after closure thereof, and the construction and operation of municipal solid waste transfer station built along with the municipal solid waste landfill site, the standards set out in Standard for Pollution Control on the Landfill Site of Municipal Solid Waste (《生活垃圾填埋場污染控制標準》) (GB16889-2008) promulgated by MEP and AQSIQ on April 2, 2008 and implemented on July 1, 2008 should be followed.

The design, environmental impact assessment and acceptance of municipal solid waste incinerator as well as pollution control, supervision and management during operation thereof should comply with the standards set out in Standard for Pollution Control on the Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》) (GB18485-2014) promulgated by Ministry of Environmental Protection and AQSIQ on May 16, 2014 and implemented on July 1, 2014.

GOVERNMENT SUPERVISION

According to the Measures for the Administration on the Concession of Municipal Public Utilities (Order No. 24 of the Ministry of Housing and Urban-Rural Development of the People's Republic of China) (《市政公用事業特許經營管理辦法》(中華人民共和國住房和城鄉建設部令第24號)) promulgated by the former Ministry of Construction on March 19, 2004, implemented on May 1, 2004 and revised on May 4, 2015, the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities (Jian Cheng [2005] No. 154) (《建設部關於加強市政公用事業監管的意見》(建城[2005]154號)) promulgated and implemented by the former Ministry of Construction on September 10, 2005 and Measures for the Administration on the Concession of Infrastructure and Public Utilities (Order No. 25 of the NDRC, MOF, MOHURD, the Ministry of Transport, the Ministry of Water Resources and PBoC) (《基礎設施和公用事業特許經營管理辦法》(國家發展和改革委員會、財政部、住房和城鄉建設部、交通運輸部、水利部、中國人民銀行令第25號)) which was promulgated by the NDRC, the MOF, the MOHURD, the Ministry of Transport, the Ministry of Water Resources and the PBoC on April 25, 2015 and implemented on June 1, 2015, supervision of municipal public utilities mainly covers market entry and exit, operational safety, product and service quality, price and charging, pipeline network system, market competition order, etc. Government supervision mainly includes the following:

1. Routine supervision

The authorities in charge of supervising the municipal public utilities shall carry out periodic inspections and checks on the quality of the product and service provided by public utilities operators and shall monitor the cost of product and service from municipal public utilities.

2. Mid-term assessment

During the course of project operation, the authorities in charge of supervising the municipal public utility operators shall organize experts to carry out mid-term assessment on the performance of the operators who have acquired the concession; such assessment shall be carried out at least every two years. Only under special circumstances, may the supervisory authorities carry out annual assessments.

3. Supervision of material matters

Without the prior written consent of the authorities in charge, operators who have acquired the concession should not transfer or lease their concession rights, dispose of or mortgage business assets, shut down or wind up during the concession period. If an enterprise

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which has been granted concession rights intends to unilaterally terminate the concession agreement within the valid period thereof, it shall apply to the authorities in charge in advance, and the authorities in charge shall give a reply within three months after receiving the said application. Before obtaining the approval from the authorities in charge on the said termination, the said enterprise shall maintain its ordinary business and service.

4. Consequences of violations

Where an enterprise which has been granted a concession right is involved in any one of the following conducts during the concession period, the authorities in charge shall terminate the concession agreement according to law, cancel relevant concession right, and may take over the enterprise temporarily:

- (1) Transferring or leasing concession right without authorization;
- (2) Making disposal of or mortgage on the property they operate without authorization;
- (3) Grave quality or work safety accidents occurring due to poor management;
- (4) Shutting down or going out of business without permission, which seriously influences the public interests and security;
- (5) Other acts prohibited by laws and regulations.

If any concessioner violates laws, administrative regulations and national compulsory standards, which has seriously jeopardized public interests, or caused grave quality or safety accidents or environmental emergencies, the relevant departments shall order the concessioner to make corrections within a specified period and impose administrative punishments according to laws. If the concessioner refuses to make corrections and the circumstances are serious, the concession agreement may be terminated. If the case constitutes a crime, criminal responsibility shall be investigated according to laws.

BUSINESS QUALIFICATIONS AND LICENSES

Pollutant Discharge Permit

According to the Environmental Protection Law of the PRC (Order No. 9 of the President) (《中華人民共和國環境保護法》(主席令第9號)) revised by the NPC Standing Committee on April 24, 2014 and implemented on January 1, 2015, Law of the PRC on the Prevention and Control of Water Pollution (Order No. 87 of the President) (《中華人民共和國水污染防治法》(主席令第87號)) revised on February 28, 2008 and implemented on June 1, 2008 and the Implementing Rules of the Law of the PRC on the Prevention and Control of Water Pollution (Order No. 284 of the State Council) (《中華人民共和國水污染防治法實施細則》(國務院令第284號)) promulgated and implemented by the State Council on March 20, 2000, an enterprise operating centralized treatment facilities of urban wastewater shall obtain a pollutant discharge permit. It is forbidden for enterprises and public institutions to discharge wastewater into the water body without a pollutant discharge permit or in violation of the provisions of the pollutant discharge permit.

Health Permit

According to the Measures for the Administration on the Health Supervision of Domestic Drinking Water (Order No. 31 of the MOHURD and National Health and Family Planning Commission) (《生活飲用水衛生監督管理辦法》(住房和城鄉建設部、國家衛生和計劃生育委員會令第31號)) promulgated by the former Ministry of Construction and Ministry of Health on September 1, 1996, implemented on January 1, 1997, revised on February 12, 2010 and April 17, 2016 and implemented on June 1, 2016, the state implements the health permit system for the water supply units and the products involving the drinking water safety. The drinking water supplied by the water supply units shall comply with the national sanitary standards for domestic drinking water. Centralized water supply units must obtain a health permit issued by the competent department of health and family planning of the local people's governments at or above the county level.

The validity term of a health permit of a water supply unit is four years. The water supply unit shall reapply for the recertification 6 months prior to expiry of the validity term.

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Water Intake Permit

According to the Water Law of the PRC (Order No. 48 of the President) (《中華人民共和國水法》(主席令第48號)) promulgated by the NPC Standing Committee on January 21, 1988, implemented on July 1, 1988 and revised on August 29, 2002, August 27, 2009 and July 2, 2016, Regulations on Administration of Water Intake Permit and Collection of Water Resources Charges (Order No. 676 of the State Council) (《取水許可和水資源費徵收管理條例》(國務院令第676號)) promulgated by the State Council on February 21, 2006, implemented on April 15, 2006 and revised on March 1, 2017, Measures on Administration of Water Intake Permit (Order No. 47 of the Ministry of Water Resources) (《取水許可管理辦法》(水利部令第47號)) promulgated and implemented by the Ministry of Water Resources on April 9, 2008 and revised on December 16, 2015, except those who are not required to apply for a water intake permit under the legal requirements, units and individuals that obtain water resources from rivers, lakes and underground water by using water intake works or facilities and have water intake works or plants completed and operated for over 30 days, must apply for a water intake permit from the water administrative department or the drainage basin authority of a local people's government at or above the county level in accordance with the state's water intake permit system and paid use system of water resources, and obtain the water intake rights by paying a water resource fee. Water intake entities or individuals shall take in water according to the approved annual water intake plan. For water intake exceeding the plan or quota, water resource fees shall be charged progressively on the excessive part.

A water intake permit shall generally be valid for 5 years, but no more than 10 years. Upon the expiration of the valid term, water intake entities or individuals who seek for extension shall submit their applications to the former approval authorities within 45 days prior to the expiration.

Electric Power Business License

According to the Regulation on Electric Power Supervision (Order No. 432 of the State Council) (《電力監管條例》(國務院令第432號)) promulgated by the State Council on February 15, 2005 and implemented on May 1, 2005, and Provisions on the Administration of Electric Power Business Licenses (Order No. 9 of the State Electricity Regulatory Commission) (《電力業務許可證管理規定》(國家電力監管委員會令第9號)) promulgated by the former State Electricity Regulatory Commission (SERC) (currently integrated with the responsibility of the National Energy Administration and rebuilding a new National Energy Administration, hereinafter referred to this name) on October 13, 2005 and implemented on December 1, 2005, an enterprise that undertakes any business operation of electric power within the territory of the PRC shall obtain an electric power business license from the SERC; except for any other special circumstance as prescribed by the SERC, no enterprise or individual may engage in any business operation of electric power before obtaining an electric power business license.

Work Safety License

According to the Regulation on Work Safety Licenses (《安全生產許可證條例》) promulgated and implemented by the State Council on January 13, 2004 and revised on July 18, 2013 and July 29, 2014, the state applies a work safety licensing system to enterprises engaged in construction. Before starting production, a construction enterprise shall apply for a work safety license from the department in charge of issue and administration of work safety licenses. No construction enterprises may engage in production activities without a work safety license.

The department of work safety supervision and administration under the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall be in charge of issue and administration of work safety licenses for construction enterprises, and be subject to the guidance and supervision of the department of work safety supervision and administration under the State Council. The validity term of a work safety license shall be 3 years. If the enterprise needs to renew the work safety license upon expiry of the validity term, it shall go through renewal formalities with the original authorities for issue and administration of the work safety license three months before the expiry.

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Construction Enterprise Qualification

According to the Measures of Regulation on Construction Enterprise Qualification (Order No. 22 of the MOHURD) (《建築業企業資質管理規定》(住房和城鄉建設部令第22號)) promulgated by the MOHURD on January 22, 2015 and implemented on March 1, 2015, an enterprise shall obtain a qualification certificate for construction enterprises before conducting construction activities within the scope of the qualifications. The qualification certificate is valid for 5 years.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and implemented by the NPC Standing Committee on December 26, 1989, entities causing environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harm done to the environment. The design, construction and commission of facilities for prevention and control of pollution shall be conducted at the same time with that of the main body of the construction project. A construction project shall not be commissioned or used, until its facilities for the prevention and control of pollution are approved or examined and accepted by the competent department of environmental protection. The revised Environmental Protection Law of the PRC was promulgated on April 24, 2014, and was implemented on January 1, 2015.

In addition to the provisions contained in the former Environmental Protection Law of the PRC, the revised Environmental Protection Law of the PRC added the following key provisions:

The state adopts policies and measures relating to finance, taxation, pricing and government procurement to encourage and support the development of environmental protection industries related to environmental protection technologies and equipment, and the integrated use of resources and environmental services. When enterprises, public institutions and other producers and business operators reduce pollution levels beyond the statutory discharge standards, the relevant government authorities should extend encouragement and support through fiscal assistance, favorable taxation, pricing and government procurement policies.

The state shall adopt a system of pollutant discharge permit administration in accordance with laws. Enterprises, public institutions and other producers and business operators practising pollutant discharge permit administration shall discharge pollutants in accordance with the requirements of the pollutant discharge permits; no pollutant discharge is allowed without a pollutant discharge permit.

The design, construction and commission of facilities for prevention and control of pollution shall be conducted at the same time with that of the main body of the construction project. Facilities for prevention and control of pollution shall comply with the requirements of the approved environmental impact assessment documents, and shall not be dismantled or left idle without authorization.

Where an enterprise, public institution or other producer or business operator is fined or ordered to make corrections due to illegal discharge of pollutants, but refuses to make corrections, the administrative authority that makes the punishment decision pursuant to laws may impose a fine thereon consecutively on a daily basis according to the original amount of fine, starting from the second day of the date of ordered correction. The fine prescribed in the preceding paragraph shall, pursuant to relevant laws and regulations, be enforced in accordance with considerations of operating cost of facilities for prevention and control of pollution, and direct losses or illegal gains caused by such violations. Local regulations, based on actual needs of environmental protection, may extend the coverage of types of violation activities subject to the consecutive fine on a daily basis as stipulated in the first paragraph.

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If any construction unit starts construction without submitting environmental impact assessment documents for the construction projects according to laws or having such documents approved, the departments for supervision and administration of environmental protection shall order the construction unit to stop construction, impose a fine, and may require restoration of the construction sites.

Environmental Impact Assessment Law

According to the Environmental Impact Assessment Law of the PRC (Order No. 48 of the President) (《中華人民共和國環境影響評價法》(主席令第48號)) promulgated by the NPC Standing Committee on October 28, 2002, implemented on September 1, 2003 and revised on July 2, 2016, and the Rule on Classification for Environmental Impact Assessment of Construction Projects (Order No. 5 of the Ministry of Environmental Protection) (《建設項目環境影響評價文件分級審批規定》(環境保護部令第5號)) promulgated by the Ministry of Environmental Protection of the PRC on January 16, 2009, and implemented on March 1, 2009, the PRC government has established a system to assess the environmental impact of construction projects and classify the assessment based on the degree of environmental impact caused by the construction project. In the event of significant environmental impact, an environmental impact assessment report shall include a comprehensive assessment on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall include a basic analysis or assessment on the environmental impact; and in the event of minimal environmental impact so that it is not necessary to conduct an environmental impact assessment, an environmental impact form shall be filled in. The environmental impact assessment documents should be approved by competent administrative department before start of construction. After the environmental impact assessment document of a construction project has been approved, if the nature, scale, location, the production techniques employed or the measures on preventing pollution and ecological damage of the construction project have undergone substantial changes, the construction company shall resubmit the environmental impact assessment document of the construction project for examination and approval. If the project was decided to start construction after five years from the date of approving the environmental impact assessment document of a construction project, its environmental impact assessment document shall be submitted to the original approval authorities for re-review.

Law on the Prevention and Control of Environmental Pollution by Solid Waste

The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) was promulgated by the NPC Standing Committee on October 30, 1995, implemented on April 1, 1996, and was later revised on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016. According to the newly revised Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), units and individuals that produce solid waste shall take measures to prevent or reduce the environmental pollution caused by solid waste. Units and individuals that collect, store, transport, utilize or dispose of solid waste shall take measures to prevent the scattering, running-off and leakage of solid waste, or other measures to prevent pollution of the environment; they shall not dump, pile up, discard or litter solid waste without authorization. No unit or individual may dump solid waste into or pile up solid waste on the rivers, lakes, canals, channels, reservoirs, or bottomlands and slopes below the highest waterline, or other places where dumping and piling up of solid waste is prohibited by laws and regulations.

Law on the Prevention and Control of Water Pollution

According to the Law of the PRC on the Prevention and Control of Water Pollution (Order No. 87 of the President) (《中華人民共和國水污染防治法》(主席令第87號)) revised by the NPC Standing Committee on February 28, 2008 and implemented on June 1, 2008 and the detailed rules for implementation thereof, an enterprise operating centralized treatment facilities of urban wastewater shall obtain a pollutant discharge permit.

According to The Action Plan to Tackle Water Pollution (Guo Fa (2015) No. 17) (《水污染防治行動計劃》(國發[2015]17號)) (the “**Water Action Plan**”) promulgated by the State Council and implemented on April 2, 2015, the targets of the Water Action Plan are that (1) by

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2020, China's water environment quality will gradually improve; the percentage of severely polluted water bodies will be greatly reduced and the quality of drinking water will be improved; groundwater overdraft will be reduced; the aggravated pollution of groundwater will be preliminarily controlled; the environmental quality of offshore areas, and the aquatic ecosystem in areas such as the Beijing-Tianjin-Hebei Region, will be improved; and (2) by 2030, the government will work to improve the quality of the ecological environment, preliminarily restore water ecosystem and realise the overall improvement of the quality of the ecological environment and the virtuous circle of ecosystem by the middle of the 21st century. In order to realize these targets, the following 10 measures will be adopted: (1) discharge of pollutants will be further controlled and emission reduction measures will be implemented to tackle pollution caused by industries, urban living, agriculture and the rural sector, ships and ports; (2) economic restructuring and upgrading will be further boosted. Industrial water, reclaimed water and seawater will be used to promote cyclic development; (3) various measures will be implemented to continue saving and protecting water resources. A strict management system of water resources will be implemented so as to control over use of water, improve water-use efficiency and protect the ecological flows of key rivers; (4) scientific and technological support will be further improved. Advanced technologies will be promoted and fundamental research will be strengthened. The environmental protection industry will be further regulated and the authorities will promote the development of the environmental protection service industry; (5) relevant government authorities will make efforts to promote water price reform, improve taxation policies, facilitate diversified investment and establish an incentive mechanism that promotes water environment treatment; (6) relevant law enforcement and supervision will be stricter, and environmental violations and illegal construction projects will be severely punished; (7) management of water environment will be further strengthened. The relevant government authorities will strictly control the amount of pollutants and the environmental risks; (8) relevant government authorities will make efforts to ensure the safety of aquatic ecosystem, including ensuring the safety of drinking water sources, controlling underground water pollution and pollution in major river basins, and strengthening the protection of water bodies and the ocean environment. By the end of 2017, foul water in urban built-up areas shall be basically eliminated; (9) duties of various government authorities and enterprises will be more clarified. Local governments should be more responsible for the protection of the water environment. The central government will check the implementation of the Water Action Plan in different basins, regions and sea areas every year. The enterprises discharging water pollutant shall strictly comply with the relevant laws and regulations; and (10) public participation and community supervision will be improved, and the governments will regularly publish information in relation to water environment according to relevant laws and regulations.

Law on the Prevention and Control of Atmospheric Pollution

According to Article 19 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution (Order No. 31 of the President) (《中華人民共和國大氣污染防治法》(主席令第31號)) promulgated by the NPC Standing Committee on September 5, 1987, coming into effect on June 1, 1988, revised on August 29, 1995 and April 29, 2000, revised on August 29, 2015, and implemented on January 1, 2016, enterprises and public institutions discharging industrial waste gases or the toxic or hazardous atmospheric pollutants listed in the catalogue specified in Article 78 of the Law of the PRC on the Prevention and Control of Atmospheric Pollution, business entities using coal heat sources for central heating facilities, and other entities practising pollutant discharge permit administration according to laws shall obtain a pollutant discharge permit.

Construction Project Environmental Protection

According to the Rules on the Administration concerning Environmental Protection of Construction Project (《建設項目環境保護管理條例》) promulgated and implemented by the State Council on November 29, 1998, the Rules on the Administration concerning Environmental Protection of Construction Project (Revised Draft) (《建設項目環境保護管理條例(修訂草案)》) reviewed and approved by the MEP in principle at the ministerial affairs meeting on May 18, 2016, and the Regulations on Administration concerning the Environmental Protection Acceptance Check on Construction Projects (Order No. 13 of the State Environmental Protection Administration) (《建設項目竣工環境保護驗收管理辦法》)

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(國家環境保護總局令第13號)) promulgated by the MEP on December 27, 2001, implemented on February 1, 2002, and subsequently revised on December 22, 2010 and July 16, 2017 and implemented on October 1, 2017, after the completion of the construction projects for which environment effect report and environment effect statement was prepared, a construction unit shall, according to the standards and procedures formulated by the competent administrative department for environment protection under the State Council, conduct inspection and acceptance of supplementary environment protection facilities, and prepare inspection and acceptance report. Regarding the construction projects for which environment effect report and environment effect statement was prepared, no supplementary facilities of such projects may be put into production or use until such facilities pass inspection and acceptance; no supplementary facilities that have not been or passed the inspection and acceptance may be put into production or use. After the construction projects specified in the previous article are put into production or use, the environmental impact post-assessment shall be conducted in accordance with the regulations imposed by the competent administrative department for environment protection under the State Council. According to the Interim Provisions concerning the Environmental Protection Acceptance Check on Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated and implemented by MEP on November 20, 2017, if the construction of environmental protection facilities are not synchronised with the construction of the main construction, or pollutant discharge permits shall be necessary but has not been obtained, a construction unit shall not conduct debugging on environmental protection facilities of such construction project. No main body of the construction projects may be put into production or use until the supplementary environmental protection facilities of such projects have passed the inspection and acceptance; no facilities that have not been or passed the inspection and acceptance may be put into production or use.

Pollutant Discharge

According to the Circular on Print and Distribution of the Implementation Scheme for the License System of Pollutant Discharge Control (Guo Ban Fa [2016] No. 81) (《關於印發控制污染物排放許可制實施方案的通知》(國辦發[2016]81號)) issued by the General Office of the State Council on November 10, 2016, the license system of pollutant discharge control (hereinafter as the license system of pollutant discharge) is specified as the fundamental environmental management system for legally standardizing pollutant discharge activities of enterprises and institutions, and environmental protection department shall implement the license system of pollutant discharge by issuing pollutant discharge permits to enterprises and institutions and carrying out supervision in accordance with the permits.

According to the Notice on Print and Distribution of the Interim Provisions on the Administration of Pollutant Discharge Permits (No. 186 [2016] of the Ministry of Environment Protection) (《關於印發〈排污許可證管理暫行規定〉的通知》(環水體[2016]186號)) issued by the Ministry of Environmental Protection on December 23, 2016, the MEP shall implement the sewage licensing management on the discharge of industrial waste gas or toxic and harmful air pollutants stipulated by the state of enterprises, institutions and towns, as well as operating units that operates industrial sewage centralized treatment facilities. The Ministry of Environmental Protection shall formulate and publish a list of the classification and management of sewage permit according to the industry, and step by step to promote the management of sewage license in batches. The pollutant discharging unit shall, within the time limit specified in the directory, discharge sewage with certification, prohibiting discharge without certification or discharge not on the basis of the certification.

According to the Classification and Administration Lists of Pollutant Discharge Permits for Stationary Pollution Sources (Version 2017, Buling No. 45) (《固定污染源排污許可分類管理名錄(2017年版)》(部令第45號)) issued by the Ministry of Environmental Protection on July 28, 2017, the existing enterprises and public institutions and other producers and operators should apply for pollutant discharge permits within the execution period in accordance with the requirements under the List. According to the Classification and Administration Lists of Pollutant Discharge Permits for Stationary Pollution Sources (Version 2017), discharge permits for wastewater treatment and reclaimed water treatment (including centralized treatment plants for industrial wastewater, urban residential wastewater treatment plants with a daily treatment capacity of 0.1 million tons or more and for urban residential wastewater treatment plants with a daily treatment capacity of less than 0.1 million tons), environmental sanitary administration

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(including centralized treatment for residential waste in towns and villages), power generation (including residential waste-, hazardous waste- or sludge-based thermal power generation), centralized treatment for residential wastewater and centralized treatment for industrial wastewater (centralized treatment for residential wastewater and centralized treatment for industrial wastewater with a daily industrial wastewater treatment of 20 thousand tons or more) shall be applied for before 2019. In addition, in accordance with the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (《排污許可管理辦法(試行)》) promulgated by Ministry of Environmental Protection on January 10, 2018, a pollutant discharging entity that has already been established and discharged pollutants before the time limit as provided in the classification administration list of pollution discharge licensing for fixed pollution sources shall apply for a pollutant discharge permit within the time limit.

LAND, PLANNING AND CONSTRUCTION PERMITS

Land use rights

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the NPC Standing Committee on June 25, 1986, implemented on January 1, 1987 and revised on December 29, 1988, August 29, 1998 and August 28, 2004, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The people's government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights.

According to the Regulations on the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998, implemented on January 1, 1999 and revised on January 8, 2011 and July 29, 2014 respectively, state-owned land with undetermined usage rights are to be registered in a registry set up by the local governments at or above the county level, which are responsible for the protection and administration of such land.

According to the Property Law of the PRC (《中華人民共和國物權法》) promulgated by the National People's Congress on March 16, 2007, implemented on October 1, 2007, with respect to the possession occurred on the basis of a contractual relationship, the use, proceeds and default liability of the relevant real property or movable property shall be governed by the stipulations in the contract; in case there is no such stipulation in the contract or the stipulations are unclear, the relevant legal provisions shall be applied. In case the buildings, structures and their affiliated facilities are transferred, exchanged, used as equity contributions or endowed, the right to use land for construction occupied by the aforesaid buildings, structures and their affiliated facilities shall be disposed of concurrently.

According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the Standing Committee of NPC on July 5, 1994, implemented on January 1, 1995 and revised on August 30, 2007, the allocation of the land for urban infrastructure and public utilities shall be approved by the people's governments at or above the county level in accordance with the law. When real estates are transferred or mortgaged, the ownership of houses and land use rights for the land occupied by the houses shall be transferred and mortgaged concurrently.

According to the Catalogue of the Allotted Land (Order No. 9 of the Ministry of Land and Resources) (《劃撥用地目錄》(國土資源部令第9號)) promulgated and implemented by Ministry of Land and Resources on October 22, 2001, the land use rights of construction projects which are in conformity with the Catalogue can only be allotted through application by the construction units and approval of the people's government with the approval authority.

According to the Measures for the Administration of Preliminary Examination of the Land Used for Construction Projects (Order No. 68 of the Ministry of Land and Resources) (《建設項目用地預審管理辦法》(國土資源部令第68號)) promulgated and implemented by Ministry of Land and Resources on July 25, 2001 and revised on November 1, 2004, November 29, 2008 and November 29, 2016 respectively, the land used for construction projects shall be subject to preliminary examination at different levels. The construction projects, which need to be examined and approved by the people's government or by the development and reform department and etc. of the people's government that has approval power, shall be preliminarily examined by the administrative department of land and resources of the people's government. The construction projects, which need to be ratified and archived, shall be preliminarily examined by the administrative department of land and resources at the same level with the ratification and archiving organ.

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According to the Implementing Rules of the Provisional Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated by Ministry of Land and Resources on January 1, 2016, the buildings and structures including houses, the fixed objects including forest and woods shall be registered together with the lands and seas clung by them, with an aim to maintaining the consistence of subject of rights.

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the People's Republic of China (Order No. 23 of the President) (《中華人民共和國城鄉規劃法》(主席令第23號)) promulgated by the NPC Standing Committee on October 28, 2007, implemented on January 1, 2008 and revised on April 24, 2015, a Construction Land Planning Permit is required for the right to use the state-owned land acquired by assignment and appropriation.

If a construction entity which was authorised to use the construction land fails to obtain a Construction Land Use Planning Permit, the people's government at or above the county level shall cancel any relevant authorization document. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to law.

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the People's Republic of China (《中華人民共和國城鄉規劃法》), to build any building, structure, fixture, road, pipeline or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the people's government at the municipal or county level or to the people's government of town as recognised by the people's government of a province, autonomous region or municipality directly under the Central Government.

For construction work that proceeds without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order it to take remedial action within a prescribed time limit and pay a fine of not less than 5% but not exceeding 10% of the construction cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall not only confiscate it or seize any illegal income but also may impose a fine of not more than 10% of the construction cost.

Construction Work Commencement Permit

According to the Construction Law of the People's Republic of China (Order No. 46 of the President) (《中華人民共和國建築法》(主席令第46號)) promulgated by the NPC Standing Committee on November 1, 1997, implemented on March 1, 1998 and revised on April 22, 2011, a construction entity shall, prior to the commencement of a construction project, apply for a construction work commencement permit to a competent construction administrative department of the people's government at or above the county level of the place where the project is located pursuant to the relevant regulations of the State. However, small projects below the threshold value set by the competent construction administrative department of the State Council are subject to exception.

According to the Rules on the Administration of Construction Quality (Order No. 279 of the State Council) (《建設工程質量管理條例》(國務院令第279號)) promulgated and implemented by the State Council on January 30, 2000 and amended on October 7, 2017, a construction entity commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report, shall be ordered to stop the construction work, carry out remedial actions within a prescribed time limit and pay a fine of not less than 1% but not exceeding 2% of the contractual project price.

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Inspection and Acceptance on Completion of Construction Projects

According to the Rules on the Administration of Construction Quality (Order No. 279 of the State Council) (《建設工程質量管理條例》(國務院令第279號)) promulgated and implemented by the State Council on January 30, 2000 and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (Order No. 2 of the Ministry of Housing and Urban-Rural Development) (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》(住房和城鄉建設部令第2號)) promulgated and implemented by the former Ministry of Construction on April 4, 2000 and revised on October 19, 2009, a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks or checks and accepts a substandard construction project as one which is up to standard, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the contractual project price, and shall be obliged to pay compensation according to law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checks in respect of the project within 15 days from the day when the construction project passes such checks, it shall be ordered by the archiving organ to carry out remedial actions within a prescribed time limit and pay a fine of not less than RMB200,000 but not exceeding RMB500,000.

INTELLECTUAL PROPERTY

Trademark

According to the PRC Trademark Law (Order No. 6 of the President) (《中華人民共和國商標法》(主席令第6號)), which was promulgated by the NPC Standing Committee on August 23, 1982, implemented on March 1, 1983 and revised respectively on February 22, 1993, October 27, 2001 and August 30, 2013, and became effective on May 1, 2014, the exclusive right to use a registered trademark is limited to the trademark which has been approved for registration and to the goods in respect of which the use of the trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the date of approval of the registration. Using a trademark that is identical with a registered trademark in respect of the same goods, or using a trademark that is similar to a registered trademark in respect of the same goods, or using a trademark that is identical with or similar to a registered trademark in respect of the similar goods without the authorization from the trademark registrant, which is likely to cause confusion, shall be an infringement of the exclusive right to use a registered trademark.

Patent

According to the PRC Patent Law (Order No. 8 of the President) (《中華人民共和國專利法》(主席令第8號)), which was promulgated by the NPC Standing Committee on March 12, 1984, implemented on April 1, 1985 and revised respectively on September 4, 1992, August 25, 2000 and December 27, 2008, and became effective on October 1, 2009, after the patent right is granted for an invention or a utility model, unless otherwise provided for in this Law, no unit or individual may exploit the patent without permission of the patentee, i.e., it or he may not, for production or business purposes, manufacture, use, offer to sell, sell, or import the patented products, use the patented method, or use, offer to sell, sell or import the products that are developed directly through the use of the patented method. After the patent right is granted for a design, no unit or individual may exploit the patent without the permission of the patentee, i.e., it or he may not, for the production or business purposes, manufacture, offer to sell, sell or import any product containing the patented design. The period of validity of an invention patent shall be twenty years, while ten years for a utility model patent and a design patent, in each case commencing on their respective application dates.

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Domain Name

According to the Measures for the Administration of Internet Domain Names of China (Order No. 30 of the Ministry of Information Industry) (《中國互聯網域名管理辦法》(信息產業部令第30號)), which was promulgated by the Ministry of Information Industry on November 5, 2004 and implemented on December 20, 2004, “domain name” means the levelled character mark which identifies and locates a computer on the Internet, and which corresponds to the Internet protocol (IP) address of that computer. The principle of “first come, first serve” shall be followed for the domain name registration service. The applicant will be the holder of the registered domain name upon the completion of the domain name registration. In addition, the holder shall pay operating expenses for the registered domain name as scheduled. In case the holder of a domain name fails to pay relevant expenses as required, the registry office where the domain name is registered shall cancel the said domain name and notify its holder in written form.

LABOR PROTECTION

Labor Law

Pursuant to the PRC Labor Law (Order No. 18 of the President) (《中華人民共和國勞動法》(主席令第18號)), which was promulgated by the NPC Standing Committee on July 5, 1994 and implemented on January 1, 1995, and was revised on August 27, 2009, a labor contract is the agreement reached between a labor and an entity for the establishment of the labor relationship and the definition of the rights, interests and obligations of each party. A labor contract shall be concluded where a labor relationship is to be established. An entity shall develop and improve its labor safety and health systems. Labor safety and health facilities must comply with national standards. The entity must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. The entity shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations, and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

Labor Contract Law and its Implementation Regulations

Pursuant to the PRC Labor Contract Law (Order No. 73 of the President) (《中華人民共和國勞動合同法》(主席令第73號)), which was promulgated by the NPC Standing Committee on June 29, 2007 and became effective on January 1, 2008, and was revised on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (Order No. 535 of the State Council) (《中華人民共和國勞動合同法實施條例》(國務院令第535號)) which was promulgated and implemented by the State Council on September 18, 2008, a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Laws and Regulations on the Supervision over the Social Security and Housing Funds

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (Order No. [259] of the State Council) (《社會保險費徵繳暫行條例》(國務院令第259號)), which was promulgated and implemented by the State Council on January 22, 1999, the Regulations on Work Injury Insurance (Order No. 586 of the State Council) (《工傷保險條例》(國務院令第586號)), which was promulgated by the State Council on April 27, 2003, implemented on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment Insurance (Order No. 258 of the State Council) (《失業保險條例》(國務院令第258號)), which was promulgated and implemented by the State Council on January 22, 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (Lao Bu Fa [1994] No. 504) (《企業職工生育保險試行辦法》(勞部發[1994]504號)), which was promulgated by the

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former Ministry of Labor (now known as Ministry of Human Resources and Social Security, hereinafter referred to as this name) on December 14, 1994 and implemented on January 1, 1995, enterprises shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (Order No. 35 of the President) (《中華人民共和國社會保險法》(主席令第35號)), which was promulgated by the NPC Standing Committee on October 28, 2010 and implemented on July 1, 2011, regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (Order No. 350 of the State Council) (《住房公積金管理條例》(國務院令第350號)), which was promulgated and implemented by the State Council on April 3, 1999, and was revised on March 24, 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (Order No. 64 of the President) (《中華人民共和國企業所得稅法》(主席令第64號)) (the “**EIT Law**”), which was promulgated by the NPC Standing Committee on March 16, 2007, implemented on January 1, 2008 and revised on February 24, 2017, and the Implementation Rules To the Enterprise Income Tax Law (Order No. 512 of the State Council) (《中華人民共和國企業所得稅法實施條例》(國務院令第512號)) (the “**Implementation Rules**”), which was promulgated by the State Council on December 6, 2007 and came into effect from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax, in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

According to the EIT Law and the Implementation Rules, the income incurred from environmental protection projects or energy and water saving projects which meet relevant requirements shall be exempted from enterprise income tax for three years commencing from the first revenue-generating year of operations, and thereafter be entitled to a 50% reduction from enterprise income tax for the next three years. The specific conditions and scope of projects shall be jointly formulated by the MOF, the SAT and relevant departments of the State Council, and shall be publicized and implemented after being approved by the State Council.

According to the Announcement of the SAT on Corporate Income Tax Issues Relating to In-depth Implementation of the Western Development Strategy (SAT’s Announcement [2012] No. 12) (國稅總局《關於深入實施西部大開發戰略有關企業所得稅問題的公告》(國家稅務總局公告2012年第12號)), from January 1, 2011 to December 31, 2020, companies whose primary businesses fall into the Catalogue of Encouraged Industries in the Western Region (Order No. 15 of the National Development and Reform Commission) (《西部地區鼓勵類產業目錄》(國家發展和改革委員會令第15號)), located in western China and whose revenues from their primary businesses account for more than 70% of their total revenue in the relevant year, will be granted a preferential income tax rate of 15% after being reviewed and approved by the relevant tax authorities.

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Business Tax

The Temporary Regulations on Business Tax of the PRC (Order No. 540 of the State Council) (《中華人民共和國營業稅暫行條例》(國務院令第540號) (the “Temporary Regulations on Business Tax”)), which was promulgated by the State Council on December 13, 1993, implemented on January 1, 1994 and amended on November 10, 2008 and came into effect on January 1, 2009, provides that entities and individuals shall pay business tax if they are engaged in the provision of services with respect to the industries of transport business, tourism, construction, entertainments and other service prescribed in Temporary Regulations on Business Tax, or transfer of intangible assets or sale of real estate within China’s territory. According to the Decision to Repeal the Interim Regulation of the People’s Republic of China on Business Tax and Amend the Interim Regulation of the People’s Republic of China on Value-Added Tax (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) promulgated and implemented by the State Council on November 19, 2017, the State Council decided to repeal the Interim Regulation of the People’s Republic of China on Business Tax (《中華人民共和國營業稅暫行條例》) on November 19, 2017.

According to the Reply of the State Administration of Taxation on Exempting Business Tax for Wastewater Treatment Fees (Guo Shui Han [2004] No. 1366) (《國家稅務總局關於污水處理費不徵收營業稅的批覆》(國稅函[2004]1366號)) promulgated by the SAT on December 14, 2004, the wastewater treatment service provided by a wastewater treatment enterprise does not fall into the scope of work that should be subject to business tax. Therefore, no business tax will be levied on the wastewater treatment fee.

According to the Reply of the State Administration of Taxation on Collection of Business Tax for Garbage Disposal Fees (Guo Shui Han [2005] No. 1128) (《國家稅務總局關於垃圾處理費徵收營業稅問題的批覆》(國稅函[2005]1128號)) promulgated by the SAT on November 30, 2005, the garbage disposal service provided by an enterprise does not fall into the scope of work that should be subject to business tax. Therefore, no business tax will be levied on the garbage disposal fee.

Value-added Tax

The Temporary Regulations on Value-added Tax (Order No. 666 of the State Council) (《中華人民共和國增值稅暫行條例》(國務院令第666號)), which was promulgated by the State Council on December 13, 1993, implemented on January 1, 1994, and amended on November 10, 2008, implemented on January 1, 2009 and amended on February 6, 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (Order No. 65 of the Ministry of Finance) (《中華人民共和國增值稅暫行條例實施細則》(財政部令第65號)), which was promulgated and implemented by MOF on December 25, 1993, and was amended on December 15, 2008, October 28, 2011 and November 19, 2017, set out that all taxpayers selling goods or providing processing, repairing or maintenance services in China, or importing goods to China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or maintenance services. The applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Value Added Tax in Lieu of Business Tax

According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (Cai Shui [2011] No. 110) (《營業稅改徵增值稅試點方案》(財稅[2011]110號)), which was promulgated and implemented by the MOF and the SAT on November 16, 2011, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

According to Notice of the State Council on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax (Guo Fa Ming Dian [2016] No. 1) (《國務院關於做好全面推開營改增試點工作的通知》(國發明電[2016]1號)) promulgated on April 29, 2016 and implemented on May 1, 2016, the pilot reform to replace business tax with value-added tax is carried out throughout the country on May 1, 2016.

REGULATORY OVERVIEW

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (Order No. 588 of the State Council) (《中華人民共和國城市維護建設稅暫行條例》(國務院令第588號)), which was promulgated by the State Council on February 8, 1985 and implemented on January 1, 1985, and amended on January 8, 2011, and Circular of the SAT on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (Guo Shui Fa [1994] No. 051) (《國家稅務總局關於城市維護建設稅徵收問題的通知》(國稅發[1994]051號)), which was promulgated by the SAT and implemented on March 12, 1994, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with Tentative Provisions on the Collection of Educational Surtax (Order No. 588 of the State Council) (《徵收教育費附加的暫行規定》(國務院令第588號)), which was promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986 and last revised on January 8, 2011, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

Tax Benefits

According to the Circular on Issuing the Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources (Cai Shui [2015] No.78) (《關於印發<資源綜合利用產品和勞務增值稅優惠目錄>的通知》(財稅[2015]78號)) promulgated by the MOF and the SAT on June 12, 2015 and implemented on July 1, 2015, taxpayers who are engaged in the sale of products made by themselves through comprehensive utilization of resources and the provision of services involving the comprehensive utilization of resources may enjoy the VAT policy of immediate refund upon payment. The refund proportion for sewage treatment service, garbage disposal, and sludge treatment & disposal service is 70%; reclaimed water made through comprehensive utilization is 50%; and waste batteries and their dismantle for comprehensive utilization is 30%.

Fiscal Subsidy

Pursuant to the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) passed by the State Council on September 18, 2013 and implemented from January 1, 2014, sewage treatment fees shall be included in the local fiscal budget, and shall be exclusively used for the construction and operation of urban sewage treatment facilities and the treatment and disposal of sludge, but not for any other purpose. The standard rate of sewage treatment fees shall not be lower than the normal operating cost of urban sewage treatment facilities. If, for special reasons, the sewage treatment fees collected were insufficient to pay for the normal operating cost of urban sewage treatment facilities, a subsidy would be granted by the local people's government. The charge and use of sewage treatment fees shall be open to the public.

HISTORY AND DEVELOPMENT

HISTORY AND DEVELOPMENT

Overview

Our Company was incorporated in Singapore on November 19, 2002 under the Companies Act as a private limited company. On January 31, 2005, our Company was converted into a public limited company and renamed Asia Water Technology Ltd. Our shares were listed on the SGX-ST Catalist Board in the same year. In 2010, SIHL Holdings, our Controlling Shareholder, subscribed for a number of new Shares which represented a controlling stake in our Company as part of our Company's debt restructuring. Our Company has been accounted for and consolidated as a subsidiary in the audited consolidated accounts of SIHL Holdings since 2011. In November 2012, the listing of our Shares was transferred to the SGX-ST Main Board and our Company was renamed SIIC Environment Holdings Ltd.

Our Group's history can be traced back to 2003 when SIIC Environment Holdings (Wuhan) Co., Ltd. (上實環境控股(武漢)有限公司) ("**SIIC Holding (Wuhan)**") was acquired by our Company. SIIC Holding (Wuhan) was our then principal operating subsidiary, through which we carried out our businesses relating to water purification treatment, wastewater treatment, automated control systems and other miscellaneous projects.

SIIC Holding (Wuhan) was established on April 18, 1996 in the PRC and engaged in water treatment business. In March 2003, our Company acquired a 90% stake in SIIC Holding (Wuhan) from Wuhan Huantai Investment Co., Ltd. (武漢市環泰投資有限公司), an Independent Third Party. We subsequently increased our shareholdings in SIIC Holding (Wuhan) to 90.4% in September 2003 by an additional investment of RMB1.1 million and the conversion of undistributed profits of SIIC Holding (Wuhan) amounting to RMB3.6 million into the registered capital of SIIC Holding (Wuhan).

Our Company is the holding company of our Group which comprises, among others, a number of intermediate holding companies, namely Asia Water Investment Private Limited (亞洲水務投資私人有限公司) ("**Asia Water Investment**", together with its subsidiaries, the "**Asia Water Investment Group**"), Global Envirotech Investment Limited ("**Global Envirotech**", together with its subsidiaries, the "**Global Envirotech Group**"), Rise Thrive Limited (昂興有限公司) ("**Rise Thrive**", together with its subsidiaries, the "**Rise Thrive Group**"), SIIC Holding (Wuhan), together with its subsidiaries, the "**SIIC (Wuhan) Group**"), Thrive Bloom Limited (茂隆有限公司) ("**Thrive Bloom**", together with its subsidiaries, the "**Thrive Bloom Group**"), Thrive Far Limited (奮發有限公司) ("**Thrive Far**", together with its subsidiaries, the "**Thrive Far Group**"), Thrive Key Limited (鍵盛有限公司) ("**Thrive Key**", together with its subsidiaries, the "**Thrive Key Group**") and Shanghai Pucheng Thermal Power Energy Limited Company (上海浦城熱電能源有限公司) ("**Pucheng**", together with its subsidiaries, the "**Shanghai Pucheng Group**"). For more details of the corporate structure of our Company, please see "– Our Group Structure".

We are principally engaged in wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration. Our Company is an active investor and has been operating in the water sector of China for over a decade. As of September 30, 2017, our Group has a scalable portfolio of 117 wastewater treatment projects, six reclaimed water treatment projects, nine sludge treatment projects, 17 water supply projects and two waste incineration projects across 18 provincial-level administrative divisions of the PRC.

HISTORY AND DEVELOPMENT

The following table sets forth the key milestones in the development of our Group:

Year	Events
1996	<ul style="list-style-type: none"> • SIIC Holding (Wuhan), our principal operating subsidiary at that time, was established.
2002	<ul style="list-style-type: none"> • SIIC Holding (Wuhan) introduced and applied the Electrodeionization (EDI) water purifying technology, which signified the first time that we applied the membrane technology on an entire project. • Our Company was incorporated.
2003	<ul style="list-style-type: none"> • Our Company acquired the controlling stake in SIIC Holding (Wuhan).
2005	<ul style="list-style-type: none"> • Our Company was listed on the SGX-ST Catalist Board.
2010	<ul style="list-style-type: none"> • SIHL Holdings acquired the controlling stake in our Company.
2008 to 2010	<ul style="list-style-type: none"> • Our Company was awarded the Runner-Up Award of the “Most Transparent Company Award (Catalist Category)” organized by the Securities Investors Association of Singapore.
2011	<ul style="list-style-type: none"> • Our Company made a rights issue of 1,217,789,975 rights Shares. • Our Company acquired a 75.5% equity interest in United Environment Co., Ltd. • Our Company acquired a 50% equity interest in Wenling Hanyang Resources Power Co., Ltd. (“Wenling”) through the acquisition of the entire issued share capital in Lap Yin International Limited (“Lap Yin”).
2012	<ul style="list-style-type: none"> • The listing of our Shares was transferred from the SGX-ST Catalist Board to the SGX-ST Main Board. • Our Company was renamed SIIC Environment Holdings Ltd. • Our Company acquired the controlling stake in Nanfang Water.
2014	<ul style="list-style-type: none"> • Our Group expanded its business into the Shanghai environment market by acquiring Pucheng and Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited (“Shanghai Qingpu Second Waste Water”).
2015	<ul style="list-style-type: none"> • Our Company acquired a 92.15% equity interest in Fudan Water through the acquisition of the entire issued share capital of Global Envirotech.
2016	<ul style="list-style-type: none"> • Our Company acquired a 60% equity interest in Ranhill. • Our Company acquired the controlling stake in Longjiang in November 2016.
2017	<ul style="list-style-type: none"> • Our Company completed the placement of 350,000,000 new Shares to SIHL Holdings and Triumph Power in May 2017.

HISTORY AND DEVELOPMENT

OUR CORPORATE DEVELOPMENT AND PRINCIPAL SUBSIDIARIES

Our Company

Upon incorporation on November 19, 2002, our Company had an authorized share capital of S\$10,000,000 comprising 10,000,000 ordinary shares of S\$1 each, with two ordinary shares being subscribed and credited as fully paid at par value of S\$1.00 each.

On January 24, 2005, the then shareholders of our Company approved a series of share capital changes, including (1) the increase of our authorized share capital from \$10,000,000 divided into 10,000,000 ordinary shares of S\$1.00 each to S\$30,000,000 divided into 30,000,000 ordinary shares of S\$1.00 each; (2) the consolidation of every six ordinary shares of S\$1.00 each in the authorized and issued share capital of our Company into one ordinary share of S\$6.00 each; (3) the sub-division of each ordinary share of S\$6.00 each in our authorized and issued share capital into 100 ordinary shares of S\$6.00 each; and (4) the grant of authority to our Directors to issue new shares. Following the abovementioned changes, our authorized share capital was increased to 500,000,000 shares.

Subsequent to the listing of our shares on the SGX-ST Catalist Board in March 2005, our Company placed 14,000,000 new ordinary Shares at an issue price of S\$0.475 per Share on April 10, 2006 to two institutional investors pursuant to the subscription agreements dated March 13, 2006 for additional working capital of our Group.

In February 2010, SIHL Holdings, through S.I. Infrastructure, subscribed for new Shares and new convertible bonds of our Company at a total consideration of approximately HK\$215 million. Upon completion, SIHL Holdings was interested in approximately 77% of the enlarged share capital of our Company. In August 2011, CECEP acquired a 21% equity interest in our Company from SIHL Holdings for a consideration of HK\$168 million. Upon completion, SIHL Holdings was interested in 54.62% of the issued share capital of our Company.

In December 2010, our Company proposed renounceable non-underwritten rights of 1,217,789,975 Shares at an issue price of S\$0.06 per Share on the basis of one Share for every two existing ordinary Shares in the capital of our Company. Upon completion of the rights issue, a total of 1,217,789,975 Shares were listed on the SGX-ST Catalist Board.

In November 2012, the listing of our Shares was transferred to the SGX-ST Main Board and our Company was renamed SIIC Environment Holdings Ltd.

In December 2013, our Company completed the placement of 3,100,000,000 Shares at an issue price of S\$0.085 per Share to the placees. Upon completion of the placement, the issued share capital of our Company was increased to 8,589,292,132 Shares.

In October 2014, our Company completed the placement of 1,000,000,000 Shares to the placees. Upon completion of the placement, the issued share capital of our Company was increased to 9,589,292,132 Shares.

HISTORY AND DEVELOPMENT

On January 16, 2017, SIHL Holdings entered into a share placement agreement with our Company, pursuant to which SIHL Holdings, through Triumph Power, agreed to subscribe for, and our Company agreed to allot and issue, 350,000,000 new Shares. The said placement was completed in May 2017 and SIHL Holdings became directly and indirectly interested in 1,197,688,226 Shares, representing approximately 45.94% of our issued share capital.

As of the Latest Practicable Date, Triumph Power, S.I. Infrastructure and SIHL Treasury (through certain nominee arrangements) were directly interested in 986,929,551 Shares, 165,418,475 Shares and 54,677,900 Shares, respectively, representing approximately 37.86%, 6.35% and 2.10% of our issued share capital, respectively. SIHL Holdings, through being the sole shareholder of each of Triumph Power, S.I. Infrastructure and SIHL Treasury, is indirectly interested in 1,207,025,926 Shares, representing approximately 46.31% of our issued share capital.

Our Principal Operating Subsidiaries

Our Company has many subsidiaries due to the nature of our business. Set out below is a summary of our principal operating subsidiaries, which had material contributions to the revenue of our Group during the Track Record Period.

Company name	Date of establishment/ commencement of business	Registered capital as of the Latest Practicable Date	Principal business activities	Shareholder(s) as of the Latest Practicable Date
1. Wuhan Hanxi Sewage Treatment Co. Ltd. (武漢漢西污水處理有限公司) (“ Wuhan Hanxi Sewage Treatment ”)	June 21, 2004	RMB330.0 million	Wastewater treatment	<ul style="list-style-type: none"> • Our Company (43%) • SIIC Holding (Wuhan)⁽¹⁾ (37%) • Wuhan Municipal Water Pump Drainage Development Co., Ltd. (武漢市城市排水發展有限公司)⁽²⁾ (20%)
2. Weifang Tap Water Co. Ltd. (濰坊市自來水有限公司) (“ Weifang Tap Water ”)	December 10, 1990	RMB153.125 million	Water supply	<ul style="list-style-type: none"> • SIIC Environment Holdings (Weifang) Co., Ltd. (上實環境水務股份有限公司) (“Weifang Environment”)⁽³⁾ (68%) • Weifang State-owned Assets Supervision and Administration Commission (濰坊市國有資產監督管理委員會)⁽⁴⁾ (32%)

HISTORY AND DEVELOPMENT

Company name	Date of establishment/ commencement of business	Registered capital as of the Latest Practicable Date	Principal business activities	Shareholder(s) as of the Latest Practicable Date
3. Wuhan Huangpi Kaidi Water Co. Ltd. (武漢黃陂凱迪水務有限公司) (“ Wuhan Huangpi ”)	August 15, 2007	RMB242.5 million	Water supply and wastewater treatment	• Asia Water Investment (100%) ⁽⁵⁾
4. South Water (Hunan) Municipal Construction Co. Ltd. (南方水務(湖南) 市政工程有限公司) (“ Hunan South Water ”)	September 18, 1995	RMB21.5 million	Municipal construction (water-related)	• Nanfang Water (100%)
5. Huizhou South Water Co., Ltd. (惠州市南方水務有限公司) (“ Huizhou South Water ”)	September 19, 2005	RMB65.0 million	Wastewater treatment	• Nanfang Water (100%)
6. Shenzhen South Water Co., Ltd. (深圳市南方水務有限公司) (“ Shenzhen South Water ”)	March 11, 2009	RMB150.0 million	Wastewater treatment	• Nanfang Water (100%)
7. Weifang SIIC Sewage Treatment Co. Ltd. (濰坊上實環境污水處理有限公司) (“ Weifang SIIC ”)	January 6, 2013	RMB100.0 million	Wastewater treatment	• Weifang Environment (100%)
8. Yinchuan SIIC Sewage Treatment Co. Ltd. (銀川上實環境濱河污水處理有限公司) (“ Yinchuan SIIC ”)	December 9, 2014	RMB490.3 million	Wastewater treatment	• Our Company (70%) • SIIC Holding (Wuhan) ⁽¹⁾ (30%)
9. SIIC Holding (Wuhan)	April 18, 1996	RMB350.0 million	Wastewater treatment	• The Company (78.65%) • Asia Water Investment (21.35%) ⁽⁵⁾

HISTORY AND DEVELOPMENT

Company name	Date of establishment/ commencement of business	Registered capital as of the Latest Practicable Date	Principal business activities	Shareholder(s) as of the Latest Practicable Date
10. Nanfang Water	July 16, 2002	RMB140.0 million	Wastewater treatment and water supply	<ul style="list-style-type: none"> • SIIC Environment Holdings (Shenzhen) Co., Ltd. (上實環境水務(深圳)有限公司)⁽⁶⁾ (“SIIC Shenzhen”) (76.9175%) • KC & Johnson International Limited⁽⁶⁾ (14.2857%) • Other shareholders⁽⁷⁾ (8.7968%)
11. Fudan Water	January 29, 2002	RMB300.0 million	Wastewater treatment	<ul style="list-style-type: none"> • Global Environment Investment (HK) Limited⁽⁸⁾ (92.15%) • Shanghai Fudan Enterprise Development Co., Ltd. (上海復旦企業發展有限公司)⁽⁹⁾ (7.85%)
12. Weifang Environment	December 21, 2004	RMB464.9 million	Wastewater treatment and water supply	<ul style="list-style-type: none"> • S.I. United Water Holdings Limited⁽¹⁰⁾ (60.4%) • Hong Kong Jinhaide Holdings Limited⁽¹⁰⁾ (15.1%) • Weifang Urban Construction and Development Investment Group Co., Ltd. (濰坊市城市建設發展投資集團有限公司)⁽¹¹⁾ (24.5%)

HISTORY AND DEVELOPMENT

Company name	Date of establishment/ commencement of business	Registered capital as of the Latest Practicable Date	Principal business activities	Shareholder(s) as of the Latest Practicable Date
13. Longjiang	May 8, 2004	RMB320.0 million	Wastewater treatment	<ul style="list-style-type: none"> • Gold Orient⁽¹²⁾ (42.96875%) • Shun Yuen⁽¹³⁾ (37.03125%) • Grand Sinochn International Limited⁽¹²⁾ (13.125%) • Topper Gain⁽¹³⁾ (3.75%) • SIIC Shenzhen (1.875%) • Harbin Xin Min Yuan Investment Development Co., Ltd. (哈爾濱鑫民源投資發展有限責任公司)⁽¹⁴⁾ (1.25%)

Notes:

- (1) *SIIC Holding (Wuhan) is a wholly-owned subsidiary of our Company.*
- (2) *Wuhan Municipal Water Pump Drainage Development Co., Ltd. is an Independent Third Party (otherwise by virtue of its interest in Wuhan Hanxi Sewage Treatment).*
- (3) *As of the Latest Practicable Date, our Company had a 75.5% equity interest in Weifang Environment.*
- (4) *Weifang State-owned Assets Supervision and Administration Commission is an Independent Third Party (otherwise by virtue of its interest in Weifang Tap Water).*
- (5) *Asia Water Investment is a wholly-owned subsidiary of our Company.*
- (6) *Both SIIC Shenzhen and KC & Johnson International Limited are wholly-owned subsidiaries of our Company.*
- (7) *Other shareholders of Nanfang Water are directors of certain subsidiaries of our Company.*
- (8) *Global Environment Investment (HK) Limited is a wholly-owned subsidiary of our Company.*
- (9) *Shanghai Fudan Enterprise Development Co., Ltd. is an Independent Third Party.*
- (10) *Both S.I. United Water Holdings Limited and Hong Kong Jinhaide Holdings Limited are wholly-owned subsidiaries of our Company.*
- (11) *Weifang Urban Construction and Development Investment Group Co., Ltd. is an Independent Third Party (otherwise by virtue of its interest in Weifang Environment).*
- (12) *Both Gold Orient and Grand Sinochn International Limited are wholly-owned subsidiaries of the Company.*
- (13) *Both Shun Yuen and Topper Gain are wholly-owned subsidiaries of SIHL Holdings.*
- (14) *Mr. Piao Yongjian, a director and president of Longjiang, has a 50% equity interest in Harbin Xin Min Yuan Investment Development Co., Ltd.*

HISTORY AND DEVELOPMENT

Wuhan Hanxi Sewage Treatment

Wuhan Hanxi Sewage Treatment was established in the PRC with limited liability on June 21, 2004 with an initial registered capital of RMB100 million. It commenced its business in June 2004 and is principally engaged in wastewater treatment. As of the Latest Practicable Date, Wuhan Hanxi Sewage Treatment had a registered capital of RMB330.0 million and was directly and indirectly owned by our Company as to 80% and by Wuhan Municipal Water Pump Drainage Development Co. Ltd., an Independent Third Party (otherwise by virtue of its interest in Wuhan Hanxi Sewage Treatment), as to 20%.

Weifang Tap Water

Weifang Tap Water was established in the PRC as a publicly-owned enterprise on December 10, 1990 with an initial registered capital of RMB25.768 million and was converted into a limited liability company on September 29, 2005. It commenced its business in December 1990 and is principally engaged in water supply. As of the Latest Practicable Date, Weifang Tap Water had a registered capital of RMB153.125 million and was indirectly owned by our Company as to 68% and by Weifang State-owned Assets Supervision and Administration Commission (濰坊市國有資產監督管理委員會), an Independent Third Party (otherwise by virtue of its interest in Weifang Tap Water), as to 32%.

Wuhan Huangpi

Wuhan Huangpi was established in the PRC with limited liability on August 15, 2007 with an initial registered capital of RMB168 million. It commenced its business in January 2008 and is principally engaged in water supply and wastewater treatment. Since its establishment, Wuhan Huangpi has undertaken a series of equity transfers. As of the Latest Practicable Date, Wuhan Huangpi had a registered capital of RMB242.5 million and was an indirect wholly-owned subsidiary of our Company.

Hunan South Water

Hunan South Water (previously known as Chenzhou Runfa Industrial Co., Ltd. (郴州市潤發實業有限總公司)) was established in the PRC with limited liability on September 18, 1995 with an initial registered capital of RMB2 million. It commenced its business in September 1995 and is principally engaged in municipal construction (water-related). Hunan South Water became a wholly-owned subsidiary of Nanfang Water in June 2011. As of the Latest Practicable Date, Hunan South Water had a registered capital of RMB21.5 million and was wholly owned by Nanfang Water, thus a non-wholly owned subsidiary of our Company.

HISTORY AND DEVELOPMENT

Huizhou South Water

Huizhou South Water was established in the PRC with limited liability on September 19, 2005 with an initial registered capital of RMB40 million. It commenced its business in September 2005 and is principally engaged in wastewater treatment. As of the Latest Practicable Date, Huizhou South Water had a registered capital of RMB65.0 million and was wholly owned by Nanfang Water, thus a non-wholly owned subsidiary of our Company.

Shenzhen South Water

Shenzhen South Water was established in the PRC with limited liability on March 11, 2009 with a registered capital of RMB150 million. It commenced its business in March 2009 and is principally engaged in wastewater treatment. As of the Latest Practicable Date, Shenzhen South Water was wholly owned by Nanfang Water, thus a non-wholly owned subsidiary of our Company.

Weifang SIIC

Weifang SIIC was established in the PRC with limited liability on January 6, 2013 with an initial registered capital of RMB1 million. It commenced its business in January 2013 and is principally engaged in wastewater treatment. As of the Latest Practicable Date, Weifang SIIC had a registered capital of RMB100 million and was wholly owned by Weifang Environment, thus a non-wholly owned subsidiary of our Company.

Yinchuan SIIC

Yinchuan SIIC was established in the PRC with limited liability on December 9, 2014 with a registered capital of RMB490.3 million. It commenced its business in December 2014 and is principally engaged in wastewater treatment. As of the Latest Practicable Date, Yinchuan SIIC was directly and indirectly wholly owned by our Company.

SIIC Holding (Wuhan)

SIIC Holding (Wuhan) was established in the PRC with limited liability on April 18, 1996 with an initial registered capital of RMB1 million. It commenced its business in April 1996 and is principally engaged in water supply and wastewater treatment. As of the Latest Practicable Date, SIIC Holding (Wuhan) had a registered capital of RMB350 million and was directly and indirectly wholly owned by our Company.

Nanfang Water

Nanfang Water was established in the PRC with limited liability on July 16, 2002 with an initial registered capital of RMB90 million. It is principally engaged in wastewater treatment and water supply.

HISTORY AND DEVELOPMENT

In September 2013, KC & Johnson International Limited, then an Independent Third Party, subscribed for approximately 14.29% of the equity interest in Nanfang Water at a consideration of RMB96 million. Upon completion of such subscription, the registered capital of Nanfang Water was increased from RMB120 million to RMB140 million and the equity interest of SIIC Shenzhen, then an Independent Third Party, in Nanfang Water was diluted to approximately 62.13%.

In December 2014, SIIC Shenzhen further acquired approximately 14.78% of the equity interest in Nanfang Water from 20 shareholders of Nanfang Water (eight of them are Independent Third Parties and the other are directors or supervisors of certain subsidiaries of our Company) with the aggregate consideration of approximately RMB10.8 million. Upon completion of the acquisition, SIIC Shenzhen held approximately 76.92% equity interest in Nanfang Water.

Nanfang Water became a subsidiary of our Company in July 2012 upon completion of the acquisition of Rise Wealth, a direct and indirect parent company of KC & Johnson International Limited and SIIC Shenzhen, respectively. For details of the acquisition, please see “– Major Acquisitions – Rise Wealth” below. As of the Latest Practicable Date, Nanfang Water was held by our Company, through SIIC Shenzhen and KC & Johnson International Limited, as to approximately 91.20%, and by other shareholders, who are directors of certain subsidiaries of our Company, as to approximately 8.80%.

Fudan Water

Fudan Water was established in the PRC with limited liability on January 29, 2002 with an initial registered capital of RMB10 million. Fudan Water is principally engaged in wastewater treatment.

In March 2015, Global Environment Investment (HK) Limited, then an Independent Third Party, completed an acquisition of an 11.15% equity interest in Fudan Water from Tao Naiqun, an Independent Third Party, at a consideration of RMB57.98 million, and an acquisition of an 81% equity interest in Fudan Water from Shanghai Hengyuan Investment Management Co., Ltd. (上海恒原投資管理有限公司), an Independent Third Party, at a consideration of RMB421.2 million. In May 2015, our Company acquired the 92.15% equity interest in Fudan Water held by Global Environment Investment (HK) Limited through an acquisition of the entire issued share capital of Global Envirotech, the parent company of Global Environment Investment (HK) Limited. For details relating to the acquisition of Fudan Water by our Company, please see “Major Acquisitions – Fudan Water” below.

As of the Latest Practicable Date, Fudan Water had a registered capital of RMB300 million and was held by our Company, through Global Envirotech and Global Environment Investment (HK) Limited, as to 92.15% and by Shanghai Fudan Enterprise Development Co., Ltd. (上海復旦企業發展有限公司), an Independent Third Party, as to 7.85%.

HISTORY AND DEVELOPMENT

Weifang Environment

Weifang Environment was established in the PRC with limited liability on December 21, 2004 with an initial registered capital of RMB10 million. In October 2007, Weifang Environment was converted into a joint stock company with limited liability incorporated under the laws of the PRC. Weifang Environment is principally engaged in wastewater treatment and water supply. As of the Latest Practicable Date, Weifang Environment had a registered capital of RMB464.9 million and was held by our Company, through S.I. Water Holdings Limited and Hong Kong Jinhaide Holdings Limited, as to 75.5% and Weifang Urban Construction and Development Investment Group Co., Ltd., an Independent Third Party (otherwise by virtue of its interest in Weifang Environment), as to 24.5%.

Longjiang

Longjiang was established in the PRC with limited liability on May 8, 2004 with an initial registered capital of RMB75 million. In September 2010, Longjiang was converted into a joint stock company with limited liability incorporated under the laws of the PRC. Longjiang is principally engaged in wastewater treatment.

In May 2014, Tsinghua Tongfang Co., Ltd. (同方股份有限公司), an Independent Third Party and a then existing shareholder of Longjiang, acquired approximately 7.815% equity interest in Longjiang from Beijing Hua Qing Bo Yuan Investment Co., Ltd. (北京華清博遠創業投資有限公司), an Independent Third Party, at a consideration of RMB100 million. As a result of the acquisition, Tsinghua Tongfang Co., Ltd. held approximately 30.78% equity interest in Longjiang.

In the same month, Grand Sinochn International Limited, then an Independent Third Party, acquired approximately 0.94%, 5.94%, 4.69% and 1.56% equity interest in Longjiang from Jing Ning Fang Tan Investment Consulting Co., Ltd. (景寧方談投資諮詢有限公司), Xinjiang Hong Zheng Jia De Equity Investment Co., Ltd. (新疆弘正嘉德股權投資有限公司), Yunnan Hua Tao Co., Ltd. (雲南華濤實業有限公司) and Jia Xin Li He (China) Environment Technology Co., Ltd. (嘉信力合(中國)環境技術有限公司), each an Independent Third Party, respectively, at a consideration of RMB7.5 million, RMB47.5 million, RMB37.5 million and RMB12.5 million, respectively. As a result of such acquisitions, Grand Sinochn International Limited held approximately 13.13% equity interest in Longjiang.

In July 2014, our Company acquired the 13.13% equity interest in Longjiang through the acquisition of the entire issued share capital of Grand Sinochn International Limited. Thereafter, our Company acquired further equity interest in Longjiang through a series of acquisitions. For details relating to the acquisition of Longjiang by our Company, please see “– Major Acquisitions – Longjiang” below.

HISTORY AND DEVELOPMENT

In April 2015, Topper Gain acquired approximately 3.75% equity interest in Longjiang from Jiangmen Wen Zhuo Investment Co., Ltd. (江門市穩卓投資有限公司), an Independent Third Party, at a consideration of RMB30 million. Later, Shun Yuen acquired approximately 15.23% equity interest in Longjiang from Tong Fang Investment Co., Ltd. (同方投資有限公司), an Independent Third Party, at a consideration of RMB390 million in November 2016, and approximately 5% equity interest in Longjiang from Tsinghua Holding Co., Ltd. (清華控股有限公司), an Independent Third Party, at a consideration of RMB128 million. As a result of the acquisitions, Shun Yuen held approximately 37.03% equity interest in Longjiang.

As of the Latest Practicable Date, Longjiang had a registered capital of RMB320 million and was held by our Company, through Gold Orient Investments Limited, Grand Sinochn International Limited and SIIC Shenzhen, as to approximately 58.0%, Shun Yuen as to approximately 37.03%, Topper Gain as to approximately 3.75% and Harbin Xin Min Yuan Investment Development Co., Ltd. (哈爾濱鑫民源投資發展有限責任公司) as to approximately 1.25%⁽¹⁾.

Note:

Mr. Piao Yongjian, a director and president of Longjiang, has a 50% equity interest in Harbin Xin Min Yuan Investment Development Co., Ltd.

MAJOR ACQUISITIONS

Longjiang

Our Company acquired approximately 13.13% equity interest in Longjiang through the acquisition of the entire issued share capital of Grand Sinochn International Limited from Nature Gather Investment Limited, an Independent Third Party, at a consideration of RMB210 million and, through Gold Orient, acquired approximately 12.19% equity interest in Longjiang from Asian Development Bank, an Independent Third Party, at a consideration of RMB195 million. The acquisitions were completed and settled on July 8, 2014 and November 7, 2014, respectively. The considerations were determined with reference to, among other things, the earnings and growth potential, net asset value and fair value of Longjiang Group at the time of the acquisitions.

Subsequently, our Company, through Gold Orient, acquired approximately 30.78% equity interest in Longjiang from Tsinghua Tongfang Co., Ltd. (同方股份有限公司), an Independent Third Party, at a consideration of RMB788 million, and, through SIIC Shenzhen, acquired approximately 1.88% equity interest in Longjiang from Changzhou Wei Run Heavy Industry Machinery Co., Ltd. (常州偉潤重工機械有限公司), an Independent Third Party, at a consideration of RMB48 million. The acquisitions were completed and settled on November 30, 2016. The considerations were determined with reference to, among other things, the earnings and growth potential, net asset value and fair value of Longjiang Group at the time of the acquisitions.

HISTORY AND DEVELOPMENT

As a result of the acquisitions, our Company became interested in approximately 58.0% of the issued share capital of Longjiang. As of the Latest Practicable Date, SIHL Holdings was interested in approximately 40.78% of the issued share capital of Longjiang through its wholly-owned subsidiaries, Shun Yuen and Topper Gain.

Longjiang Group has a track record of more than 10 years in the PRC's water industry, and has been positioned by us as a business platform in Northeastern China for further market expansion and industry consolidation. The acquisitions would enable us to expand our Northeastern China market.

Rise Wealth

Our Company acquired the entire issued share capital of Rise Wealth from Target Trend Management Limited, an Independent Third Party, on July 23, 2012 at a purchase consideration of RMB364.3 million. In addition to the purchase consideration, Target Trend Management Limited was entitled to an earn-out amount of up to RMB45 million to be settled by way of an issuance of new shares of our Company. The aggregate consideration was determined with reference to, among other things, the earnings and growth potential, net asset value and fair value of Rise Wealth at the time of the acquisition, which was completed on July 23, 2012 and finally settled on December 22, 2015. The acquisition was a strategic addition and complementary to our existing business and operation capabilities. It presented an opportunity for us to acquire a profitable business in the same industry and would help us further expand our coverage and capacity.

Fudan Water

Our Company acquired an indirect 92.15% equity interest in Fudan Water through an acquisition of the entire issued share capital of Global Envirotech Investment Ltd. (the parent company of Global Environment Investment (HK) Limited) from Global Environment Investment Ltd., an Independent Third Party. The acquisition was completed and settled on May 21, 2015. The total consideration amounted to RMB1,548 million, comprising the purchase cost of RMB2,116.5 million and the repayment of an outstanding debt of RMB479.2 million made on May 22, 2015. The consideration was determined with reference to, among other things, the earnings and growth potential, net asset value and fair value of Global Envirotech at the time of the acquisition. The acquisition was a strategic addition and complementary to our Group's existing business and operational capabilities. In addition, the location of Global Envirotech has a strategic significance to our Group as it would potentially serve as a platform for our Group to secure more opportunities in the respective regions.

HISTORY AND DEVELOPMENT

Ranhill

Our Company, through Asia Wisdom Investments Limited, its wholly-owned subsidiary, acquired a 60% equity interest in Ranhill from Ranhill Water Technologies (Cayman) Limited, an Independent Third Party. The acquisition was completed and settled on December 12, 2016. The total consideration amounted to RMB273.9 million, which was determined with reference to, among other things, the earnings and growth potential, net asset value, investor's undistributed profits and fair value of Ranhill. The consideration was settled on December 12, 2016. The acquisition presented an opportunity for our Group to acquire a profitable business in the industrial wastewater treatment sector and would also serve as an opportunity for our Company and Ranhill Holdings Berhad to cooperate and further explore the Southeast Asia market. As of the Latest Practicable Date, Ranhill was owned by our Company as to 60%.

Pucheng

Our Company acquired a 50% equity interest in Pucheng from Impregilo International Infrastructures N.V, an Independent Third Party. The acquisition was completed and settled on January 23, 2014. The consideration amounted to RMB530 million, which was determined with reference to, among other things, the earnings and growth potential, net asset value and fair value of Pucheng. The acquisition presented an opportunity for the Group to acquire a profitable business in the same industry and could help our Group expand its geographical coverage and daily treatment capacity, thereby expanding our Group's business.

Lap Yin

Our Company, through Thrive Bloom, acquired the entire equity interest in Lap Yin from Glory Knight Assets Limited, an Independent Third Party. The acquisition was completed and settled on February 27, 2013. The consideration amounted to RMB120,445,998, which was satisfied partly by cash in the amount of RMB84,445,998 and partly by the issuance of 98,578,821 ordinary Shares at an issue price of S\$0.07 per Share. The consideration was determined with reference to, among other things, the earnings and growth potential and net asset value of Lap Yin. The acquisition marked our Group's foray into the wastewater treatment industry and would strengthen our Group's position and provide a necessary platform for our Group to explore and potentially secure more waste treatment related projects.

Weifang Environment

Our Company, through Thrive Key, acquired a 75.5% equity interest in Weifang Environment by acquiring the entire issued share capital of S.I. United Water Holdings (BVI) Limited (which held a 60.4% equity interest in Weifang Environment) from S.I. Infrastructure and the entire issued share capital of Golden Bell Development Limited (which held a 15.1% equity interest in Weifang Environment) from Great Up Investments Limited. The acquisition was completed and settled on December 28, 2011. The aggregate consideration amounted to RMB604,000,000, which was satisfied partly by cash in the amount of RMB217,440,000 and partly by the issuance of 827,092,375 ordinary Shares at an issue price of S\$0.064 per Share.

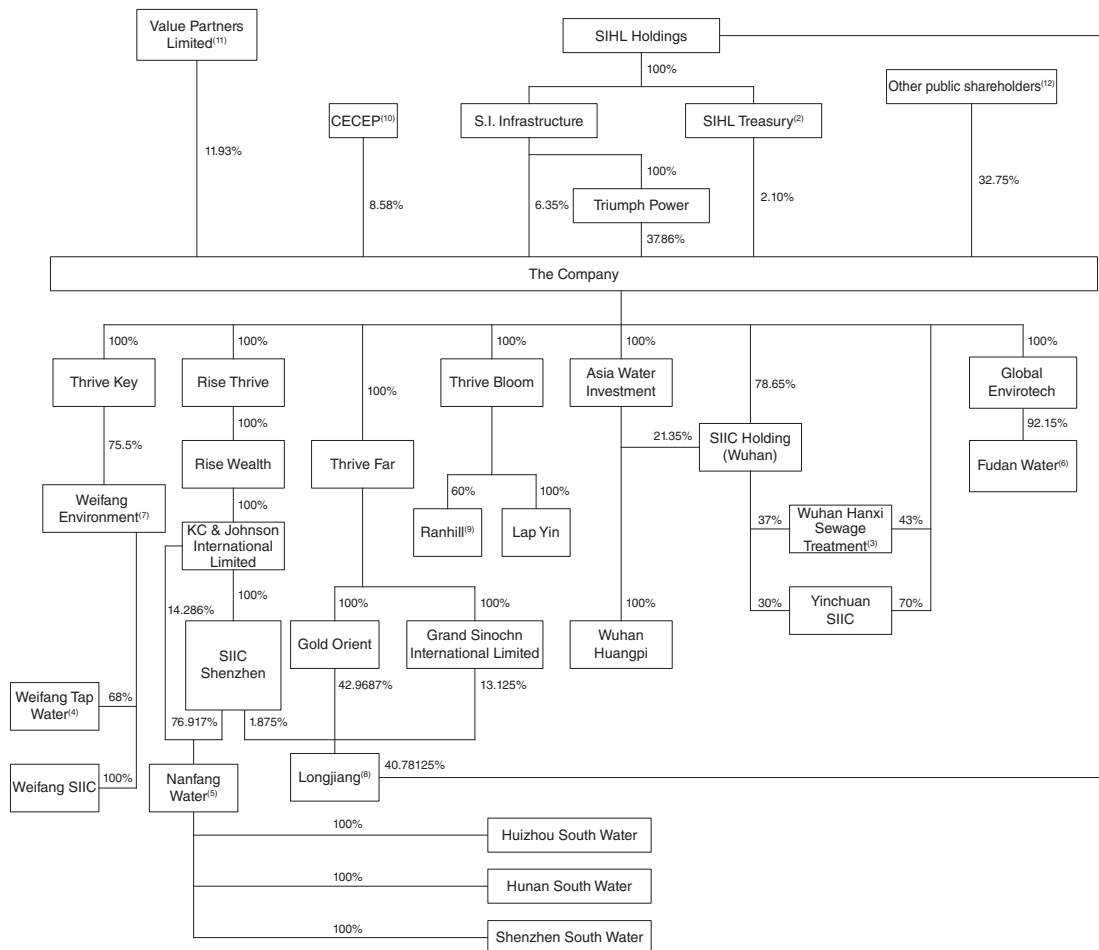
HISTORY AND DEVELOPMENT

The consideration was determined with reference to, among other things, the fair value estimate of Weifang Environment. The acquisition presented an opportunity for our Group to acquire a profitable business in the water industry and was in line with our Group's ordinary course of business. Our Company entered into the acquisition with a view to expanding our Group's current business operations and enhancing our Shares' value.

As advised by our PRC Legal Advisers and RHTLaw Taylor Wessing LLP, our legal advisers to our Company as to Singapore laws, each of the abovementioned acquisitions has been properly and legally completed and settled, and all applicable regulatory approvals have been obtained.

OUR GROUP STRUCTURE

Set forth below is our simplified shareholding structure⁽¹⁾ as of the Latest Practicable Date and immediately after completion of the Introduction.



HISTORY AND DEVELOPMENT

Notes:

- (1) The above chart includes shareholding information related to the principal operating subsidiaries, subsidiaries acquired through major acquisitions and intermediate holding companies of our Company.*
- (2) SIHL Treasury's shareholding in our Company is held through certain nominee arrangements.*
- (3) The remaining 20% interest in Wuhan Hanxi Sewage Treatment is held by Wuhan Municipal Water Pump Drainage Development Co., Ltd., an Independent Third Party (otherwise by virtue of its interest in Wuhan Hanxi Sewage Treatment).*
- (4) The remaining 32% interest in Weifang Tap Water is held by Weifang State-owned Assets Supervision and Administration Commission, an Independent Third Party (otherwise by virtue of its interest in Weifang Tap Water).*
- (5) The remaining 8.80% interest in Nanfang Water is held by directors of certain subsidiaries of our Company.*
- (6) The remaining 7.85% interest in Fudan Water is held by Shanghai Fudan Enterprise Development Co., Ltd., an Independent Third Party.*
- (7) The remaining 24.5% interest in Weifang Environment is held by Weifang Urban Construction and Development Investment Group Co., Ltd., an Independent Third Party (otherwise by virtue of its interest in Weifang Environment).*
- (8) Longjiang is held by Shun Yuen, a wholly-owned subsidiary of SIHL Holdings, as to 37.03%, Topper Gain, a wholly-owned subsidiary of SIHL Holdings, as to 3.75% and Harbin Xin Min Yuan Investment Development Co., Ltd as to 1.25%. Mr. Piao Yongjian, a director and president of Longjiang, has a 50% equity interest in Harbin Xin Min Yuan Investment Development Co., Ltd.*
- (9) The remaining 40% interest in Ranhill is held by Ranhill Water Technologies (Cayman) Ltd, an Independent Third Party (otherwise by virtue of its interest in Ranhill).*
- (10) As of the Latest Practicable Date, CECEP, through China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited, its wholly-owned subsidiary and a public Shareholder, had an 8.58% equity interest in our Company.*
- (11) The said information was based on the information provided by Value Partners Limited to our Company in June 2017. Value Partners Limited is a fund manager deemed to be interested in our Shares by virtue of the shareholding of our Shares by 13 funds under its management. It is a passive investor of our Company which has not been involved in our Group's management and administration and our Company is not in the position to control its dealing in our Shares. The shareholding of Value Partners Limited in our Company immediately following completion of the Introduction is subject to its dealing in our Shares on the SGX-ST Main Board during the period from the Latest Practicable Date until the Listing Date.*
- (12) Our Company is expected to have a public float of 41.33% upon completion of the Introduction, assuming there would be no change in interest in our Shares by Value Partners Limited during the period from the Latest Practicable Date until the Listing Date.*

HISTORY AND DEVELOPMENT

LISTING ON SGX-ST

Our Shares were listed on the SGX-ST Catalist Board in 2005 and transferred to the SGX-ST Main Board in November 2012. To the best of our knowledge and belief, we have complied with the Listing Manual in all material aspects since our listing on the SGX-ST. Since our Company is a public company listed on the SGX-ST, no reorganization has been undertaken for the purpose of the Introduction.

We are currently seeking to have our Shares listed on the Main Board of the Hong Kong Stock Exchange in order to have the dual primary listing status in both Singapore and Hong Kong. Our Directors consider that while it is important to maintain the Singapore listing status, it would be desirable and beneficial for our Company to also have our Shares listed in Hong Kong as they believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing in Hong Kong and Singapore will likely provide our Company with ready access to two different equity markets. It could enhance our Company's profile in Hong Kong and the PRC, attract Hong Kong investors, enable our Company to gain access to Hong Kong's capital markets and benefit our Company by exposing us to a wider range of private and institutional investors, thereby widening the investor base of our Company. Our Directors believe that this is important to our potential future growth and long term development since our operations are substantially in the PRC.

OVERVIEW

We are a leading integrated operator and investor in China's environmental industry, with an established nationwide network. Our high quality projects span the industry value chain in the wastewater treatment, reclaimed water treatment, water supply, waste incineration and sludge treatment sectors. As of Latest Practicable Date, we had a scalable project portfolio of 120 wastewater treatment projects, six reclaimed water treatment projects, 19 water supply projects, two waste incineration projects and nine sludge treatment projects. According to Frost & Sullivan, in terms of total operational capacity as of December 31, 2016, we were the third largest municipal wastewater treatment operator in China.

We have nationwide presence with our project network covering 18 provincial-level administrative divisions in China as of September 30, 2017. We manage our network through five regional headquarters — Wuhan Regional Headquarters, Nanfang Regional Headquarters, Shandong Regional Headquarters, Longjiang Regional Headquarters and Fudan Regional Headquarters — and our waste incineration business unit. Our nationwide coverage comprises the following regions: Northeast China, East China, Central China, South China, North China, Northwest China and Southwest China.

Wastewater Treatment. We engage in the design, construction and/or operation of wastewater treatment, reclaimed water treatment and sludge treatment under service concession arrangements with local governments. Our wastewater treatment, reclaimed water treatment and sludge treatment plants treat and discharge wastewater, reclaimed water and sludge, respectively, in compliance with the relevant national and local standards. In managing this business line, we charge our customers, usually local governments in the PRC, for wastewater and sludge treatment fees, mainly based on the volume of discharged wastewater/treated sludge and the agreed tariff during the concession period, in accordance with terms in the relevant service concession arrangements. For reclaimed water treatment, we negotiate contract price with our customers, taking into account treatment costs associated with their proposed uses and cost of reclaimed water distribution. Parties in each concession arrangements determine the key terms such as unit price, concession period and minimum discharge, where applicable, by taking into account various factors, including, our construction and/or development costs of relevant plants and complexity and quality of water and sludge being treated.

During the Track Record Period, we mainly developed and operated our wastewater, reclaimed water and sludge treatment projects through BOT, TOT and BOO project models. For details of each project's location and concession arrangement, see "Business – Our Projects under Service Concession Arrangements and O&M Projects".

BUSINESS

Water Supply. We mainly engage in the design, construction and/or operation of water supply under service concession arrangements with local governments. Our water supply plants supply tap water to end users in compliance with the relevant national and local standards. In managing this business line, we charge different retail prices for residential and non-residential end users pursuant to the relevant rules and regulations. As of September 30, 2017, we have 18 tap water supply projects and our total design supply capacity was 1,985,000 tons per day. We served approximately 1,052,859 residential end user accounts and approximately 102,320 non-residential end user accounts in the PRC as of September 30, 2017. The tap water we distribute to end users has to meet the applicable quality standards, including the National Drinking Water Standards (GB5749-2006) (國家生活飲用水衛生標準).

During the Track Record Period, we mainly developed and operated our water supply projects through BOT, TOT and BOO project models and operated certain water supply projects under the O&M project model. For details of each project's location and service concession arrangements see "Business – Our Projects under Service Concession Arrangements and O&M Projects".

Waste Incineration. We engage in the design, construction, operation and maintenance of waste incineration plants, in which we incinerate municipal solid waste to generate power. In managing this business line, we charge customers, usually local governments in the PRC, waste treatment fees based on the volume of municipal solid wastes we process. Our waste incineration plants sell power through incineration of municipal solid waste to grid companies at on-grid electricity tariffs.

Others. Our others business line mainly includes installation works in relation to water supply, EPC projects and consultancy on wastewater treatment and water supply projects. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our EPC projects constituted approximately 13.9%, 2.8%, 0.6%, 0.4% and 0.1% of our total revenue, respectively. We have scaled down our EPC projects since 2014 as we sought to expand our project portfolio to include more service concession arrangements.

Our revenue increased from RMB1,504.4 million in 2014 to RMB1,803.8 million in 2015, and further increased to RMB2,648.1 million in 2016. Our revenue reached RMB3,353.6 million in the nine months ended September 30, 2017. Our gross profit increased from RMB585.6 million in 2014 to RMB712.1 million in 2015, and further increased to RMB812.3 million in 2016. Our gross profit reached RMB1,055.6 million in the nine months ended September 30, 2017. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our wastewater business line accounted for 57.4%, 73.6%, 74.7%, 75.7% and 79.7% of our revenue and 77.0%, 77.7%, 75.5%, 75.4% and 75.0% of our gross profit, respectively.

OUR COMPETITIVE STRENGTHS

We are a leading integrated operator in China’s environmental industry with a nationwide portfolio, ranking as the third largest municipal wastewater treatment operator in China in terms of operational capacity as of December 31, 2016

We are a leading integrated operator in China’s environmental markets with projects spanning the industry value chain in the wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration sectors. As of Latest Practicable Date, we had a scalable project portfolio of 120 wastewater treatment projects, six reclaimed water treatment projects, 19 water supply projects, two waste incineration projects and nine sludge treatment projects. According to Frost & Sullivan, in terms of total operational capacity as of December 31, 2016, we were the third largest municipal wastewater treatment operator in China.

We have a nationwide presence with our project network covering 18 provincial-level administrative divisions in China as of September 30, 2017. To optimize group-wide management efficiency and ensure timely responses in local markets, we manage our network through five regional headquarters — Wuhan Regional Headquarters, Nanfang Regional Headquarters, Shandong Regional Headquarters, Longjiang Regional Headquarters and Fudan Regional Headquarters and one waste incineration business unit. Our nationwide coverage comprises the following regions: Northeast China, East China, Central China, South China, North China, Northwest China and Southwest China. We decentralize our management by delegating daily management duties to these regional headquarters and business unit, as it is more efficient to handle operational issues locally. Our group headquarters provide guidance to these regional headquarters and business unit on essential business issues and risk management policies. With a nationwide geographic coverage, we have effectively mitigated risks associated with wastewater treatment operators that have only regional presence, such as volatility of results caused by temporary fluctuations of water input, adverse weather conditions and natural disasters in certain regions.

Our regional headquarters and subsidiaries have received various industry awards in the past few years that recognize our technological expertise. For instance, the Heilongjiang Province People’s Government awarded Longjiang the “Theory and Technology of Membrane Pollution Control in Low-pressure Membrane Treatment of Urban Water” First Prize of Science and Technology (Invention) Award (《低壓膜法處理城市水過程匯中膜污染控制理論與技術》科學技術一等獎(發明)) and “Improvement Process of Bio-low Temperature to Strengthen the New Integrated A/O and Technology of Carbon Source Utilization in Sludge” Second Prize of Science and Technology (Advancement) Award (《生物低溫化新型一體A/O改良工藝及污泥內碳源利用技術》科學技術二等獎(進步)) in 2013. The Zhejiang Province Economic and Information Commission awarded Wenling, a joint venture of the Group, the “Zhejiang Industrial Circulation Economy Demonstration Enterprise” in 2013. Yinchuan City People’s Government awarded Yinchuan SIIC Sewage Treatment Co. Ltd. the “Advanced Group for National Review on Water-saving Cities” award (國家節水型城市復查工作先進集體) in 2015. Given our established reputation and track record, we believe that we are well-positioned to capture attractive project development or acquisition opportunities all over China.

We have a strong track record of growth, supported by our successful acquisition-driven expansion and will adopt a two-pronged strategy of organic growth and acquisition-driven expansion in the future

We have a strong track record of growth in China's wastewater treatment sector. We entered the wastewater treatment sector in Wuhan, Hubei Province in November 2003 and expanded into other sectors, such as waste incineration, through a series of acquisitions. We are viewed as a pioneer of the cooperative arrangement between the private and public sectors in China's water industry. Since 2008, we have expanded into new provincial-level administrative divisions, such as Shanghai, Guangdong Province, Guangxi Autonomous Region, Henan Province, Hunan Province and Heilongjiang Province. Continuing to expand our footprint geographically, we have gradually established a national presence.

Our strong track record is evidenced by our consecutive double-digit yearly growth in daily wastewater treatment design capacity from 1.0 million tons as of December 31, 2010 to 6.1 million tons as of December 31, 2016, representing a CAGR of 35.5% from 2010 to 2016. Our total daily wastewater treatment design capacity further increased to 6.7 million tons as of September 30, 2017.

In the past, we followed an acquisition-driven expansion strategy to acquire new water projects. Capitalizing on our strong project sourcing abilities, we had obtained nine, 19, 66 and 16 new projects in 2014, 2015, 2016 and the nine months ended September 30, 2017, respectively. Pursuing a disciplined and targeted acquisition strategy, we have established systematic project evaluation and selection procedures. Our investment team works closely with external experts to comprehensively evaluate each potential new project and prepare a due diligent report, taking into account various factors including the project model, rate of return, investment payback period and growth potential. We only acquire new projects if they are approved by our Board. In the future, we plan to adopt a two-pronged strategy to expand our business through organic growth by upgrading and developing existing projects as well as acquiring suitable new projects.

We focus on investing in large-scale project portfolio with capacities of over one million tons, which we believe have greater profit potential than smaller projects. Since 2011, we acquired and successfully integrated several large water companies, such as Shandong Runtong in 2011, Nanfang Water in 2012, Fudan Water in 2015, and Longjiang and Ranhill in 2016. Leveraging our strong mergers and acquisitions capability and financial strength, we are well-positioned to increase our market share and further solidify our market leading position in the wastewater treatment industry. To enhance our competitiveness, we also seek to explore opportunities in other environment-related industries. We entered the waste incineration sector by acquiring joint ventures stakes in Wenling in 2011 and Pucheng in 2014, and we entered the sludge treatment sector by investing in MIT Environment Group Limited in 2015.

We follow a nationwide strategy that focuses on cities with higher per capita income to capture potential benefits from population growth, urbanization and favorable environment-related government policies

A majority of our projects are located to the east of the Heihe–Tengchong Line, which stretches from the city of Heihe to Tengchong County, diagonally across China, and that divides the area of China into two roughly equal parts. The cities located on the east side of the Heihe–Tengchong Line usually have larger populations and greater densities than cities located on the west side. The cities located on the east side of the Heihe–Tengchong Line typically have relatively high per capita income and higher per capita demand for wastewater treatment, water supply, waste incineration and sludge treatment and, accordingly, need large-scale water treatment and supply projects. We stand out from our industry peers in competition for these large-scale projects with our established track record and management capacity, evidenced by the average daily capacity of more than 70,000 tons per project in our existing project portfolio. The governments of the cities located on the east side of the Heihe–Tengchong Line are usually financially robust and, therefore, the risks of default or late payment are comparatively low. We focus on the markets in these cities and we believe this positioning benefits us and our Shareholders in the long term.

The cities located on the east side of the Heihe – Tengchong Line also have relatively high population growth potential. According to Frost & Sullivan, China’s urban population is expected to maintain a CAGR of 2.9% from 2016 to 2021, resulting in an increase in the urbanization rate from 57.3% in 2016 to 64.1% in 2021. The population growth and increased urbanization are expected to lead to increased pressure on the environment and, accordingly, greater demand for our services. We strive to capture these opportunities by catering to the growing urban population. We will also adjust our geographic focus along with shifting national strategies and government policies.

According to Frost & Sullivan, in line with the public’s increasing awareness of the importance of protecting the environment, China’s total investment in the treatment of environmental pollution reached RMB1.2 trillion in 2016 and is expected to increase to RMB2.2 trillion in 2021, representing a CAGR of 13.3% during this period. According to the 13th Five-Year Plan, over RMB560 billion will be invested in wastewater treatment plants and pipeline construction from 2016 to 2020. The PRC Government has promulgated a series of laws, regulations and policies in relation to environmental protection. In December 2016, China’s first Environmental Protection Tax Law was passed by the People’s Congress of China aiming to curb pollution by imposing heavier tax obligations on businesses in certain industries. In the same month, the central government published “Opinions on the Full Implementation of the River Chief System” 《關於全面推行河長制的意見》, which holds the government head in a particular region directly responsible for the protection of the rivers and lakes in that region. The “River Chief System” has substantially increased local governments’ attention to water quality.

Also in 2015, the NDRC, MOF and MOHURD jointly published the “Notice of Formulation and Adjustment of Sewage Treatment Fee Standards,” 《關於制定和調整污水處理收費標準的通知》 which increased the residential and business wastewater treatment fees by an average of 17% across China. According to Frost & Sullivan, wastewater treatment fees have experienced steady growth in the past decade and are expected to grow in the future. Closely monitoring the government’s policies in relation to environmental protection, we believe that we can react quickly to market trends.

We possess strong technological and operational expertise and an established regional management structure, enabling us to effectively manage our projects across the nation and continuously improve our operations

We possess strong technological and operational expertise. We utilize advanced core technologies for wastewater treatment and water supply processes, such as the interactive biological treatment technology and Fenton fluidized bed technology. We also provide high-quality equipment and systems integration services to our customers. To ensure the quality of our principal equipment, parts and components, our regional headquarters assign procurement teams to follow a prescribed process for equipment purchasing.

Our projects extend all over China, which has a wide variety of climates and hydrological conditions. To effectively manage our projects, we have established a regional management structure, which gives our regional headquarters sufficient discretion to manage daily operations based on their specific circumstances. Each of our regional headquarters is responsible for managing and operating the projects under its control. The regional headquarters and their subsidiaries have an in-depth understanding of the local markets and can react promptly to developments affecting their projects. Our regional management structure also allows us to capture new regional and local opportunities, as well as to maintain strong relationships with the local governments and communities.

In addition, we maintain a project management system and operational management procedures applicable to the Group as a whole. We have a uniform project selection and approval procedure for all new projects. We hold quarterly meetings and require the general managers, vice general managers responsible for finance and chief financial officers of our regional headquarters to attend. During these meetings, our regional headquarters are required to report their operational performance, material fluctuations of water input and supply and material incidents to our group headquarters. The quarterly meetings also provide a forum for our management all over China to share their experience and know-how. Leveraging the scale and diversity of our operations, we are able to share and transfer operational best practices and latest technologies across our nationwide project portfolio. These interactions help us to continuously improve our operational efficiency. Our professional management team also helps ensure the quality of the wastewater effluent and supplied tap water, as well as extending the operating life of our plants.

BUSINESS

We have delivered strong and resilient financial performance supported by the non-discretionary nature of our services and long-term exclusive contracts with our customers

We have delivered strong and resilient financial performance. Our net profit attributable to owners of the Company increased from RMB290.7 million in 2014 to RMB454.9 million in 2016. Our net profit attributable to owners of the Company reached RMB350.2 million for the nine months ended September 30, 2017. Wastewater treatment and waste incineration are non-discretionary services because cities constantly produce wastewater and solid waste. The demand for treatment of wastewater and solid waste is expected to increase along with the continuous urbanization of China.

We derive most of our revenue from our wastewater treatment business line, which mainly includes investment in and construction and operation of wastewater, reclaimed water and sludge treatment plants based on the BOT and TOT project models. Under these models, our customers are usually local governments, which grant us exclusive concession rights to operate projects for 20 to 30 years through legally binding contracts. The concession agreements may also contain guaranteed minimum treatment volume clauses, which reduce our business risks and at the same time secure guaranteed minimum returns for our projects. Given the long-term exclusive contracts with our customers and the mature business models in this industry, we expect minimal volatility in our earnings.

We have a stable and experienced senior management team with in-depth industry knowledge

We have experienced and visionary senior management team with diversified backgrounds and possess extensive knowledge of our industries. Our proven track record of growth strategies undertaken by our senior management team illustrates our success in penetrating other new markets and at the same time expanding our company's project portfolio. Over the years, our senior management team has established a sound management system to support our sustainable growth. Our senior management team has an average of more than 10 years of relevant management and industry experience. Our senior management's expertise, dedication, prudence and foresight are the keys to our business development. Most members of our senior management team hold advanced degrees from major universities in China and possess various professional qualifications. Members of our senior management team have received numerous recognitions by industry associations.

We believe the core competitiveness of our Company rests upon the talented personnel we retain and the management system we adopt. Since our establishment, we took efforts in building up our talent recruitment and cultivation system, organizational structure and management system through which we have successfully laid a solid foundation for our long-term sustainable development. We offer competitive compensation packages to our employees so that we can attract top talent from large enterprises in the industry as well as from water-related government departments and research institutes. In addition, we have designed a competitive promotion scheme to incentivize our employees and encourage self-development and learning. We are dedicated to developing our employees' expertise and know-how through

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continuous training programs. Our headquarters also engage professional agencies to provide our mid-level management with regular training relating to finance and management. We also emphasize the importance of corporate culture. During the Track Record Period, we maintained a high employee retention rate of over 90%. For details about our employees, see “–Employees” in this section. Due to the management and industry experience of our senior management team, we are able to expand our scale of operations within a short period of time and integrate management personnel and operations at project companies from across regions and markets. Our excellent technical execution capability has allowed us to maintain our competitive edge among our peers.

OUR BUSINESS STRATEGIES

Enhance our research and development capabilities and introduce new technologies to further improve our operational efficiency and the competitiveness of our existing projects

We are exploring automation and artificial intelligence to raise our productivity, cost efficiency and reliability. Our Longjiang Regional Headquarters pioneered the use of automated detection equipment to check the water quality in our plants. The detection equipment, constantly circling around the wastewater pool, monitors various quality indicators in the water, such as chemical oxygen demand (COD), total Kjeldahl nitrogen and total phosphorus and phosphate. The data relating to water quality are then analyzed. If the wastewater meets our quality standards, it will be released to the next step in the process. We are also developing fully automated plants for certain smaller wastewater treatment projects. If the technology is successfully implemented, these plants will be able to process wastewater with minimal human involvement. We only need to designate one person in a county control center to be in charge of all the plants throughout the county.

In certain plants, we use drones for water sampling. We are also experimenting with underwater robots to clean sludge and maintain and repair our equipment. If these new technologies are successfully developed, we plan to introduce them to a wider range of our plants. We strive to enhance our research and development capabilities so that we can continue to develop new technologies that are well-suited to our projects. We believe that innovation will lead to improved wastewater treatment, water supply, waste incineration and sludge treatment, and put us in a favorable position relative to our competitors.

Solidify our market leadership position and further expand market share in the water and solid waste industries

The wastewater treatment industry in China is highly fragmented, with the top five players together accounting for only approximately 17.3% of the market. According to Frost & Sullivan, industry consolidation is expected to increase in the near future. We were the third largest municipal wastewater treatment operator in China in terms of total operation treatment capacity as of December 31, 2016 according to Frost & Sullivan. We strive to solidify our market leadership and further expand our market share in the PRC water and solid waste industries.

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According to Frost & Sullivan, the demand for wastewater treatment, water supply, waste incineration and sludge treatment services is expected to continue to grow in China as a result of continuous urbanization and growing income per capita in our core markets. Our business model in the water and solid waste industries is mature and scalable. We have established brand awareness and solid industry experience in this market. These factors will put us in an advantageous position to capture new opportunities arising from the consolidation in the industry and increasing market demand. We intend to continue to promote our brand awareness, which we believe will strengthen our competitiveness.

We seek to expand our market share through organic growth as well as through acquisitions of local players in this industry. For existing projects, we plan to upgrade operational standards and increase capacity in accordance with the growing local needs. For new projects, we plan to closely follow the “Belt and Road Initiative” and government policies relating to environment protection in our acquisition strategy. We strive to enhance our market share and leadership in the PRC water and solid waste industries.

Expand across the environmental industry value chain and enter new industry sectors

Already an established player in the wastewater treatment sector, we seek to expand across the environmental industry value chain by entering new industry sectors. The logical next step for a wastewater treatment company is to explore sludge treatment, because sludge is a by-product of the wastewater treatment process. In 2015, we entered the sludge treatment market after we invested through MIT Environment Group Limited. We then started conducting sludge treatment through our Wuhan Regional Headquarters and Longjiang Regional Headquarters in 2016. During the Track Record Period, our revenue derived from sludge treatment accounted for only a small portion of our business and has significant room for growth. We plan to conduct sludge treatment in our other regions in the future.

We also plan to pursue soil restoration as a new business line when we deem appropriate. Certain of our existing technologies used for sludge treatment, such as poisonous material decomposition, can also be applied to soil restoration with slight modifications. In addition, we are contemplating other related sectors, such as seawater desalination, renewable energy, water technology and pollution control. With an aim to cover more of the environmental industry value chain, we are committed to becoming an integrated operator in China’s environmental industry by offering comprehensive services.

Continue to evaluate and selectively pursue investments and acquisition opportunities in China and overseas

Acquisitions have always been important to our success. To maintain the upward trajectory of our financial performance, we will continue to pursue our strategy of acquisition-driven expansion. We will prudently evaluate potential targets and selectively pursue investments to supplement and complement our existing operations. Our experienced investment team is able to discern the projects that are in accordance with our existing project portfolio and overall strategy.

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Domestically, we are exploring multiple potential projects. These projects include traditional wastewater treatment projects and waste incineration projects, as well as sludge treatment projects, which are relatively new to us. We expect to acquire or launch most of these projects in late 2017 or 2018. We also consider overseas targets in countries and regions that are covered by “The Belt and Road Initiative” when the opportunities arise. We believe that acquisitions of this kind may help us optimize our talent pool, enhance our technology, increase our product and service offerings and strengthen relationships with our business partners.

Continue to leverage the strong support from SIHL Holdings and explore strategic cooperation partnership opportunities

We expect to continue to receive strong support from SIHL Holdings, which is a conglomerate engaging in a wide range of business activities. Many of its businesses are directly or indirectly related to the environmental industry. For example, SIHL Holdings engages in and has experience operating and managing renewable energy power generation businesses. Given our close relationship with SIHL Holdings, we have the opportunity to develop expertise in this industry. When this market becomes more mature, we believe our experience will place us in a favorable position to penetrate the renewable energy market. The background of SIHL Holdings and its strong network may also lead to strategic cooperation partnership opportunities with large-scale state-owned enterprises. We will continue to leverage the strong support from SIHL Holdings in facilitating our development.

OUR BUSINESS

Our business relies heavily on the service concession arrangements that we enter into with local governments. For more details, see “Our Business – Service Concession Arrangements”. During the Track Record Period, we derived revenue primarily through four business lines, details of which are set forth below:

Wastewater treatment business line	In managing this business line, we engage in the design, construction and/or operation of wastewater treatment, reclaimed water treatment and sludge treatment plants under service concession arrangements with local governments. In addition, we also operate and maintain third-party wastewater treatment plants under O&M project model. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 57.4%, 73.6%, 74.7%, 75.7% and 79.7% of our revenue was derived from this business line, respectively.
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Water supply business line	<p>In managing this business line, we engage in the design, construction and/or operation of water supply plants under service concession arrangements with local governments. In addition, we also operate and maintain third-party water supply plants under O&M project model. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 23.5%, 16.9%, 15.4%, 18.3% and 13.3%, respectively, of our revenue was derived from this business line.</p>
Waste incineration business line	<p>In managing this business line, we engage in the design, construction and/or operation of waste incineration plants under service concession arrangements with local governments. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 3.0%, 2.5%, 3.6%, 2.4% and 3.8%, respectively, of our revenue was derived from this business line.</p>
Others	<p>In managing this business line, we mainly engage in the installation works in relation to water supply, EPC projects, consultancy on the wastewater treatment and water supply projects. For the years ended December 31, 2014, 2015 and 2016 and for the nine month ended September 30, 2016 and 2017, approximately 16.1%, 7.0%, 6.3%, 3.6% and 3.2%, respectively, of our revenue was derived from this business line.</p>

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The table below sets forth details of our total revenue by business line during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in millions, except percentages)										
Wastewater treatment										
Construction revenue.	136.4	9.1%	440.4	24.4%	959.4	36.2%	497.4	32.9%	1,434.1	42.8%
Operating revenue	517.1	34.4%	561.2	31.1%	634.0	23.9%	411.1	27.1%	730.4	21.8%
Financial income	208.7	13.9%	327.5	18.1%	386.3	14.6%	237.1	15.7%	508.0	15.1%
Subtotal.	862.2	57.4%	1,329.1	73.6%	1,979.7	74.7%	1,145.6	75.7%	2,672.5	79.7%
Water supply										
Construction revenue.	95.5	6.3%	32.4	1.8%	10.0	0.4%	9.8	0.7%	5.3	0.2%
Operating revenue	259.1	17.2%	272.6	15.1%	396.4	15.0%	267.2	17.6%	440.2	13.1%
Subtotal.	354.6	23.5%	305.0	16.9%	406.4	15.4%	277.0	18.3%	445.5	13.3%
Waste incineration										
Construction revenue.	–	–	–	–	44.0	1.7%	–	–	66.7	2.0%
Operating revenue	37.4	2.5%	35.4	2.0%	41.1	1.6%	30.5	2.0%	51.1	1.5%
Financial income	7.9	0.5%	8.6	0.5%	8.9	0.3%	6.4	0.4%	9.1	0.3%
Subtotal.	45.3	3.0%	44.0	2.5%	94.0	3.6%	36.9	2.4%	126.9	3.8%
Others										
Consultancy work and other services.	32.6	2.2%	75.1	4.2%	150.8	5.7%	49.2	3.2%	106.7	3.1%
EPC Construction.	209.7	13.9%	50.6	2.8%	17.2	0.6%	5.5	0.4%	2.0	0.1%
Subtotal.	242.3	16.1%	125.7	7.0%	168.0	6.3%	54.7	3.6%	108.7	3.2%
Total	1,504.4	100.0%	1,803.8	100.0%	2,648.1	100.0%	1,514.2	100.0%	3,353.6	100.0%

Wastewater Treatment Business Line

We engage in the design, construction and/or operation of wastewater treatment, reclaimed water treatment and sludge treatment plants under service concession arrangements with local governments. Our wastewater treatment, reclaimed water treatment and sludge treatment plants treat and discharge wastewater, reclaimed water and sludge, respectively, in compliance with the relevant national and local standards. In managing this business line, we charge our customers, usually local governments in the PRC, wastewater and sludge treatment fees, mainly based on the volume of discharged wastewater/treated sludge and the agreed tariff during the concession period, in accordance with the terms of the relevant service concession arrangements. For reclaimed water treatment, we negotiate contract prices with our customers, taking into account treatment costs associated with their proposed uses and cost of reclaimed water distribution. The parties to each arrangement determine the key terms, such as unit price, duration of the arrangement or concession period and minimum discharge volume, where applicable, by taking into account various factors, including the construction and/or

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development costs of the plants and the complexity and quality of wastewater/reclaimed water and sludge being treated. During the Track Record Period, we mainly developed and operated our wastewater treatment, reclaimed water treatment and sludge treatment projects through the BOT and TOT project models. In addition, we operated and maintained third party wastewater treatment plants under O&M project model.

The table below sets forth the total designed capacity of our wastewater treatment, reclaimed water treatment and sludge treatment plants in operation under service concession arrangements and O&M project model as of the dates specified:

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	Total Designed Capacity (Tons/day)			
Wastewater treatment ⁽¹⁾	2,682,500	3,178,500	6,141,000	6,738,500
Reclaimed water treatment ⁽¹⁾	50,000	100,000	180,000	220,000
Sludge treatment ⁽¹⁾	–	–	950	1,335

Note:

(1) This refers to treatment plants in operation (including any project in trial operation, pending commencement of commercial operation or with operation suspended) and O&M projects.

For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our wastewater business line accounted for 57.4%, 73.6%, 74.7%, 75.7% and 79.7%, respectively, of our revenue and 77.0%, 77.7%, 75.5%, 75.4% and 75.0%, respectively, of our gross profit. Details of our wastewater, reclaimed water and sludge treatment projects, including the location and status of each project as well as details of each service concession arrangements, are set forth in “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

Water Supply Business Line

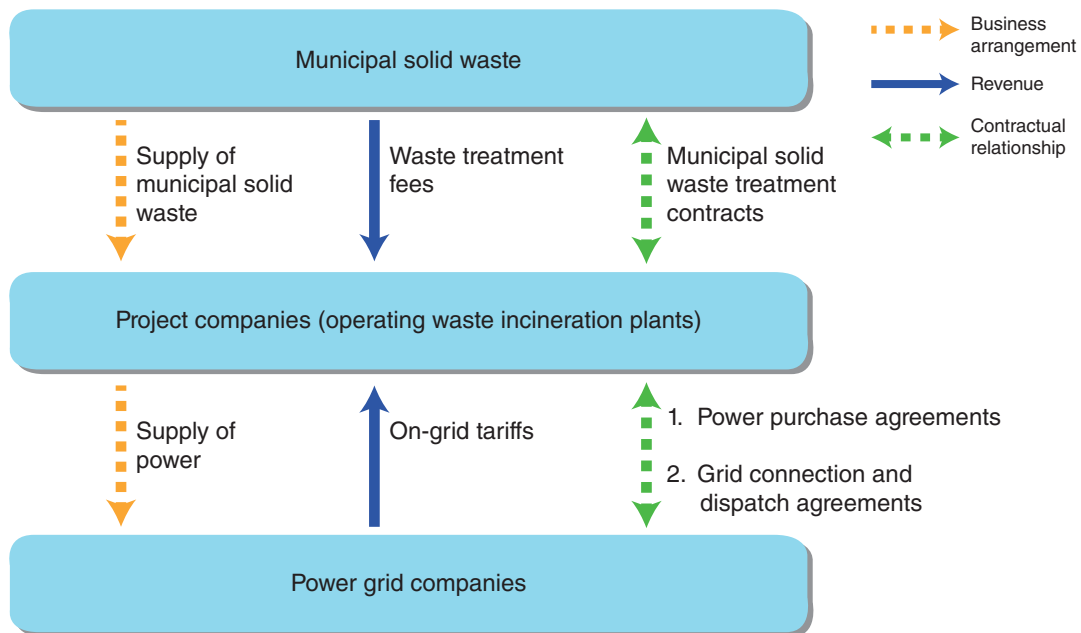
We mainly engaged in the design, construction and/or operation of water supply projects under service concession arrangements with local governments. Our water supply plants supply tap water to end users in compliance with the relevant national and local standards. In managing this business line, we charge different retail prices for residential and non-residential end users pursuant to the relevant rules and regulations. As of September 30, 2017, we had 18 water supply projects and the total design supply capacity was 1,985,000 tons per day. We served approximately 1,052,859 residential end user accounts and approximately 102,320 non-residential end user accounts in the PRC as of September 30, 2017. The tap water we distribute to end users has to meet the applicable quality standards, including the National Drinking Water Standards (GB5749-2006) (國家生活飲用水衛生標準).

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During the Track Record Period, we mainly developed and operated water supply projects through the BOT, TOT and BOO project models. In addition, we also operated and maintained third party water supply plants under O&M project model. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our water supply business line accounted for 23.5%, 16.9%, 15.4%, 18.3% and 13.3%, respectively, of our revenue and 17.1%, 14.1%, 17.7%, 16.1% and 15.7%, respectively, of our gross profit. Details of our water supply projects, including the location and status of each project as well as details of each service concession arrangements and O&M Projects, are set forth in “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

Waste Incineration Business Line

We engage in the design, construction and/or operation of waste incineration plants, in which we incinerate municipal solid waste to generate power. In managing this business line, we charge customers, usually local governments in the PRC, waste treatment fees based on the volume of municipal solid waste we process. Our waste incineration plants sell power generated from our plants through incineration of municipal solid waste to power grid companies at on-grid electricity tariffs. The following chart summarizes the business model, main revenue streams and contractual arrangements of our waste incineration business during the Track Record Period:



During the Track Record Period, we mainly developed and operated our waste incineration plants through the BOT and BOO project models. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our waste incineration business line accounted for 3.0%, 2.5%, 3.6%, 2.4% and 3.8%, respectively, of our revenue and 4.7%, 3.4%, 4.2%, 3.9% and 4.7%, respectively, of our gross profit. Details of our waste incineration projects, including the location and status of each project as well as details of each service concession arrangements, are set forth in “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

Others

Our other business line comprises of (i) consultancy work and other services and (ii) EPC Construction.

Under our consultancy work and other services, we derive revenue from the provision of services in project design and consultancy (such as consultancy on wastewater treatment and water supply projects) and installation work in relation to water supply (such as installation of tap water pipeline networks, installation of water meters for end users, and other ancillary installation works). We carry out these business activities through our three subsidiaries companies in Wuhan Regional Headquarters, Shandong Regional Headquarters and Longjiang Regional Headquarters. We were usually contracted by property developers in the PRC to install tap water pipelines and water meters installation on property development site and were usually engaged on ad-hoc and project-by-project basis. In general, the installation works lasts 15 days to a few weeks depending on the complexity of the works. In terms of payment, we usually request full payment upfront before we carry out any installation works. Apart from installation of tap water pipelines and installation of water meters for end users, we also install other works ancillary to water supply such as water pump system installation. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, we derived 2.2%, 4.2%, 5.7%, 3.2% and 3.1% of our revenue, respectively, from consultancy work and other services.

Under EPC construction, we derive revenue from the design, assembly, construction, installation and commissioning of mainly wastewater and water supply treatment plants for industrial facilities and municipalities through EPC project model. We carry out these business activities through one of our subsidiary company in Wuhan Regional Headquarters. During the Track Record Period, we reduced our EPC construction activities by selling a subsidiary engaged in EPC construction and reducing the number of EPC construction projects we undertook. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, we derived 13.9%, 2.8%, 0.6%, 0.4% and 0.1% of our revenue, respectively, from the EPC construction. We have scaled down our EPC projects as we sought to expand our project portfolio to include more service concession arrangement projects.

For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, our others business line accounted for 16.1%, 7.0%, 6.3%, 3.6% and 3.2%, respectively, of our revenue and 1.1%, 4.8%, 2.7%, 4.6% and 4.7%, respectively, of our gross profit.

SERVICE CONCESSION ARRANGEMENTS

During the Track Record Period, substantially all of our projects were undertaken under service concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body (the “**grantor**”), contracts with a private operator to develop (or upgrade), operate and maintain the grantor’s infrastructure assets, such as roads, bridges, tunnels, airports, energy distribution networks, wastewater treatment plants and water supply plants. The grantor controls or regulates range and price of services that the operator provides by utilizing the assets, and also controls any significant residual interest in the assets at the end of the term of the arrangement. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 83.9%, 93.0%, 93.7%, 96.4% and 96.8%, respectively, of our revenue was derived from our service concession arrangements. During the Track Record Period, the percentage of revenue contributed by our service concession arrangements continued to increase because we kept expanding our portfolio of projects operated under service concession arrangements through organic growth and acquisitions, such as the acquisition of Longjiang. For details of our acquisition of Longjiang, see “Business – Longjiang Acquisition” and “Financial Information – Acquisition of Longjiang”. For details of our other acquisitions during the Track Record Period, see “Business – Our Projects under Service Concession Arrangements and O&M Projects”.

KEY TERMS OF OUR SERVICE CONCESSION ARRANGEMENTS

Our service concession arrangements stipulate the terms upon which the concession is granted and other rights and obligations of each party with regard to the construction and/or operation of the relevant plant. Below is a discussion of the key contractual terms for most of our typical agreements with our customers under service concession arrangements. We adopt the BOT, BOO or TOT project models for most of our service concession arrangement projects and depending on whether BOT, BOO or TOT project model is adopted, some of the contractual terms discussed below may not be applicable. For a detailed discussion of the typical project models we adopted, see “Business – Project Models”.

Construction (applicable to the BOT and BOO project models only)

Our primary responsibilities during the construction phase include civil engineering, procuring and installing equipment and applying for and obtaining the approvals for the commencement of construction work. For wastewater treatment, reclaimed water treatment and water supply, the local governments or their authorized representatives are generally responsible for the construction of the relevant pipelines to our plants and for providing the land for construction of the plants. After the completion of construction, we apply for acceptance by the relevant authorities and we typically participate in the inspection and acceptance process.

Testing and Acceptance (applicable to the BOT and BOO project models only)

After completion of the plant's construction, we conduct tests of the plants we build to ensure that they will operate in accordance with the terms of the service concession arrangements. Once we have completed the testing process, we will seek approval to commence trial operation (where required) in accordance with the terms of the service concession arrangements.

Trial Operation (applicable to the BOT and BOO project models only)

Under some of our service concession arrangements, we are required to carry out a trial operation before we commence commercial operation. During the trial operation period, the local governments are responsible for supplying wastewater, sludge, water supply or municipal solid waste that meets certain specified standards and we are entitled to payment at a certain unit price if the treated wastewater or treated sludge or water supply or treated municipal solid waste meets the required standards.

Initial Transfer (applicable to the TOT project model only)

For newly built plants, assuming there are no complications that arises from trial operation, the local governments will transfer the plants to us on the date specified in the service concession arrangements. Similarly, for existing plants that are in operation, either the local government or the transferors designated by the government will transfer the plants to us on the date specified in the service concession arrangements. In some cases, the local government is required to transfer plants and equipment that are at least 95% intact to us. Despite the transfer of assets, we do not acquire ownership of the plants. Instead we obtain concession rights for the relevant plants through the service concession arrangements with the local government or the transferor designated by the government.

Purchase Price and Payment (applicable to the TOT project model only)

Under the TOT project model, in accordance with the terms stipulated in the service concession arrangements, we are required to pay certain consideration, which is determined based on an asset appraisal report issued by an independent valuer, in order to obtain the concession rights for the relevant plants. We usually pay the purchase price for the concession rights in installments or in a lump sum according to the specific terms of the relevant agreements.

Guaranteed Minimum Volumes (applicable to the BOT, BOO or TOT project models)

As of September 30, 2017, 131 of our plants operated under service concession arrangements with guaranteed minimum volume provisions.

Under a guaranteed minimum volume arrangement, if the treatment or supply volume is below the guaranteed minimum volume as stipulated in the relevant service concession arrangements, we charge a tariff based on the guaranteed minimum volume instead of the actual volume, resulting in a predictable minimum cash flow for that period. For details of the guaranteed minimum volume provisions for specific projects, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

Water Quality (applicable to the BOT, BOO or TOT Project Models)

For our wastewater treatment projects, the service concession arrangements usually specify the quality of the incoming wastewater to be treated and the quality of outgoing water after being treated by our treatment plants. If the pollutants in the incoming wastewater significantly exceed the level stipulated in the Discharge Standard for Municipal Wastewater (《污水排入城鎮下水道水質標準》) (CJ343-2010), we are usually entitled to reimbursement from the local government in accordance with our service concession arrangements. If the quality of effluent does not meet the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城鎮污水處理廠污染物排放標準》) (GB18918-2002) due to our faulty treatment, we are responsible for any resultant direct economic damages and subject to fines.

For our tap water supply projects, the incoming raw water is required to meet the Surface Water Quality Standard Class III 《地表水環境質量標準》 (GB3838-2002) or above in accordance with the relevant service concession arrangements. The local governments are responsible for the quality of the incoming raw water. We are required to ensure that the quality of the purified tap water meets the Standards for Drinking Water Quality 《生活飲用水衛生標準》 (GB5749-2006). We conduct, or engage a qualified third party to conduct, testing of the incoming raw water on a regular basis. If we suffer any losses or incur any extra expenditures due to the sub-standard quality of the incoming raw water, we reserve the right to ask for reimbursement from the Government Grantors or to increase the tap water unit price.

For our raw water supply projects, we are required to supply raw water stored in our reservoirs. The supplied raw water is for industrial and irrigation use and not for human consumption.

For our reclaimed water projects, depending on the end-user’s proposed use, the reclaimed water must comply with the applicable standards prescribed by the PRC government. For details of the prescribed standard, see “Regulatory Overview – Quality Standard”.

During the Track Record Period and up to the Latest Practicable Date, 13 of our Group’s project companies in the PRC were involved in 18 non-compliance incidents relating to violations of wastewater discharge standard. Some of the incidents were due to excessive pollution levels in the incoming wastewater and some of the incidents occurred before our acquisition of the relevant project companies. For details, please see “Business – Non-compliance”.

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Tariff and Settlements (applicable to the BOT, BOO or TOT project models)

We generally issue monthly bills to either the local governments or the end users once the commercial operation of our plant commences. Our customers are usually required to settle our bills within 90 days according to the service concession arrangements or the monthly bills issued to the end users.

For our wastewater treatments projects, we generally issue monthly bills to the local governments and the tariff is usually set and calculated by the local governments according to formulas stipulated in the relevant service concession arrangements. The formulas differ slightly from contract to contract, but they usually take into account the actual investment, construction and operating costs and the actual amount of wastewater being treated during the previous pricing period to arrive at tariff rates that provide reasonable returns on investment to us as mutually agreed by the parties in the service concession arrangements were made.

In general, we can request the local governments to adjust the unit price according to the relevant concession agreement to reflect changing market conditions. Furthermore, for most of our wastewater treatment projects, the service concession arrangements usually stipulate a minimum intake volume of wastewater being treated and a guaranteed minimum unit price. When the actual volume of treated wastewater falls below the prescribed guaranteed minimum volume, we are entitled to receive the guaranteed minimum tariff in accordance with the relevant service concession arrangements. For details, see “Business – Key Terms of Our Service Concession Arrangements – Guaranteed Minimum Volumes (applicable to the BOT, BOO and TOT project models)”.

For our sludge treatment projects, we generally issue monthly bills to the local government and the fees are usually calculated by multiplying the treated sludge volume by the unit price in the relevant service concession arrangements. The fees take into account factors such as our costs, taxes, investment amounts, estimated treatment volumes and investment returns. We are also entitled to apply for price adjustments if (i) quality standards for our sludge discharge change, (ii) our treatment methods need to improve in order to satisfy new requirements, or (iii) the government approves our request to reconstruct or expand our plants.

For our water supply projects, we generally issue monthly bills to end users and the tariff is calculated according to the volume of tap water consumed multiplied by the unit price set in accordance with the relevant laws and regulations while taking operating costs into account.

For our waste incineration projects, we charge the government waste treatment fees and we charge power grid companies fees for supplying electricity. The waste treatment fees are calculated by multiplying the volume of the municipal solid waste we process by the unit price in the relevant service concession arrangements. Municipal solid waste and stale refuse carry different unit prices. In addition to the waste treatment fees, we also receive electricity fees from power grid companies. Our waste incineration plants incinerate municipal solid waste to generate power and we sell power generated from our plants to power grid companies at on-grid electricity tariffs. According to the NDRC’s Notice in relation to the Optimization of

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Waste Incineration and Power Generation Pricing Policy (NDRC Prices [2012] No. 801) (《國家發展改革委關於完善垃圾焚燒發電價格政策的通知》(發改價格[2012]801號)) (the “**Power Price Policy Notice**”), the on-grid price for electricity generated from municipal solid waste is RMB0.650 per kWh (tax inclusive) for the first 280 kWh of power generated per ton of waste. The on-grid price for the remaining power generated from the same ton of waste is the same on-grid price as the local coal-fired power generation plants, which is RMB0.333 per kWh (tax inclusive).

Operation and maintenance (applicable to the BOT, BOO or TOT project models)

Under the BOT, BOO or TOT project models, we are typically responsible for the maintenance and repair of the plants at our cost. We generally schedule repairs of a particular project as we consider appropriate. We are required to give our customer and the relevant environmental authorities prior notice when maintenance or repairs could lead to a material decrease in our treatment capacity. We may only commence maintenance or repairs following the approval of our customer.

Concession Rights (applicable to the BOT, BOO or TOT project models)

We are granted the exclusive concession rights to invest, construct, operate and maintain the plants by the local governments or their authorized representatives. The concession period is usually between 20 and 30 years.

Land Use Rights and Building Ownership (applicable to the BOT, BOO or TOT project models)

For our BOT, BOO or TOT project models, the service concession arrangements generally stipulate that the local governments will transfer the land use right to us or allow us to use the land during the concession period. We are allowed exclusive use of the land for the agreed purposes only. In some projects, when the land is transferred by the local governments to us, we purchase the land use rights for specified consideration. The local governments are required to assist us in obtaining the land use rights and relevant certificates, and any failure to do so would entitle us to terminate the contract. Under the BOO project model, we construct and finance the construction of facilities and are granted the right by the local government to operate the facilities during the concession period. Upon the expiration of the original concession period, our Group retains the ownership of the facilities and we are required to obtain new service concession arrangements in order to continue to operate our own facilities and plants after the expiration of the original concession period. As advised by our PRC Legal Adviser, under the service concession arrangements, the local governments are obligated to provide us with the relevant land for use. During the Track Record Period, we did not obtain land use right certificates and building ownership certificates in respect of properties associated with certain service concession arrangement projects. For further details, see “Business – Properties – Properties Occupied by Us Pursuant to Service Concession Arrangements”.

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In addition, our PRC Legal Adviser has advised that our Group has the contractual right to legally occupy and use the lands and buildings pursuant to the relevant service concession arrangements, regardless of whether the land use right certificates and/or building ownership certificates are issued to our Group, and the lack of such land use right certificates or building ownership certificates will not have a material financial or operational impact on our Group. See “Business – Properties – Properties Occupied by Us Pursuant to Service Concession Arrangements” for further details.

Transfer (applicable to the BOT or TOT project models only)

In general, upon expiration of a concession period under the BOT or TOT project models, we are required to transfer the relevant plants to the local governments without compensation. We are typically required to ensure that the plants operate properly before expiry of a concession period, and carry out repair work as necessary. We have the right to transfer the plants to the local governments before a concession period expires when certain events occur, such as a default by the local governments in scheduled payments. In such cases, we are entitled to compensation calculated according to the terms of the service concession arrangements. When the transfer is completed, we have no further maintenance responsibilities towards the plants. However, in some cases, we will have to provide a warranty to the local governments. During the warranty period, we are responsible for the maintenance of the plants at our costs. As none of the concession periods for our service concession arrangement projects had expired as of the Latest Practicable Date, we have not provided such a warranty to any local government.

Termination (applicable to the BOT, BOO or TOT project models)

A service concession arrangement may be terminated by either party due to the occurrence of an event of default as stipulated in the relevant agreements. For instance, events of default by the local governments include their failure to make scheduled payments on time. Events of default by us include failing to complete construction of a project in accordance with the agreed timetable. Where the agreement is terminated by one party due to the other party’s default, the terminating party is entitled to damages or other compensation in accordance with the relevant service concession agreement.

KEY TERMS OF OUR O&M PROJECTS

The following summarizes the key contractual terms of our O&M projects:

Services

We are appointed for a pre-agreed period during which we are paid a management fee to operate an existing treatment or supply plant. We bear the costs of routine maintenance and repairs of the plant. We do not hold the title to the plant, and we are not responsible for the construction of the plant.

Management Fees

We receive monthly or quarterly management fees from our customers based on an agreed tariff pricing formula or a fixed service fee. Some of our O&M agreements provide for a guaranteed minimum volume of wastewater to be treated and we are entitled to receive fees based on the minimum volume even if the volume of wastewater actually being treated by us is less than the guarantee minimum volume as stipulated in the O&M agreements. The tariff pricing formula takes into account factors such as the consumer price index, electricity charges and labor costs. We may apply for an adjustment to the tariff rate by reference to changes in these factors.

Termination

Usually our O&M agreements can be terminated by either party due to force majeure events or events of default. In the event that there is an event of default, the non-defaulting party can elect to terminate the contract by notifying the other party of its intent to terminate, and if the breach is not cured within a certain period of time, such notice of intent to terminate serves as a notice to terminate and the agreement terminates in accordance with the notice. The events of default that typically entitle our customers to unilaterally terminate the agreement include any material breach of the terms of the O&M agreements or suspension of the plant's operation on our part and bankruptcy or dissolution of the project company. The events of default that entitle us to unilaterally terminate the agreement include: failure to pay the management fees; material impairment of our interests due to changes in PRC laws; expropriation of the project facility; and our customer's material breach of the contract. Where the contract is unilaterally terminated by one party due to the other party's breach of the terms of the contract, the terminating party is still entitled to damages or compensation as prescribed in the relevant O&M contract.

PROJECT MODELS

During the Track Record Period, for most of our service concession arrangement projects, we adopted the BOT, TOT or BOO project model according to the relevant service concession arrangements. In addition, we also operated and maintained third-party plants under the O&M project model. Below set forth details description of each project model we adopted during the Track Record Period.

BOT Project Model

Under the BOT project model, we enter into a service concession arrangement with a local government regarding the investment, construction and operation of a proposed wastewater treatment, reclaimed water treatment, sludge treatment, water supply or waste incineration plant. We finance the construction of the relevant plant with a combination of bank borrowings, other borrowings and our internal resources. We are granted the right to operate the relevant plant during the concession period, which generally lasts about 20 to 30 years for most of our BOT projects, and are entitled to fees from either the users or the local

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governments during the concession period to cover our costs of investment, construction, operation and maintenance and to provide us reasonable returns. After expiration of the concession period, we transfer the relevant plant back to the local government without compensation.

As of September 30, 2017, under our service concession arrangement projects we had 87 wastewater treatment projects, two reclaimed water treatment projects, eight sludge treatment projects, four water supply projects and one waste incineration project under the BOT project model (in operation and under construction). For details of our BOT projects under service concession arrangements, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

TOT Project Model

The TOT project model differs from the BOT project model because we do not construct the relevant plant under the TOT project model. We acquire the concession rights for the relevant plant, which has already been constructed for an agreed consideration. Similar to the BOT project model, we are entitled to fees from either the users or the local governments during the concession period to cover our costs of investment, operation and maintenance and to provide us reasonable returns. The concession period generally lasts about 20 to 30 years for most of our TOT projects. After expiration of the concession period, we transfer the relevant plant back to the local government without compensation.

As of September 30, 2017, under our service concession arrangement projects we had 22 wastewater treatment projects, two reclaimed water treatment projects and 11 water supply projects under TOT project model (in operation and under construction). For details of our TOT projects under service concession arrangements, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

BOO Project Model

Under a BOO project model, we finance the investment, construction and operation of our own plant by a combination of bank and other borrowings and our internal resources. Unlike a BOT or TOT project model, we do not transfer the plant back to the local government after expiration of the concession period, which generally lasts 20 to 30 years for most of our BOO projects. We are generally entitled to fees from either the users or the local governments during the concession period to cover our costs of investment, construction, operation and maintenance and to provide us reasonable returns. We need to secure new concession rights to operate the relevant plant after the expiration of the existing concession period.

As of September 30, 2017, under our service concession arrangement projects we had one water supply project and one waste incineration project under BOO project model (in operation and under construction). For details of our BOO projects under service concession arrangements, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.

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O&M Project Model

Under the O&M project model, we generally operate and maintain existing wastewater treatment plants and water supply plants owned by our customers in exchange for fees. The fees we receive for our O&M projects are stipulated in the relevant O&M agreements, and are based on an agreed tariff pricing formula or fixed service fee as stipulated in the relevant O&M agreements. We are usually appointed for a pre-agreed period and may be reappointed upon the expiry of the agreed contractual term. During the term of our appointment, we are responsible for all of the costs of maintenance and repair of the relevant plants. We are not required to make any capital investment in the wastewater and water supply plants under our O&M agreements.

Revenue generated from our O&M projects was not significant during the Track Record Period. As of September 30, 2017, we had 11 O&M projects. For details of our O&M projects, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List – O&M Projects”.

Summary of Our Project Models under Service Concession Arrangements

The following tables set forth our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects under service concession arrangements (in operation and under construction) as of December 31, 2014, 2015, 2016 and September 30, 2017:

	Total Projects under Service Concession Arrangements											
	As of December 31,									As of September 30,		
	2014			2015			2016			2017		
	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total
BOT . . .	34	8	42	43	11	54	70	30	100	81	21	102
TOT . . .	12	-	12	15	-	15	31	-	31	35	-	35
BOO . . .	2	-	2	2	-	2	2	-	2	2	-	2
Other ⁽²⁾ . .	-	-	-	-	-	-	-	-	-	-	1	1
Total . . .	48	8	56	60	11	71	103	30	133	118	22	140

Notes:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.
- (2) This refers to the ROT project, i.e. Pinghu City Eastern Wastewater Treatment Project 1st Stage (平湖市東片污水廠處理廠一期) which we acquired on July 20, 2017. For details, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Under Construction”.

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Wastewater Treatment Projects

Wastewater Treatment Projects under Service Concession Arrangements												
As of December 31,									As of September 30,			
2014			2015			2016			2017			
In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	
BOT . . .	30	7	37 ⁽²⁾	39	10	49 ⁽²⁾⁽³⁾	63	23	86 ⁽³⁾	72	15	87
TOT . . .	9	-	9	9	-	9 ⁽⁴⁾	19	-	19 ⁽⁴⁾	22	-	22
Other ⁽⁵⁾ . . .	-	-	-	-	-	-	-	-	-	1	-	1
Total . . .	39	7	46	48	10	58	82	23	105	94	16	110

Notes:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.
- (2) The increase in the number of our BOT projects (wastewater treatment) from 37 as of December 31, 2014 to 49 as of December 31, 2015 was mainly due to the acquisition of Global Envirotech Investment Ltd. in 2015. See “History and Development – Fudan Water”.
- (3) The increase in the number of our BOT projects (wastewater treatment) from 49 as of December 31, 2015 to 86 as of December 31, 2016 was mainly due to the acquisition of Longjiang and Ranhill in 2016. See “History and Development – Major Acquisitions – Longjiang” and “History and Development – Major Acquisitions – Ranhill”.
- (4) The increase in the number of our TOT projects (wastewater treatment) from 9 as of December 31, 2015 to 19 as of December 31, 2016 was mainly due to the acquisition of Longjiang in 2016. See “History and Development – Major Acquisitions – Longjiang”.
- (5) This refers to the ROT project, i.e. Pinghu City Eastern Wastewater Treatment Project 1st Stage (平湖市東片污水廠處理廠一期) which we acquired on July 20, 2017. For details, see “Business – Our Projects under Service Concession Arrangements and O&M Projects – Under Construction”.

Reclaimed Water Treatment Projects

Reclaimed Water Treatment Projects under Service Concession Arrangements											
As of December 31,									As of September 30,		
2014			2015			2016			2017		
In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total
BOT . . .	-	-	-	-	-	1	-	1	1	1	2
TOT . . .	-	-	-	-	-	1	-	1	2	-	2
Total . . .	-	-	-	-	-	2	-	2	3	1	4

Note:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.

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Sludge Treatment Projects

Sludge Treatment Projects under Service Concession Arrangements												
As of December 31,									As of September 30,			
2014			2015			2016			2017			
In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	
BOT . . .	-	1	1	-	1	1	2	6	8	4	4	8
Total . . .	-	1	1	-	1	1	2	6	8	4	4	8

Note:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.

Water Supply Projects

Water Supply Projects under Service Concession Arrangements												
As of December 31,									As of September 30,			
2014			2015			2016			2017			
In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	
BOT . . .	4	-	4	4	-	4	4	-	4	4	-	4
TOT . . .	3	-	3	6	-	6 ⁽²⁾	11	-	11 ⁽²⁾	11	-	11
BOO . . .	1	-	1	1	-	1	1	-	1	1	-	1
Total . . .	8	-	8	11	-	11	16	-	16	16	-	16

Note:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.
- (2) The increase in the number of our TOT projects (water supply) from 6 as of December 31, 2015 to 11 as of December 31, 2016 was mainly due to the acquisition of Longjiang in 2016. See "History and Development – Major Acquisitions – Longjiang".

Waste Incineration Projects

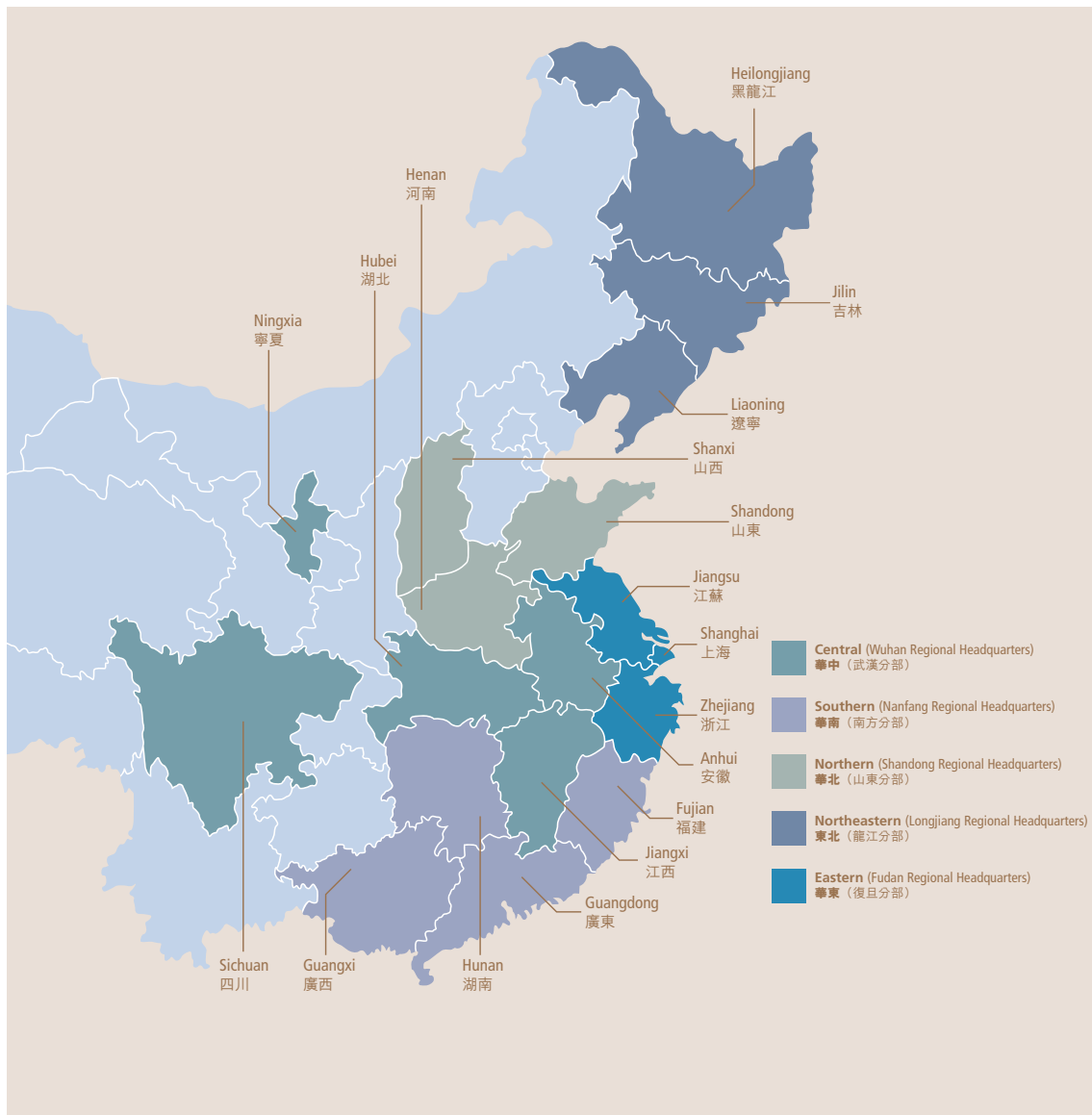
Waste Incineration Projects under Service Concession Arrangements											
As of December 31,									As of September 30,		
2014			2015			2016			2017		
In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total	In Operation ⁽¹⁾	Under Construction	Sub- total
BOT . . .	-	-	-	-	-	-	1	1	-	1	1
BOO . . .	1	-	1	1	-	1	-	1	1	-	1
Total . . .	1	-	1	1	-	1	1	2	1	1	2

Note:

- (1) Includes any project in trial operation, pending commencement of commercial operation or with operation suspended.

OUR PROJECTS UNDER SERVICE CONCESSION ARRANGEMENTS AND O&M PROJECTS

We have a nationwide presence with our project network covering 18 provincial-level administrative divisions in China as of September 30, 2017. We manage our network through five regional headquarters — Wuhan Regional Headquarters, Nanfang Regional Headquarters, Shandong Regional Headquarters, Longjiang Regional Headquarters and Fudan Regional Headquarters — and our waste incineration business unit. As of Latest Practicable Date, we had a scalable project portfolio of 120 wastewater treatment projects, six reclaimed water treatment projects, nine sludge treatment projects, 19 water supply projects and two waste incineration projects. The map below sets forth the geographic coverage of our regional headquarters as of September 30, 2017.



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During the Track Record Period, we acquired a number of companies and businesses. Our scale of operations expanded within a short period of time through the consolidation of the results of these companies and businesses. See “Financial Information – Significant Factors Affecting our Results of Operations and Financial Condition – Expansion of our Business”. Set forth below is a brief summary of our significant acquisitions during the Track Record Period:

Acquisitions and completion Date	Number of projects acquired ⁽¹⁾	Total designed capacity ⁽²⁾ (tons/day)	Total guaranteed minimum treatment volume ⁽³⁾ (tons/day)	Location of Projects
Pinghu Dushan Wastewater Treatment Co., Ltd. (“ Pinghu Dushan ”) – July 20, 2017 (acquired 100% of equity interest with a consideration of RMB9.1 million)	(a) Four wastewater treatment projects	(a) 270,000	(a) 63,750	• Zhejiang
Jiaohe Jiaxin Water Co., Ltd. (“ Jiaohe Jiaxin ”) – August 18, 2017. (acquired 100% of equity interest with a consideration of RMB95.0 million)	(a) Two wastewater treatment projects	(a) 25,000	(a) 22,500	• Jilin
Longjiang Environmental Water Resource (Hegang) Co., Ltd. (“ Hegang ”) – January 1, 2017. (acquired 100% equity interest at a consideration of RMB111.9 million)	(a) Four wastewater treatment projects; and (b) One reclaimed treatment project	(a) 160,000; (b) 30,000	(a) 80,000; (b) none	• Heilongjiang
Ranhill – December 12, 2016 . . . (acquired 60.0% of equity interest with a consideration of RMB273.9 million)	(a) 11 wastewater treatment projects	(a) 255,000	(a) 184,000	• Anhui • Henan • Jiangxi • Liaoning
Longjiang ⁽⁴⁾ – November 30, 2016 (acquired a total of 58.0% equity interest at an aggregate consideration of RMB1,241.0 million)	(a) 30 wastewater treatment projects; (b) Two reclaimed treatment projects; (c) Five water supply projects; and (d) Six sludge treatment projects	(a) 2,518,500; (b) 90,000; (c) 610,000; (d) 1,330	(a) 2,164,500; (b) none; (c) none; (d) 136	• Heilongjiang

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Acquisitions and completion Date	Number of projects acquired ⁽¹⁾	Total designed capacity ⁽²⁾ (tons/day)	Total guaranteed minimum treatment volume ⁽³⁾ (tons/day)	Location of Projects
Henan Zhonghui Lianhe Investment Co., Ltd. (“ Zhonghui ”) – September 20, 2016 (acquired 75.0% of equity interest with a consideration of RMB225.0 million)	(a) One wastewater treatment project; and (b) Three sludge treatment projects	(a) 100,000; (b) 600	(a) 75,000; (b) 540	• Henan
Wulian Xinneng Waste Power Plant Co., Ltd. (“ Wulian ”) – August 8, 2016 (acquired 90.0% of equity interest with a consideration of RMB45.0 million)	(a) One waste incineration projects	(a) 600	(a) 240	• Shandong
Yiyang City Tap Water Co. (“ Yiyang ”) – February 21, 2016 (acquired 90.0% of equity interest with a consideration of RMB288.2 million)	(a) One water supply project	(a) 600	(a) none	• Hunan
Fudan Water – May 22, 2015 (acquired 92.2% of equity interest with a consideration of RMB2,116.5 million)	(a) Nine wastewater treatment projects	(a) 476,000	(a) 370,000	• Jiangsu • Shanghai • Zhejiang
Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. (“ Dongguan Fenggang ”) – September 10, 2014 (acquired 100.0% of equity interest with a consideration of RMB78.6 million)	(a) Two wastewater treatment projects	(a) 50,000	(a) 41,500	• Guangdong
Dongguan Shijie Shayao Water Purification Co., Ltd. (“ Dongguan Shijie ”) – September 10, 2014 (acquired 100.0% of equity interest with a consideration of RMB88.0 million)	(a) One wastewater treatment project	(a) 60,000	(a) 49,800	• Guangdong

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Acquisitions and completion Date	Number of projects acquired ⁽¹⁾	Total designed capacity ⁽²⁾ (tons/day)	Total guaranteed minimum treatment volume ⁽³⁾ (tons/day)	Location of Projects
Shanghai Qingpu Second Waste Water Treatment Plant (“Shanghai Qingpu”) – February 18, 2014 (acquired 100.0% of equity interest with a consideration of RMB180.1 million)	(a) One wastewater treatment project	(a) 120,000	(a) 108,000	• Shanghai
Gold Wisdom Holdings Limited – February 11, 2014 (acquired 100.0% of equity interest with a consideration of RMB119.0 million)	(a) One waste incineration project	(a) 1,900	(a) 600	• Sichuan

Notes:

- (1) *This is the total number of projects acquired as of the time of our acquisition of the relevant company.*
- (2) *Total designed capacity (tons/day) as of the time of acquisition of the relevant company.*
- (3) *Total guaranteed minimum treatment volume (tons/day) as of the time of acquisition of the relevant company.*
- (4) *For details of our acquisition of Longjiang, see “Business – Longjiang Acquisition” and “Financial Information – Acquisition of Longjiang”.*

Overview List

The following tables set forth our significant service concession arrangement projects and O&M projects as of Latest Practicable Date:

Projects in Operation

Wastewater Treatment Projects (unless otherwise indicated, all the following projects treat municipal wastewater)

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
Nanfang Regional Headquarters													
1	Fujian	Anxi County Longmen Town Wastewater Treatment Plant BOT Project 1st Stage (安溪縣龍門鎮污水處理廠BOT一期項目)	In operation	Anxi Nanfang Water Co., Ltd.	91.2	September 11, 2015	BOT	June 8, 2011	30	12,500	12,500	Class I Standard B	July 2012
2	Guangdong	Huizhou City Meihu Water Purification Center Project 1st Stage (惠州市梅湖水質淨化中心一期項目)	In operation	Huizhou City Nanfang Water Co., Ltd.	91.2	November 10, 2005	TOT	September 29, 2005	25	100,000	190,000 ⁽¹⁾	Class I Standard B	July 2012
3	Guangdong	Huizhou City Meihu Water Purification Center Project 2nd Stage (惠州市梅湖水質淨化中心二期項目)	In operation	Huizhou City Nanfang Water Co., Ltd.	91.2	December 1, 2006	BOT	September 29, 2005	25	100,000	190,000 ⁽¹⁾	Class I Standard B	July 2012
4	Guangdong	Huizhou City Meihu Water Purification Center 1st and 2nd Stages (Advanced Treatment Project) (惠州市梅湖水質淨化中心一二期深度處理工程項目) ⁽²⁾	In operation	Huizhou City Nanfang Water Co., Ltd.	91.2	September 1, 2011	BOT	September 29, 2005	25	200,000	190,000	Superior Class I Standard A	July 2012
5	Guangdong	Pinghu Wastewater Treatment Plant Project (Expansion) (平湖污水處理廠擴建項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	September 7, 2013	BOT	March 20, 2009	22	55,000	52,250	Class I Standard A	July 2012

(1) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Huizhou City Meihu Water Purification Center Project 1st Stage (惠州市梅湖水質淨化中心一期項目) and Huizhou City Meihu Water Purification Center Project 2nd Stage (惠州市梅湖水質淨化中心二期項目).

(2) The wastewater treated by Huizhou City Meihu Water Purification Center Project 1st Stage (惠州市梅湖水質淨化中心一期項目) and Huizhou City Meihu Water Purification Center Project 2nd Stage (惠州市梅湖水質淨化中心二期項目) is delivered to this facility for further advanced treatment, and we charge RMB0.122/tons for such treatment.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
6	Guangdong	Pudixia Wastewater Treatment Plant Project (浦地濰污水處理廠項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	September 24, 2011	BOT	March 20, 2009	22	50,000	47,500	0.825	Class I Standard A	July 2012
7	Guangdong	Egongling Wastewater Treatment Plant Project (龍公嶺污水處理廠項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	August 4, 2011	BOT	March 20, 2009	22	50,000	47,500	0.834	Class I Standard A	July 2012
8	Guangdong	Henggang Wastewater Treatment Plant Project 2nd Stage (橫崗污水處理廠二期項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	April 14, 2011	BOT	March 20, 2009	22	100,000	95,000	0.800	Class I Standard A	July 2012
9	Guangdong	Wuchuan City Wastewater Treatment Plant Project (吳川市污水處理廠項目)	In operation	Zhanjiang City Nanfang Water Co., Ltd.	91.2	January 10, 2013	TOT	December 18, 2012	25	40,000	36,000	1.080	Class I Standard B	December 2012
10	Hunan	Chenzhou City Wastewater Treatment Plant Project 1st Stage (郴州市污水處理廠一期項目)	In operation	Chenzhou Nanfang Wastewater Treatment Co., Ltd.	91.2	January 11, 2008	BOT	January 1, 2003	25	80,000	80,000	0.700	Class I Standard B	July 2012
11	Hunan	Chenzhou City Wastewater Treatment Plant Project 1st Stage (Expansion) (郴州市污水處理廠一期擴建項目)	In operation	Chenzhou Nanfang Wastewater Treatment Co., Ltd.	91.2	January 1, 2010	BOT	January 1, 2003	25	40,000	40,000	0.700	Class I Standard B	July 2012
12	Jiangsu	Jingjiang City Xingang Park Wastewater Treatment Plant Project 1st Stage (Expansion) (靖江市新港園區污水處理廠一期擴建項目)	In operation (treats industrial wastewater and municipal wastewater)	Jingjiang City Xingang Wastewater Treatment Co., Ltd.	91.2	February 27, 2017	BOT	April 16, 2009	33 years and 8 months	20,000	20,000	1.850	Class I Standard A	July 2012
13	Jiangsu	Shuyang County Cheng Nan Wastewater Treatment Plant Project 1st Stage (泗陽縣城南污水處理廠一期項目)	In operation	Shuyang Nanfang Water Co., Ltd.	91.2	July 24, 2012	TOT	June 15, 2012	30	30,000	30,000	0.980	Class I Standard A	July 2012
14	Jiangsu	Shuyang County Cheng Nan Wastewater Treatment Plant Project 2nd Stage (泗陽縣城南污水處理廠二期項目)	In operation	Shuyang Nanfang Water Co., Ltd.	91.2	May 17, 2016	BOT	June 15, 2012	30	30,000	24,000 from 2017 and shall increase to 28,500 in 2018, and 30,000 from 2019 and thereafter	0.980	Class I Standard A	May 2016

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
								Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
15	Jiangsu	Taixing City Huangqiao Wastewater Treatment Plant Project 1st Stage (泰興市黃橋污水處理廠一期項目)	In operation	Jiangsu Nanfang Water Co., Ltd.	91.2	February 27, 2015	BOT	October 28, 2010	30	25,000	25,000	Class I Standard A	July 2012
Shandong Regional Headquarter													
1	Guangdong	Dongguan City Shijie Wastewater Treatment Plant Project 1st Stage (東莞市石碣鎮沙滘污水處理廠一期項目)	In operation	Dongguan City Shijie Water Purification Co., Ltd.	75.5	July 13, 2009	BOT	December 1, 2007	25	60,000	49,800	Class I Standard B	September 2014
2	Guangdong	Dongguan City Fenggang Yanlian Wastewater Treatment Plant Project 2nd Stage (東莞市鳳崗雁田污水處理廠二期項目)	In operation	Dongguan City Fenggang Yanlian Fangzhong Water Co., Ltd.	75.5	July 24, 2009	BOT	January 28, 2008	25	35,000 ⁽⁵⁾	41,500 ⁽⁴⁾	Class I Standard B	September 2014
3	Guangdong	Dongguan City Dalang Wastewater Treatment Plant Project (東莞市大朗松山湖南部污水處理廠項目)	In operation	Dongguan City Dalang Songshanhu Southern Wastewater Treatment Plant Project (東莞市大朗松山湖南部污水處理廠項目)	75.5	June 16, 2009	BOT	Between September 8, 2006 and November 20, 2007 ⁽⁵⁾	25	100,000	83,000	Class I Standard B	April 2011
4	Guangxi	Beiliu City Urban Wastewater Treatment Plant Project 1st Stage (北流市城區污水處理廠一期工程項目)	In operation	SIIC Environment (Beiliu) Wastewater Treatment Co., Ltd.	75.5	December 22, 2009	BOT	December 22, 2009	25	40,000	40,000	Class I Standard B	April 2011

(3) For the first 25,000 tons/day, the tariff is RMB1.090/ton. For any extra treated volume over 25,000 tons/day, the tariff is set at RMB0.258/ton.

(4) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Dongguan City Fenggang Yanlian Wastewater Treatment 1st Stage (東莞市鳳崗雁田污水處理廠一期項目) and Dongguan City Fenggang Yanlian Wastewater Treatment Plant Project 2nd Stage (東莞市鳳崗雁田污水處理廠二期項目).

(5) According to the service concession agreement for this project dated July 14, 2006, the service concession arrangement was to commence when the land was delivered to the project company. This project company obtained the construction land permit on November 20, 2007. As this project was acquired by our Group in 2011, the relevant land delivery record was not delivered to us at the time of our acquisition and due to this, we are unable to determine the exact commencement date. As confirmed by the project company in writing, the commencement of the service concession arrangement for this project should be between September 8, 2006 and November 20, 2007.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
5	Henan	Luohe City Dong Cheng Wastewater Treatment Plant Project 1st Stage (漯河市東城污水處理廠一期項目)	In operation	SIIC Environment (Luohe) Wastewater Treatment Co., Ltd.	75.5	March 1, 2011	BOT	March 19, 2010	30	20,000	20,000	Class I Standard A	April 2011
6	Hunan	Taohuang County Wastewater Treatment Project (桃江縣桃花江污水處理項目)	In operation	SIIC Environment (Taohuang) Wastewater Treatment Co., Ltd.	75.5	January 10, 2010	BOT	January 10, 2010	30	20,000	20,000	Class I Standard B	April 2011
7	Hunan	Yiyang City Gaoxin District East New Treatment Plant Project (益陽市高新區東部新區污水處理廠項目)	In operation	SIIC Environment (Yiyang Eastern New District) Wastewater Treatment Co., Ltd.	75.5	September 15, 2012	BOT	September 15, 2012	25	30,000	30,000	Class I Standard B	April 2011
8	Hunan	Yiyang City Cheng Bei Wastewater Treatment Plant Project 1st Stage (益陽市城北污水處理廠一期項目)	In operation	SIIC Environment (Yiyang Chengbei) Wastewater Treatment Co., Ltd.	75.5	January 15, 2010	BOT	January 15, 2010	30	40,000	40,000	Class II	April 2011
9	Shandong	Dezhou City Wastewater Treatment Plant Project (德州市污水處理廠項目)	In operation	SIIC Environment (Dezhou) Wastewater Treatment Co., Ltd.	75.5	September 1, 2006	TOT	September 1, 2006	20	100,000	60,000	Class I Standard B	April 2011
10	Shandong	Zaozhuang City Shantung District Wastewater Treatment Center Project (萊州市山亭區污水處理中心項目)	In operation	SIIC Environment (Zaozhuang Shantung) Wastewater Treatment Co., Ltd.	75.5	January 1, 2012	TOT	January 1, 2012	25	20,000	20,000 ⁽⁶⁾	Class I Standard A	January 2012

(6) The guaranteed minimum treatment volume will be 20,000 tons/day commencing from January 1, 2018.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements	
								Commencement of Service Concession Arrangement	Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)			Tariff (RMB/ton, including VAT)
11	Shandong	Zaozhuang City Yicheng District Wastewater Treatment Center Project 1st Stage (萊莊市嶧城區污水處理中心一期項目)	In operation	SIIC Environment (Zaozhuang Yicheng) Wastewater Treatment Co., Ltd.	75.5	June 8, 2010	TOT	June 8, 2010	30	20,000	36,000 ⁽⁷⁾	1.150	Class I Standard A	April 2011
12	Shandong	Zaozhuang City Yicheng District Wastewater Treatment Center Project 2nd Stage (萊莊市嶧城區污水處理中心二期項目)	In operation	SIIC Environment (Zaozhuang Yicheng) Wastewater Treatment Co., Ltd.	75.5	January 1, 2012	BOT	June 8, 2010	30	20,000	36,000 ⁽⁷⁾	1.150	Class I Standard A	April 2011
13	Shandong	Weifang City Cheng Xi Wastewater Treatment Plant Project (濰坊市城西污水處理廠項目)	In operation	SIIC Environment Chengxi (Weifang) Wastewater Treatment Co., Ltd.	75.5	January 6, 2011	BOT	January 6, 2011	30	40,000	28,000	1.180	Class I Standard B	April 2011
14	Shandong	Weifang City High Technology Industrial Development District Wastewater Treatment Plant Project 1st Stage (濰坊高新技術產業開發區污水處理廠一期項目)	In operation	SIIC Environment Gaoxin (Weifang) Wastewater Treatment Co., Ltd.	75.5	June 21, 2007	BOT	June 21, 2007	20	50,000	45,000	1.150	Class I Standard B	April 2011

(7) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Zaozhuang City Yicheng District Wastewater Treatment Center Project 1st Stage (萊莊市嶧城區污水處理中心一期項目) and Zaozhuang City Yicheng District Wastewater Treatment Center Project 2nd Stage (萊莊市嶧城區污水處理中心二期項目).

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
15	Shanghai	Qingpu Second Wastewater Treatment Plant Project 1st Stage (青浦第二污水處理廠項目一期) ⁽⁹⁾	In operation	Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd.	87.8	May 1, 2008	TOT	May 1, 2008	30	15,000	108,000 ⁽⁸⁾	1.083	Class I Standard B	February 2014
16	Shanghai	Qingpu Second Wastewater Treatment Plant Project 2nd Stage (青浦第二污水處理廠項目二期) ⁽¹⁰⁾	In operation	Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd.	87.8	May 1, 2008	TOT	May 1, 2008	30	45,000	108,000 ⁽⁸⁾	1.083	Class I Standard B	February 2014
17	Shanghai	Qingpu Second Wastewater Treatment Plant Project 3rd Stage (青浦第二污水處理廠項目三期) ⁽¹¹⁾	In operation	Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd.	87.8	April 1, 2010	BOT	May 1, 2008	30	60,000	108,000 ⁽⁸⁾	1.083	Class I Standard B	February 2014
18	Shandong	Weifang City Wastewater Treatment Plant Project (Expansion) (濰坊市污水處理廠擴建項目)	In operation	Weifang SIIC Environment Wastewater Treatment Co., Ltd.	75.5	March 15, 2016	BOT	March 15, 2016	30	200,000	140,000	1.100	Class I Standard A	January 2013

(8) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Qingpu Second Wastewater Treatment Plant Project 1st Stage (青浦第二污水處理廠項目一期), Qingpu Second Wastewater Treatment Plant Project 2nd Stage (青浦第二污水處理廠項目二期) and Qingpu Second Wastewater Treatment Plant Project 3rd Stage (青浦第二污水處理廠項目三期).

(9) This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of October 2018.

(10) This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of October 2018.

(11) This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of October 2018.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day) ⁽¹²⁾	Tariff (RMB/ton, including VAT)		
Fudan Regional Headquarter														
1	Jiangsu	Nantong City Guanyinshan Wastewater Treatment Plant Project 1st Stage (南通市觀音山污水處理廠項目(一期))	In operation	Nantong Guanyinshan Water Purification Co., Ltd.	92.2	June 2012	BOT	June 2012	20	25,000	70,000 ⁽¹²⁾	1,225	Class I Standard A	June 2015
2	Jiangsu	Nantong City Guanyinshan Wastewater Treatment Plant Project 2nd Stage (南通市觀音山污水處理廠項目(二期))	In operation	Nantong Guanyinshan Water Purification Co., Ltd.	92.2	June 2012	BOT	June 2012	20	48,000	70,000 ⁽¹²⁾	1,225	Class I Standard A	June 2015
3	Shanghai	Fengxian West Wastewater Treatment Plant Project (奉賢西部污水處理廠項目) ⁽¹³⁾	In operation	Shanghai Fengxian West Wastewater Treatment Co., Ltd.	73.7	November 19, 2007	BOT	June 1, 2007	25	100,000	100,000	1,230	Class II	June 2015
4	Shanghai	Fengxian West Wastewater Treatment Plant Project (Expansion) (奉賢西部污水處理廠擴建工程) ⁽¹⁴⁾	In operation	Shanghai Fengxian West Wastewater Treatment Co., Ltd.	73.7	April 11, 2011	BOT	June 1, 2007	25	50,000	50,000	1,304	Class I Standard B	June 2015

(12) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Nantong City Guanyinshan Wastewater Treatment Plant Project 1st Stage (南通市觀音山污水處理廠項目(一期)) and Nantong City Guanyinshan Wastewater Treatment Plant Project 2nd Stage (南通市觀音山污水處理廠項目(二期)).

(13) This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of May 2018.

(14) This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of May 2018.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
5	Zhejiang	Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 1 (余姚市(小曹娥)水质净化工程一期项目一批)	In operation	Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	69.1	February 28, 2005	BOT	February 28, 2005	25	60,000	180,000 ⁽¹⁵⁾ 195,000 ⁽¹⁵⁾ 210,000 ⁽¹⁵⁾ 225,000 ⁽¹⁵⁾	Class I Standard A	June 2015
6	Zhejiang	Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 2 (余姚市(小曹娥)水质净化工程一期项目二批)	In operation	Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	69.1	October 1, 2010	BOT	March 1, 2010	25	60,000	180,000 ⁽¹⁵⁾ 195,000 ⁽¹⁵⁾ 210,000 ⁽¹⁵⁾ 225,000 ⁽¹⁵⁾	Class I Standard A	June 2015
7	Zhejiang	Yuyao City (Xiaocaoe) City Wastewater Treatment Plant Project Upgrade and Expansion (余姚市(小曹娥)城市污水处理厂升级改造及扩建工程)	In operation	Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	69.1	January 1, 2015	BOT	June 1, 2014	25	30,000	180,000 ⁽¹⁵⁾ 195,000 ⁽¹⁵⁾ 210,000 ⁽¹⁵⁾ 225,000 ⁽¹⁵⁾	Class I Standard A	June 2015
8	Zhejiang	Yuyao City Preserved Pickle Preprocess Treatment Project (余姚市榨菜废水预处理工程)	In operation	Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	69.1	July 1, 2014	BOT	October 2013	20	3,000	None	Municipal Wastewater Discharge Standard	June 2015
9	Zhejiang	Ningbo Huangjiabu Binhai Wastewater Treatment Plant Project (Upgrade) (宁波黄家埭滨海污水处理厂提标改造工程)	In operation (treats industrial wastewater)	Ningbo Huangjiabu Binhai Wastewater Treatment Co., Ltd.	64.5	June 1, 2014	BOT	August 1, 2013	30	30,000	30,000	Discharge standard for dyeing industry	June 2015

(15) The total guaranteed minimum treatment volume for Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 1 (余姚市(小曹娥)水质净化工程一期项目一批), Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 2 (余姚市(小曹娥)水质净化工程二期项目二批), Yuyao City (Xiaocaoe) City Wastewater Treatment Plant Project (Upgrade and Expansion) (余姚市(小曹娥)城市污水处理厂升级改造及扩建工程) and Yuyao City (Xiaocaoe) Municipal Wastewater Treatment Plant Project 3rd Stage (Upgrade and Reconstruction) (余姚市(小曹娥)城市污水处理厂提标改造工程三期工程) (which is currently under construction as of Latest Practicable Date) will be 180,000 tons/day in total in 2018, 195,000 tons/day in total in 2019, 210,000 tons/day in total in 2020 and 225,000 tons/day in total from 2021 onwards.

(16) This project receives fixed payment of RMB2.21 million per month from the local government for treating wastewater up to 30,000 tons per day from January 1, 2018. For any extra treated volume above 30,000 tons, the tariff is set at RMB1.540/ton.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
10	Zhejiang	Ningbo Hangzhouwan New District Wastewater Treatment Plant Project 1st Stage (Expansion) (寧波杭州灣新區污水處理廠一期擴建工程) ⁽¹⁸⁾	In operation	Cixi City Hangzhouwan Water Treatment Co., Ltd.	64.5	March 1, 2013	BOT	March 1, 2013	20	90,000	None	1.141 ⁽¹⁷⁾ 0.937 ⁽¹⁷⁾ 0.916 ⁽¹⁷⁾	Class I Standard A	June 2015
11	Henan	Nanyang City Baiheman Wastewater Treatment Plant Project (南陽市白河南污水處理廠工程)	In operation	Nanyang Tianguan Water Treatment Co., Ltd.	69.1	October 23, 2015	BOT	February 1, 2014	30	100,000	75,000	1.122	Class I Standard A	September 2016
12	Zhejiang	Pinghu City Eastern Wastewater Treatment Plant Project 1st Stage (平湖市東片污水處理廠一期工程)	In operation	Pinghu Dushan Wastewater Treatment Co., Ltd. (平湖市澗山污水處理有限公司)	100.0	July 26, 2017	TOT	July 26, 2017	29 years and 5 months	50,000	None	2.240	Class I Standard A	August 2017
13	Hubei	Suizhou City Cheng Nan Wastewater Treatment Plant Project 1st Stage (隨州市城南污水處理廠(一期))	In operation	Fudan Water (Suizhou) Cheng Nan Wastewater Treatment Co., Ltd.	92.2	December 30, 2017	BOT	April 12, 2016	25	50,000	50,000	0.910	Class I Standard A	August 2016

(17) For the first 60,000 tons/day, the tariff is RMB1.141/ton. For any extra treated volume over 60,000 tons/day (but not over 75,000 tons/day), the tariff is RMB0.937/ton. For any extra treated volume over 75,000 tons/day, the tariff is RMB0.916/ton.

(18) This wastewater treatment project will be undergoing upgrading works in the future.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designated Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
14	Henan	Suiping County First Wastewater Treatment Plant Project (遂平縣第一污水處理廠項目)	In operation	Suiping SIIC Water Co., Ltd.	69.1	Pending ⁽¹⁹⁾	TOT	Service concession arrangement shall commence on the date when our commercial operation commences	30	30,000	28,000 ⁽²⁰⁾ 32,000 ⁽²⁰⁾ 36,000 ⁽²⁰⁾ 40,000 ⁽²⁰⁾	2.3	Class I Standard A	December 2017
15	Henan	Suiping County Second Wastewater Treatment Plant Project (遂平縣第二污水處理廠項目)	In operation	Suiping SIIC Water Co., Ltd.	69.1	Pending ⁽²¹⁾	TOT	Service concession arrangement shall commence on the date when our commercial operation commences	30	10,000	28,000 ⁽²⁰⁾ 32,000 ⁽²⁰⁾ 36,000 ⁽²⁰⁾ 40,000 ⁽²⁰⁾	2.3	Class I Standard A	December 2017
Wuhan Regional Headquarters														
1	Hubei	Wuhan City Huangpi District Qianchuan Wastewater Treatment Plant Project 1st Stage (武漢市黃陂區前川污水處理廠一期工程)	In operation	Wuhan Kaidi Xinchuan Wastewater Treatment Co., Ltd.	100.0	November 17, 2011	BOT	April 13, 2009	30	30,000	30,000	0.790 ⁽²²⁾ 0.510 ⁽²²⁾	Class I Standard B	July 2010

(19) Commercial operation will be commenced upon the completion of the assets transfer formalities. As of Latest Practicable Date, the assets transfer formalities were yet to be completed.

(20) The total guaranteed minimum treatment volume for Suiping County First Wastewater Treatment Plant Project (遂平縣第一污水處理廠項目) and Suiping County Second Wastewater Treatment Plant Project (遂平縣第二污水處理廠項目) will be 24,000 tons/day in total from the first year of our commercial operation and shall increase by 4,000 each year thereafter until it reaches 40,000 tons/day in total.

(21) Commercial operation will be commenced upon the completion of the assets transfer formalities. As of Latest Practicable Date, the assets transfer formalities were yet to be completed.

(22) For the first 30,000 tons/day, the tariff is RMB0.790/ton. For any extra treated volume over 30,000 tons/day, the tariff is RMB0.510/tons.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
2	Hubei	Wuhan City Huangpi District Panlongcheng Wastewater Treatment Plant Project 1st Stage (武漢市黃陂區龍城污水處理廠一期)	In operation	Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd.	100.0	December 23, 2014	BOT	March 16, 2010	30	22,500	22,500	Class I Standard B	July 2010
3	Hubei	Wuhan City Huangpi District Panlongcheng Wastewater Treatment Plant Project (Continued) (武漢市黃陂區龍城污水處理廠二期)	In operation	Wuhan Kaidi Xinlong Wastewater Treatment Co., Ltd.	100.0	April 1, 2016	BOT	March 16, 2010	30	22,500	22,500	Class I Standard B	January 2015
4	Hubei	Huangshi City Cihu Wastewater Treatment Plant Project 2nd Stage (黃石市磁湖污水處理廠二期工程項目)	In operation	Huangshi Kaidi Water Co., Ltd.	75.3	November 29, 2009	BOT	April 1, 2008	30	125,000	125,000	Class I Standard B	February 2008
5	Hubei	Hanxi Wastewater Treatment Plant Project (漢西污水處理廠項目)	In operation	Wuhan Hanxi Wastewater Treatment Co., Ltd.	80.0	November 22, 2006	BOT	November 26, 2005	29 years and 1 month	340,000 ⁽²⁷⁾	600,000 ⁽²⁸⁾	Class I Standard B	November 2011

(23) For the first 22,500 tons/day, the tariff is RMB0.785/ton. For any extra treated volume over 22,500 tons/day, the tariff will be set at RMB0.508/ton.

(24) For the first 22,500 tons/day, the tariff is RMB0.785/ton. For any extra treated volume over 22,500 tons/day, the tariff will be set at RMB0.508/ton.

(25) For the first 125,000 tons/day, the tariff is RMB0.700/ton. For any extra treated volume over 125,000 tons/day, the tariff will be set at RMB0.345/ton.

(26) The tariff was RMB0.723 prior to August 24, 2017.

(27) Prior to August 24, 2017, the design capacity was 400,000 tons/day. From August 24, 2017 onwards, the design capacity is 340,000 tons/day.

(28) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hanxi Wastewater Treatment Plant Project (漢西污水處理廠項目) and Hanxi Wastewater Treatment Plant Expansion Project (including Hanxi Sludge Treatment Project) (漢西污水處理廠擴建工程項目(包括漢西污泥處理項目)).

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
6	Hubei	Hanxi Wastewater Treatment Plant Expansion Project (including Hanxi Sludge Treatment Project) (漢西污水處理廠擴建工程項目(包括漢西污泥處理項目)) ⁽³⁰⁾	In operation	Wuhan Hanxi Wastewater Treatment Co., Ltd.	80.0	August 24, 2017	BOT	December 23, 2014	20	260,000	600,000 ⁽³⁰⁾	1.139 ⁽³¹⁾	Class I Standard B	January 2014
7	Hubei	Wuhan Economy and Technology Development Zone Wastewater Treatment Plant Project 1st Stage (武漢經濟技術開發區污水處理廠項目一期)	In operation	Wuhan Xincheng Wastewater Treatment Co., Ltd.	100.0	January 11, 2006	BOT	June 18, 2004	20	60,000	60,000	0.759	Class I Standard B	April 2004
8	Ningxia	Yinchuan Binhe District Wastewater Treatment Plant Project 1st Stage (銀川濱河新區污水處理廠一期項目)	In operation	Yinchuan SHC Environment Riverfront Wastewater Treatment Co., Ltd.	100.0	July 1, 2017	BOT	January 1, 2015	30	50,000	35,000 from the first year of commercial operation and shall increase by 5,000 each year thereafter until it reaches 50,000	1.350	Class I Standard A	December 2014
9	Ningxia	Yinchuan Fifth Wastewater Treatment Plant Project 1st Stage (銀川市第五污水處理廠一期項目)	In operation	SHC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	100.0	February 1, 2015	TOT	December 15, 2014	30	50,000	48,000	1.556	Class I Standard B	December 2014

(29) This project includes a sludge treatment facility with designed capacity of 325 tons/day.

(30) The guaranteed minimum treatment volume stipulated in the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hanxi Wastewater Treatment Plant Project (漢西污水處理廠項目) and Hanxi Wastewater Treatment Plant Expansion Project (including Hanxi Sludge Treatment Project) (漢西污水處理廠擴建工程項目(包括漢西污泥處理項目)).

(31) The tariff for this project has already taken into consideration of the 325 tons of sludge treatment per day.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
10	Zhejiang	Zhejiang Province Chemical Raw Material Site Linhai Park Wastewater Treatment Plant Project 1st Stage and Supporting Pipeline Network Project (浙江省化學原料基地臨海園區污水處理廠一期及配套管網工程項目)	In operation (treats industrial wastewater and municipal wastewater)	Taizhou Kaidi Wastewater Treatment Co., Ltd.	100.0	July 4, 2008	BOT	July 4, 2008	20	12,500	12,500	3.890	Integrated Sewage Discharge Standard (GB8978-1996) Class II	April 2006
11	Zhejiang	Zhejiang Province Chemical Raw Material Site Linhai Park Wastewater Treatment Plant Project 1st Stage and Supporting Pipeline Network Project (Expansion) (浙江省化學原料基地臨海園區污水處理廠一期及配套管網工程項目)	In trial operation (treats industrial wastewater)	Taizhou Kaidi Wastewater Treatment Co., Ltd.	100.0	Pending (in trial operation)	BOT	July 4, 2008	20	12,500	17,500 from the first year of commercial operation and shall increase to 21,250 from the second year and thereafter ⁽³²⁾	7.000	Integrated Sewage Discharge Standard – Class II	April 2006
12	Anhui	Hefei Chemical Industrial Park Wastewater Treatment Project (合肥化學工業園污水處理項目)	In operation (treats industrial wastewater)	Lianxi (Hefei) Wastewater Treatment Co., Ltd.	60.0	April 1, 2011	BOT	April 1, 2011	25	30,000	24,000	3.580	Class I	December 2016

(32) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Zhejiang Province Chemical Raw Material Site Linhai Park Wastewater Treatment Plant Project 1st Stage and Supporting Pipeline Network Project (Expansion) (浙江省化學原料基地臨海園區污水處理廠一期及配套管網工程項目改擴建工程) with Zhejiang Province Chemical Raw Material Site Linhai Park Wastewater Treatment Plant Project 1st Stage and Supporting Pipeline Network Project (浙江省化學原料基地臨海園區污水處理廠一期及配套管網工程項目).

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day) ⁽³³⁾	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
13	Jiangxi	Jiangxi Province Nanchang Xiaolan Economic Development Zone Wastewater Treatment Plant Project 1st Stage (江西南昌小藍經濟開發區污水處理廠(一期)項目)	In operation (treats industrial wastewater)	Lianxi (Nanchang) Wastewater Treatment Co., Ltd.	60.0	March 31, 2009	BOT	March 31, 2009	29	25,000 ⁽³³⁾	25,000	1.263	Class I Standard B	December 2016
14	Jiangxi	Jiangxi Province Nanchang Xiaolan Economic Development Zone Wastewater Treatment Plant Project 2nd Stage (江西南昌小藍經濟開發區污水處理廠(二期)項目)	In operation (treats industrial wastewater)	Lianxi (Nanchang) Wastewater Treatment Co., Ltd.	60.0	December 14, 2013	BOT	December 14, 2013	27	50,000	50,000	1.263	Class I Standard B	December 2016
15	Jiangxi	Jiangxi Province Yihang Industrial Park Wastewater Treatment Plant Project 1st Stage (江西宜黃工業園污水處理廠(一期)項目)	In operation (treats industrial wastewater)	Lianxi (Fuzhou) Water Co., Ltd.	60.0	December 29, 2016	BOT	December 29, 2016	29	5,000	3,000 from the first year of commercial operation and shall increase to 3,500 for the second year, 4,000 for the third year, and 5,000 for the fourth year and thereafter	2,480	Class I Standard B	December 2016

(33) The designed capacity of this project was originally 30,000 tons per day. After it underwent an upgrade, the project can only process up to 25,000 tons per day due to installation of new wastewater treatment system as part of the upgrade.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
16	Jiangxi	Jiangxi Province Wanzai Industrial Park Wastewater Treatment Plant Project 1st Stage (江西萬載工業園區污水處理廠(一期)項目)	In operation (treats industrial wastewater)	Lianxi (Wanzai) Water Co., Ltd.	60.0	August 4, 2016	BOT	August 4, 2016	29	5,000	3,000 from the first year of commercial operation and shall increase to 3,500 for the second year, 4,000 for the third year, and 5,000 for the fourth year and thereafter	2,580	Class I Standard B	December 2016
17	Liaoning	Yingkou Economy and Technology Development Zone North Wastewater Treatment Plant (營口經濟技術開發區北部污水處理廠)	Construction completed (not in operation) ⁽³⁴⁾ (treats industrial wastewater)	Lianxi (Yingkou) Wastewater Treatment Co., Ltd.	60.0	N/A	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	30,000	20,000 from the first year of commercial operation and shall increase by 5,000 each year thereafter until it reaches 30,000	0.850	Class I Standard A	December 2016
18	Jiangxi	Yongxin County Industry Comprehensive Wastewater Treatment Plant Project 1st Stage (永新縣工業開發區綜合污水處理廠(一期)項目)	Construction completed (not in operation) ⁽³⁵⁾ (treats industrial wastewater)	Lianxi (Yongxin) Water Co., Ltd.	60.0	N/A	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	29	10,000	6,000 from the first year of commercial operation and shall increase by 1,000 each year thereafter until it reaches 10,000	1,910	Class I Standard B	December 2016

(34) This project is currently under testing phase as of Latest Practicable Date.

(35) This project is currently under testing phase as of Latest Practicable Date.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
19	Jiangxi	Jiangxi Chongren Industrial Park Wastewater Treatment Plant Project 1st Stage (江西崇仁工業園區污水處理廠(一期)項目)	Construction completed (not in operation) ⁽³⁶⁾ (treats industrial wastewater)	Lianxi (Chongren) Water Co., Ltd.	60.0	N/A	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	29	10,000	5,000 from the first year of commercial operation and shall increase to 6,000 for the second year, 7,000 for the third year, 8,000 for the fourth year, and 10,000 for the fifth year and thereafter	Class I Standard B	December 2016
Longjiang Regional Headquarters													
1	Heilongjiang	Harbin City Taiping Wastewater Treatment Plant Project (哈爾濱市太平污水處理廠項目) ⁽³⁷⁾	In operation	Longjiang Environmental Protection Group Co., Ltd.	58.0	February 15, 2006	BOT	June 24, 2004	25	325,000	300,000	Class II	November 2016
2	Heilongjiang	Harbin City Wenchang Wastewater Treatment Plant Project (哈爾濱市文昌污水處理廠項目) ⁽³⁸⁾	In operation	Longjiang Environmental Protection Group Co., Ltd.	58.0	December 1, 2010	TOT	November 25, 2010	30	325,000	300,000	Class II	November 2016
3	Heilongjiang	Harbin City Wenchang Wastewater Treatment Plant Project (哈爾濱市文昌污水處理廠升級改造工程) ⁽³⁹⁾	In operation	Longjiang Environmental Protection Group Co., Ltd.	58.0	April 9, 2012	BOT	September 28, 2011	29	650,000	480,000	Class I Standard B	November 2016
4	Heilongjiang	Harbin City Aicheng Wastewater Treatment Plant Project 1st Stage (哈爾濱市阿城區污水處理廠一期)項目	In operation	Harbin Jincheng Environmental Protection Water Co., Ltd.	58.0	July 24, 2012	TOT	July 24, 2012	30	50,000	50,000	Class I Standard B	November 2016

(36) The project is not in operation as we are constructing the pipelines to the plant. The construction work is expected to be completed by the end of March 2018.

(37) This project includes a sludge treatment facility which is yet to be constructed as of Latest Practicable Date.

(38) This project includes a sludge treatment facility which is yet to be constructed as of Latest Practicable Date.

(39) This project includes a sludge treatment facility which is yet to be constructed as of Latest Practicable Date.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements	
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)			
5	Heilongjiang	Harbin City Acheng Wastewater Treatment Plant Project 2nd Stage (哈爾濱市阿城區污水處理廠二期工程項目)	In operation	Harbin Jincheng Longjiang Environmental Protection Water Co., Ltd.	58.0	March 1, 2016	BOT	March 1, 2016	30	50,000	45,000	1.200	Class I Standard B	November 2016	
6	Heilongjiang	Harbin City Pingfang Wastewater Treatment Plant (哈爾濱市平房污水處理廠)	In operation	Harbin Pingyi Longjiang Environmental Protection Water-control Co., Ltd.	57.3	January 1, 2011	BOT	January 1, 2011	30	150,000	120,000 to December 31, 2020; 135,000 from January 1, 2021 to December 31, 2030; 150,000 from January 1, 2031 and thereafter	Fixed payment ⁽⁴⁰⁾		Class I Standard B	November 2016
7	Heilongjiang	Harbin City Xinyi Wastewater Treatment Plant (哈爾濱市信義溝污水處理廠)	In operation	Harbin Pingyi Longjiang Environmental Protection Water-control Co., Ltd.	57.3	January 1, 2011	BOT	January 1, 2011	30	100,000	90,000 to December 31, 2020; 100,000 from January 1, 2021 and thereafter	0.818	Class I Standard B	November 2016	
8	Heilongjiang	Anda City Wastewater Treatment Plant and Reclaimed Water Treatment Project (安達市城市污水處理廠和再生水廠項目)	In operation	Anda Longjiang Environmental Protection Water Co., Ltd.	57.7	November 1, 2010	TOT	November 1, 2010	30	45,000	45,000	1.165	Class I Standard B	November 2016	
9	Heilongjiang	Zhaodong City Municipal Wastewater Treatment Plant Project (1st and 2nd Stages) (肇東市城市污水處理廠工程項目(一期、二期)) ⁽⁴¹⁾	In operation	Zhaodong Longjiang Environmental Protection Water Co., Ltd.	57.1	1st stage: January 1, 2010 2nd stage: January 1, 2012	BOT	1st stage: January 1, 2010 2nd stage: January 1, 2012	1st stage: 30 years 2nd stage: 30 years	Total capacity for 1st stage and 2nd stage is 50,000	Total guaranteed minimum treatment volume for 1st stage and 2nd stage is 40,000	1.170	Class I Standard B	November 2016	
10	Heilongjiang	Heihe City Wastewater Treatment Plant Project 1st Stage (黑河市污水處理廠一期工程)	In operation	Heihe Longjiang Environmental Protection Water-control Co., Ltd.	57.6	February 1, 2010	BOT	January, 2010	30	25,000	25,000	1.245	Class I Standard B	November 2016	

⁽⁴⁰⁾ This project receives a fixed payment of RMB33.3 million per year from the local government for treating wastewater.

⁽⁴¹⁾ This project is currently being upgraded to raise the quality of the treated wastewater to Class I Standard A. The upgrade is expected to be completed by the end of June 2018.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
								Commencement of Service Concession Arrangement	Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)		
11	Heilongjiang	Jiamusi City East Wastewater Treatment Plant Project 1st Stage (佳木斯市東區污水處理廠一期工程) ⁽⁴¹⁾	In operation	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	March 15, 2007	BOT	July 15, 2005	28	60,000	60,000	Class I Standard B	November 2016
12	Heilongjiang	Jiamusi City West Wastewater Treatment Plant Project 1st Stage (佳木斯市西區污水處理廠一期項目)	In operation	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	December 1, 2010	BOT	November 9, 2008	30	50,000	42,500	Class I Standard A	November 2016
13	Heilongjiang	Jiamusi City West Wastewater Treatment Plant Project 2nd Stage (佳木斯市西區污水處理廠二期項目)	Operation has yet to commence	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	Pending commencement of commercial operation ⁽⁴²⁾	TOT	November 9, 2008	30	50,000	70,000 ⁽⁴³⁾	Class I Standard A	November 2016
14	Heilongjiang	Shuangyashan City Wastewater Treatment Plant Project 1st Stage (雙陽山市城市污水處理廠一期工程)	In operation	Shuangyashan Longjiang Environmental Protection Water Co., Ltd.	58.0	October 1, 2014	TOT	October 1, 2014	30	50,000	50,000	Class I Standard A	November 2016
15	Heilongjiang	Shuangyashan City Municipal Wastewater Treatment Plant Project 2nd Stage (雙陽山市城市污水處理廠二期工程)	In operation	Shuangyashan Longjiang Environmental Protection Water Co., Ltd.	58.0	March 22, 2016	BOT	March 22, 2016	30	50,000	35,000	Class I Standard B	November 2016
16	Heilongjiang	Baoqing County Wastewater Treatment Plant Project (寶清縣污水處理廠項目)	In operation	Baoqing Branch of Shuangyashan Longjiang Environmental Protection Water Co., Ltd.	58.0	January 1, 2016	TOT	January 1, 2016	30	20,000	22,000	Class I Standard B	November 2016
17	Heilongjiang	Fujin City Wastewater Treatment Plant Project (富錦市污水處理廠工程)	In operation	Fujin Longjiang Environmental Protection Water Co., Ltd.	57.1	March 1, 2011	BOT	December 1, 2010	30	15,000	15,000	Class I Standard A	November 2016

(42) The project is pending commencement of commercial operation as there is no wastewater inflow to the wastewater treatment plant as of Latest Practicable Date.

(43) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Jiamusi City West Wastewater Treatment Plant 1st Stage (佳木斯市西區污水處理廠一期項目) and Jiamusi City West Wastewater Treatment Plant Project 2nd Stage (佳木斯市西區污水處理廠二期項目).

(44) The tariff has been changed to RMB0.978 per ton as of Latest Practicable Date.

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
18	Heilongjiang	Mudanjiang City Municipal Wastewater Treatment Project (牡丹江市城市污水處理廠項目)	In operation	Mudanjiang Longjiang Environmental Protection Water Co., Ltd.	58.0	November 8, 2007	TOT	November 8, 2007	30	100,000	100,000	1.070	Class I Standard B	November 2016
19	Heilongjiang	Mudanjiang City Wastewater Treatment Plant Project 2nd Stage (牡丹江市污水處理廠二期工程)	In operation	Mudanjiang Longjiang Environmental Protection Water Co., Ltd.	58.0	July 20, 2015	BOT	January 1, 2015	30	100,000	100,000	1.070	Class I Standard B	November 2016
20	Heilongjiang	Ningan City Wastewater Treatment Plant Project (寧安市污水處理廠工程項目)	In operation	Ningan Longjiang Environmental Protection Water-control Co., Ltd.	57.5	December 1, 2010	BOT	December 1, 2010	30	20,000	20,000	1.270	Class I Standard B	November 2016
21	Heilongjiang	Jixi City Jiguan District Wastewater Treatment Plant Project 1st Stage (雞西市雞冠區污水處理一期工程)	In operation	Jixi Longjiang Environmental Protection Water-control Co., Ltd.	58.0	January 1, 2010	BOT	May 27, 2008	30	50,000	50,000	0.945	Class I Standard B	November 2016
22	Heilongjiang	Shangzhi City Wastewater Treatment Plant Project (尚志市污水處理廠特許經營項目)	In operation	Shangzhi Longjiang Environmental Protection Water Co., Ltd.	58.0	August 1, 2016	TOT	August 1, 2016	28	40,000	24,000 from the first year of operation and shall increase by 4,000 each year thereafter until it reaches 40,000	1.120	Class I Standard A	November 2016
23	Heilongjiang	Fuyuan City Wastewater Treatment Plant Project (Fuyuan County Wastewater Treatment Plant and Sludge Disposal Project) (撫遠市污水處理廠項目 (撫遠縣污水處理廠污泥處理及處置工程))	In operation	Fuyuan City Longjiang Environmental Protection Water-control Co., Ltd.	58.0	December 31, 2016	TOT	December 31, 2016	30	10,000	6,000	2.470	Class I Standard B	December 2016

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
24	Heilongjiang	Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (West Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(西區一期))	In operation	Hegang Longjiang Environmental Protection Water Co., Ltd.	58.0	October 1, 2010	BOT	October 1, 2010	30	50,000	50,000 ⁽⁴⁵⁾	0.900	Class I Standard B	January 2017
25	Heilongjiang	Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (East Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(東區一期))	In operation	Hegang Longjiang Environmental Protection Water Co., Ltd.	58.0	November 23, 2011	BOT	November 23, 2011	30	30,000	30,000 ⁽⁴⁶⁾	0.900	Class I Standard B	January 2017
26	Jilin	Jiaohe City Wastewater Treatment Plant Project 1st Stage (蛟河市污水處理廠一期項目)	In operation	Jiaohe Jiaxin Water Co., Ltd.	58.0	February 20, 2008	BOT	February 20, 2008	30	15,000	22,500 ⁽⁴⁷⁾	1.810	Class I Standard A	January 2017
27	Jilin	Jiaohe City Wastewater Treatment Plant Project (Upgrade) (蛟河市污水處理廠升級改造工程)	In operation	Jiaohe Jiaxin Water Co., Ltd.	58.0	December 15, 2014	BOT	December 15, 2014	30	10,000	22,500 ⁽⁴⁷⁾	1.810	Class I Standard A	August 2017

(45) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (West Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(西區一期)) and Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (West Plant 2nd Stage) (鶴崗市污水處理及再生水利用項目(西區二期)).

(46) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (East Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(東區一期)) and Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (East Plant 2nd Stage) (鶴崗市污水處理及再生水利用項目(東區二期)).

(47) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Jiaohe City Wastewater Treatment Plant Project 1st Stage (蛟河市污水處理廠一期項目) and Jiaohe City Wastewater Treatment Plant Project (Upgrade) (蛟河市污水處理廠升級改造工程).

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No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
28	Anhui	Lingbi County Wastewater Treatment Plant Project Southern Wastewater Treatment Plant 1st Stage (靈璧縣污水處理項目南部污水處理廠一期)	In operation	Lingbi Chenxin Green Industry Development Co., Ltd.	46.4	February 1, 2018	TOT	June 22, 2017	30	25,000	15,000	1.025	Class I Standard A	June 2017
29	Anhui	Lingbi County Wastewater Treatment Plant Project Southern Wastewater Treatment Plant 2nd Stage (靈璧縣污水處理項目南部污水處理廠二期)	In operation	Lingbi Chenxin Green Industry Development Co., Ltd.	46.4	February 1, 2018	TOT	June 22, 2017	30	25,000	15,000	1.025	Class I Standard A	June 2017

Reclaimed Water Treatment Projects

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation	Type of Project Model	Service Concession Arrangement				Reclaimed Water Quality Required	Tariff (RMB/ton, including VAT)	Commencement Date of Consolidation with our Group's Financial Statements
								Commenccment of Service Concession Arrangement	Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)			
Longjiang Regional Headquarters														
1	Heilongjiang	Hegang City Wastewater Treatment and Reclaimed Water Project (Reclaimed Water Treatment) (鶴崗市污水處理及再生水利用項目(再生水利用))	Construction completed (not in operation ⁽¹⁾)	Hegang Longjiang Environmental Protection Water Co., Ltd.	58.0	N/A	BOT	November 8, 2009	30	30,000	None	Reclaimed water quality standard	N/A	January 2017
2	Heilongjiang	Mudanjiang Second Water Plant (牡丹江二水廠)	Construction completed (not in operation ⁽¹⁾)	Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	N/A	TOT	April 12, 2010	30	50,000	None	Reclaimed water quality standard	N/A	November 2016
3	Heilongjiang	Jiamusi City Eastern Wastewater Treatment and Reclaimed Water Treatment Project (佳木斯市東區污水處理再生水利用工程)	Construction completed (not in operation ⁽¹⁾)	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	N/A	TOT	December 23, 2016	16 years and 7 months	40,000	None	Reclaimed water quality standard	N/A	November 2016

(1) The project is not in operation because there is no end user using the reclaimed water. As of Latest Practicable Date, we are actively seeking prospective end-users for our reclaimed water.

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Sludge Treatment Projects

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation (Year)	Type of Project Model	Commencement of Service Concession Arrangement	Granted Concession Period (Year)	Service Concession Arrangement			Sludge Treatment Quality Required	Commencement Date of Consolidation with our Group's Financial Statements
										Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)		
Fudan Regional Headquarters														
1	Henan	Xinxiang City Sludge Treatment and Disposal Project (新鄉市污泥處理處置項目)	In operation	Xinxiang City Zhonghui Sludge Treatment Resource Utilization Co., Ltd.	69.1	July 14, 2015	BOT	October 18, 2012	28	300	260	219.0	GB/T23486-2009; CI/T309-2009; GB/T24600-2009	September 2016
2	Henan	Nanyang City Wastewater Treatment Plant Sludge Treatment and Disposal Project 1st Stage (南陽市污水處理廠污泥處理處置一期工程)	In operation	Nanyang City Zhonghui Sludge Treatment Resource Utilization Co., Ltd.	69.1	October 24, 2017	BOT	August 12, 2011	29	200	140 in the first three years of commercial operation and shall increase to 180 for the fourth year and 200 for the fifth year and thereafter	232.96	GB/T23486-2009; CI/T309-2009; GB/T24600-2009	September 2016
Longjiang Regional Headquarters														
1	Heilongjiang	Harbin City Wastewater Treatment Plant and Sludge Disposal Project 1st Stage (哈爾濱市污水處理廠污泥處理處置一期工程)	In operation	Longjiang Environmental Protection Group Co., Ltd.	58.0	October 17, 2014	BOT	October 17, 2014	30	650	None	360.0	GB/T23486-2009	November 2016
2	Heilongjiang	Heihe Sludge Treatment Project (黑河污泥處理工程)	Construction completed (not in operation) ⁽¹⁾	Heihe Longjiang Environmental Protection Water-control Co., Ltd.	57.6	March 22, 2016	BOT	March 22, 2016	25	40	6.22	92.0	GB/T23485-2009	November 2016

(1) This project is not in operation at the moment as we are currently waiting approval from the relevant government authority to commence commercial operation (we had successfully completed our trial operation).

Water Supply Projects

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation (Year)	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Raw Water Price ^{b)} (RMB/tons)	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)			
Shandong Regional Headquarters															
1	Shandong	Weifang City Municipal Water Supply Project (Bailanghe Water Plant Project) (潍坊市城市供水项目(白浪河水厂项目)) ²⁾	In operation	Weifang City Tap Water Co., Ltd.	51.3	January 1, 2007	TOT	January 1, 2007	25	120,000	None	Price for residents: 1.95; Price for non-residents: 2.90; Price for special purpose use: 4.40	Standards for Drinking Water Quality (GB5749-2006)	0.14	April 2011
2	Shandong	Weifang City Municipal Water Supply Project (Gaixin Water Distribution Plant Project) (潍坊市城市供水项目(高新配水厂项目)) ²⁾	In operation	Weifang City Tap Water Co., Ltd.	51.3	November 15, 2011	BOT	January 1, 2007	25	200,000	None	Price for residents: 1.95; Price for non-residents: 2.90; Price for special purpose use: 4.40	Standards for Drinking Water Quality (GB5749-2006)	0.14	April 2011
3	Shandong	Hanting Water Purification Plant Project (梁亭净水厂项目)	In operation	Weifang City Hanting District Environment Water Supply Co., Ltd.	26.2	June 14, 2011	TOT	June 14, 2011	25	60,000	None	Price for urban domestic use: 1.80; Price for rural domestic use: 2.00; Price for non-residents: 2.90; Price for special purpose use: 4.40	Standards for Drinking Water Quality (GB5749-2006)	0.90	June 2011
4	Hunan	Yiyang City Municipal Water Supply Project (Kunlionshan Water Plant) (益阳市城市供水项目(龍山水廠))	In operation	Yiyang City Tap Water Co., Ltd.	90.0	January 17, 2016	TOT	January 17, 2016	28	120,000	None	Price for residents: 1.62; Price for non-residents: 2.43; Price for special purpose use: 6.48	Standards for Drinking Water Quality (GB5749-2006)	N/A	March 2016
5	Hunan	Yiyang City Municipal Water Supply Project Third Water Plant 1st Stage (益阳市城市供水项目第三水廠一期)	In operation	Yiyang City Tap Water Co., Ltd.	90.0	January 17, 2016	TOT	January 17, 2016	28	100,000	None	Price for residents: 1.62; Price for non-residents: 2.43; Price for special purpose use: 6.48	Standards for Drinking Water Quality (GB5749-2006)	N/A	March 2016

- (1) We produce tap water from raw water procured from rivers near our tap water supply plants and depending on the arrangements we had with the local governments, in some instances we have to pay procurement fees to the relevant government authorities.
- (2) Besides this water distribution facility, the water supply project also includes three ancillary facilities, Xiashan Water Intake Plant, Zhuli Water Intake Plant and Meicun Water Purification Plant.

BUSINESS

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation (Year)	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Raw Water Price ⁽¹⁾ (RMB/tons)	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)			
6	Hunan	Yiyang City Municipal Water Supply Project Third Water Plant 2nd Stage (Expansion) (益陽市城市供水項目第二水廠二期(擴建))	In operation	Yiyang City Tap Water Co., Ltd.	90.0	January 17, 2016	TOT	January 17, 2016	28	100,000	None	Price for residents: 1.62; Price for non-residents: 2.43; Price for special purpose use: 6.48	Standards for Drinking Water Quality (GB5749-2006)	N/A	March 2016
Fudan Regional Headquarters															
1	Henan	Suiping County First Water Supply Plant Project (遂平縣第一供水廠項目)	In operation	Suiping SJIC Water Co., Ltd.	69.1	Pending ⁽³⁾	TOT	Service concession arrangement shall commence on the date when our commercial operation commences	30	30,000	20,000 ⁽⁴⁾ 24,000 ⁽⁴⁾ 28,000 ⁽⁴⁾ 32,000 ⁽⁴⁾ 36,000 ⁽⁴⁾ 40,000 ⁽⁴⁾	1.75	Standards for Drinking Water Quality (GB5749-2006)	N/A	December 2017
2	Henan	Suiping County Second Water Supply Plant Project (遂平縣第二供水廠項目)	In operation	Suiping SJIC Water Co., Ltd.	69.1	Pending ⁽⁵⁾	TOT	Service concession arrangement shall commence on the date when our commercial operation commences	30	10,000	20,000 ⁽⁴⁾ 24,000 ⁽⁴⁾ 28,000 ⁽⁴⁾ 32,000 ⁽⁴⁾ 36,000 ⁽⁴⁾ 40,000 ⁽⁴⁾	1.75	Standards for Drinking Water Quality (GB5749-2006)	N/A	December 2017

(3) Commercial operation will be commenced upon the completion of the assets transfer formalities. As of Latest Practicable Date, the assets transfer formalities were yet to be completed.

(4) If the local government fails to seal the end-users' self-drilled wells within two years from the execution of the service concession arrangement, the total guaranteed minimum treatment volume for Suiping County First Water Supply Plant Project (遂平縣第一供水廠項目) and Suiping County Second Water Supply Plant Project (遂平縣第二供水廠項目) will be 20,000 tons/day in total from the first year of our commercial operation and shall increase by 4,000 each year thereafter until it reaches 40,000 tons/day in total.

(5) Commercial operation will be commenced upon the completion of the assets transfer formalities. As of Latest Practicable Date, the assets transfer formalities were yet to be completed.

BUSINESS

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation (Year)	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Raw Water Price ⁽¹⁾ (RMB/tons)	Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)			
Wuhan Regional Headquarters															
1	Hubei	Tianmen City First Water Plant (天門市一水廠)	Operation suspended ⁽⁶⁾	Tianmen Kaidi Water Co., Ltd	100.0	November 2005	TOT	April 12, 2005	25	100,000	None	N/A	0.05	December 2006	
2	Hubei	Tianmen City Second Water Plant Project 1st Stage (天門市二水廠第一期工程)	In operation	Tianmen Kaidi Water Co., Ltd	100.0	August 1, 2006	BOT	April 12, 2005	25	100,000	None	Price for residents: 1.51; Price for non-residents: 2.2; Price for special industrial purpose: 3.5	0.05	December 2006	
3	Hubei	Qianchuan Water Plant Project (Expansion) (前川水廠擴建項目)	In operation	Wuhan Huangpi Kaidi Water Co., Ltd.	100.0	October 12, 2010	BOT	May 20, 2008	30	40,000	None	Standards for Drinking Water Quality (GB5749-2006)	0.05	June 2008	
4	Hubei	Wuhan City Huangpi District Xinwuhui Water Plant 1st Stage (武漢市黃陂區新武湖水廠一期)	In operation	Wuhan Huangpi Kaidi Water Co., Ltd.	100.0	December 8, 2015	BOT	May 20, 2008	30	100,000	None	Standards for Drinking Water Quality (GB5749-2006)	0.05	January 2013	
5	Shanxi	Water Diversion Project from Wenshui to Pingshuan (Southern line) (引文水入川(南線)供水工程) ⁽⁷⁾	In operation	Lv Liang Xinya Water Co., Ltd.	100.0	July 25, 2008	BOO	December 20, 2007	50	55,000	None	N/A ⁽⁷⁾	1.25	March 2006	

(6) We suspended the operation of this project because the incoming raw water does not meet the minimum required standard under Surface Water Quality Standard Class III (GB3838-2002). As of the Latest Practicable Date, we are negotiating a resolution with the Government Grantor.

(7) This is a raw water supply plant. We supply raw water which we draw from the water sources to the non-residential end-users. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2017, revenue generated from this project amounted to RMB36.3 million, RMB38.1 million, RMB29.2 million and RMB21.3 million, respectively, and this represents 2.4%, 2.1%, 1.1% and 0.6%, respectively, of our total revenue of the same periods.

BUSINESS

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest (%)	Commencement of Commercial Operation (Year)	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required (RMB/tons)	Raw Water Price ⁽¹⁾ (RMB/tons)	Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designated Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff (RMB/ton, including VAT)			
Longjiang Regional Headquarters															
1	Heilongjiang	Mudanjiang First Water Plant (牡丹江一水廠)	In operation	Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	April 12, 2010	TOT	April 12, 2010	30	80,000	None	Price for residents: 2.0; Price for non-residents: 5.4	Standards for Drinking Water Quality (GB5749-2006)	N/A	November 2016
2	Heilongjiang	Mudanjiang Fourth Water Plant (牡丹江四水廠)	In operation	Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	April 12, 2010	TOT	April 12, 2010	30	170,000	None	Price for residents: 2.0; Price for non-residents: 5.4	Standards for Drinking Water Quality (GB5749-2006)	N/A	November 2016
3	Heilongjiang	Jiamusi City Municipal Water Supply TOT Project (Xijiao Water Resource Water Supply Project) (佳木斯市城市供水TOT項目(西郊水廠供水工程))	In operation	Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	N/A	TOT	August 10, 2012	30	160,000	None	Tiered tap water tariff ⁽⁸⁾	Standards for Drinking Water Quality (GB5749-2006)	N/A	November 2016
4	Heilongjiang	Jiamusi City Municipal Water Supply TOT Project (Jiangbei Water Plant) (佳木斯市城市供水TOT項目(江北水廠))	In operation	Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	N/A	TOT	August 10, 2012	30	200,000	None	Tiered tap water tariff ⁽⁹⁾	Standards for Drinking Water Quality (GB5749-2006)	N/A	November 2016
5	Heilongjiang	Jiamusi City Municipal Water Supply TOT Project (First Water Plant) (佳木斯市城市供水TOT項目(一水廠))	Suspended ⁽¹⁰⁾	Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	58.0	N/A	TOT	N/A	30	N/A	N/A	N/A	N/A	N/A	November 2016

(8) Tiered tariff for residents: (1) for annual consumption of less than 150 tons (inclusive), the relevant tariff is RMB2.0/ton; (2) for annual consumption between 151 to 260 tons (inclusive), the relevant tariff is RMB3.0/ton; (3) for annual consumption over 260 tons (inclusive), the relevant tariff is RMB6.0/ton. Tariff for non-residents: RMB6.0/ton.

(9) Tiered tariff for residents: (1) for annual consumption of less than 150 tons (inclusive), the relevant tariff is RMB2.0/ton; (2) for annual consumption between 151 to 260 tons (inclusive), the relevant tariff is RMB3.0/ton; (3) for annual consumption over 260 tons (inclusive), the relevant tariff is RMB6.0/ton. Tariff for non-residents: RMB6.0/ton.

(10) When we acquired this project, the water supply plant was suspended and was used as a pump station for our nearby water supply plants.

Waste Incineration Projects

No.	Location	Project	Progress	Project Company	Our Group's Effective Interest	Commencement of Commercial Operation	Type of Project Model	Service Concession Arrangement				Commencement Date of Consolidation with our Group's Financial Statements	
								Commencement of Service Concession Arrangement	Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume		Tariff
					(%)	(Year)		(Year)	(tons/day)	(tons/day)	(RMB/ton, including VAT)		
Waste Incineration Business Unit													
1	Sichuan	Dazhou City Municipal Household Waste Incineration Power Generation Project 1st Stage (瀘州市城市生活垃圾焚燒發電項目一階段)	In operation	Dazhou Jijiang Environment Renewable Resource Co., Ltd.	100.0	January 1, 2013	BOO	January 1, 2013	30	700	600	70.0	February 2014

O&M Projects

As of the Latest Practicable Date, we operated and maintained seven third-party owned wastewater treatment projects, two third-party owned reclaimed water treatment projects, one third-party owned sludge treatment project and one third-party owned water supply plant. Depending on the terms of our O&M agreements, we issue monthly or quarterly bills to our customers. We are usually appointed for a pre-determined period and may be reappointed upon the expiry of the period. During the period of our appointments, we bear the costs for repair and maintenance of the relevant plants. We are not required to make capital investments under our O&M agreements. For key contractual terms of our O&M projects, see “Business – Key Terms of Our O&M Projects”.

Wastewater Treatment Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Date of Commencement of O&M Service	Term	Granted Designed Capacity (tons/day)	Management Fees	Payment Terms
Nanfang Regional Headquarters										
1	Guangdong	Pinghu Wastewater Treatment Plant Project (平湖污水處理廠項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	March 20, 2009	22 years	25,000	RMB0.731 per ton of treated wastewater	Monthly
2	Guangdong	Banxuegang Wastewater Treatment Plant Project (坂雪崗污水處理廠項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	August 1, 2007	N/A ⁽¹⁾	40,000	RMB0.390 per ton of treated wastewater ⁽¹⁾	Monthly ⁽¹⁾
3	Guangdong	Shenzhen City Guanlan Wastewater Treatment Plant Project (1st and 2nd Stages) (深圳市觀瀾污水處理廠(一、二期)項目)	In operation	Shenzhen City Guanlan Nantang Water Co., Ltd.	54.7	April 1, 2012	8 years and 9 months	260,000	RMB0.380 per ton of treated wastewater	Monthly
Fudan Regional Headquarters										
1	Zhejiang	Cixi City North Wastewater Treatment Plant and Artificial Wetland O&M Project (慈溪市北滬污水處理廠及人工濕地委託管理運營項目)	In operation	Cixi Shanshui Water Treatment Management Service Co., Ltd.	59.9	First stage: January 1, 2013 Second stage: January 1, 2016	First stage: 3 years; Second stage: 3 years	100,000	RMB0.790 per ton of treated wastewater for first and second stage	Monthly

(1) As of the Latest Practicable Date, we are currently in negotiation with our customer (i.e. owner of the wastewater treatment plant) to have this O&M project terminated as the term under the O&M agreement expired on the December 31, 2016. We are however still continuing to operate and maintain the wastewater treatment project and our customer continues to pay us the management fees pursuant to the previously signed O&M agreement.

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Date of Commencement of O&M Service	Term	Granted Designed Capacity (tons/day)	Management Fees	Payment Terms
Longjiang Regional Headquarters										
1	Heilongjiang	Harbin City Hulan District Wastewater Treatment Plant O&M Project (哈爾濱市呼蘭老城區污水處理廠委託運營項目)	In operation	Hulan Branch of Longjiang Environmental Protection Group Co., Ltd.	58.0	April 15, 2014	5 years	20,000	RMB9.7 million per year	Monthly
2	Heilongjiang	Youyi County Wastewater Treatment Plant Project (友宜縣污水處理廠項目)	In operation	Youyi Branch of Shuangyashan Longjiang Environmental Protection Water Co., Ltd.	58.0	October 2015	5 years	10,000	RMB2.8 million per year	Monthly
3	Heilongjiang	Fujin City Municipal Second Wastewater Treatment Plant (富錦市城市第二污水處理廠)	In operation	Fujin City Shenglin Water Co., Ltd.	58.0	January 15, 2017	2 years	10,000	RMB1,200 per ton of treated wastewater	Monthly

Reclaimed Water Treatment Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Date of Commencement of O&M Service	Term	Granted Designed Capacity (tons/day)	Management Fees	Payment Terms
Nanfang Regional Headquarters										
1	Guangdong	Henggang Reclaimed Water Plant Project (橫崗再生水廠項目)	In operation	Shenzhen City Nanfang Water Co., Ltd.	91.2	June 15, 2011	8 years	50,000	For reclaimed water supplied below 9,000 tons/day (including 9,000 tons per day): RMB1.624/tons; for reclaimed water supplied between 9,000 to 15,000 tons/day (including 15,000 tons/day): RMB1.481/tons; for reclaimed water supplied between 15,000 to 25,000 tons/day (including 25,000 tons/day): RMB1.138/tons; for reclaimed water supplied above 25,000 tons/day: RMB0.843 per tons	Monthly
Wuhan Regional Headquarters										
1	Ningxia	Yinchuan Wastewater Treatment Company Limited Fifth Water Reclamation Plant O&M Project (銀川污水處理有限公司第五中水廠代管項目)	In operation	SIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	100.0	February 1, 2015 ⁽¹⁾	N/A ⁽¹⁾	50,000	RMB0.45-0.95/tons	Monthly

(1) Under the original O&M arrangement, the O&M term commenced on January 1, 2015 and expired on July 31, 2015. On August 28, 2015, the local government issued a written decision that the original O&M arrangement shall remain in full effect and this reclaimed water treatment plant shall continue to be operated and maintained by SIC Environment (Yinchuan) Wastewater Treatment Co., Ltd., but the written decision does not specify when the consent will be withdrawn. As of the Latest Practicable Date, we have not received any notice or written decision from the local government requesting us to cease operation of this project.

Sludge Treatment Project

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Date of Commencement of O&M Service	Term	Granted Designed Capacity (tons/day)	Management Fees	Payment Terms
Longjiang Regional Headquarters										
1	Heilongjiang	Ningnan City Sludge Treatment Plant Project (寧南市污泥處理廠項目)	In operation	Ningnan Longjiang Environmental Protection Water-control Co., Ltd.	57.5	January 6, 2017	Subject to certain conditions in the O&M agreement, the term will be no longer than two years.	40	An extra of RMB0.25 per ton will be added to our wastewater treatment fee of Ningnan City Wastewater Treatment Plant Project (寧南市污水處理廠工程項目), as the sludge produced by Ningnan City Wastewater Treatment Plant Project (寧南市污水處理廠工程項目) will be delivered to this project for treatment.	Monthly

Water Supply Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Date of Commencement of O&M Service	Term	Granted Designed Capacity (tons/day)	Management Fees	Payment Terms
Wuhan Regional Headquarters										
1	Hubei	Qianchuan Water Plant O&M Project (前川水廠存量託管項目)	In operation	Wuhan Huangpi Kaidi Water Co., Ltd.	100.0	August 15, 2008	30 years	80,000	Fees received based on the volume of tap water supply to end-users. Price for residents: RMB1,520 per tons; Price for non-residents: RMB2,350 per tons; Price for special purpose use: RMB9.0 per tons	Monthly

Projects Under Construction

The following projects are our significant service concession arrangement projects which were under construction as of the Latest Practicable Date.

Wastewater Treatment Projects (unless otherwise indicated, all the following projects treat municipal wastewater)

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Total Investment Incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements		
										Guaranteed Minimum Treatment Volume	Granted Concession Period	Designed Capacity	Water Quality Required						
Nanfang Regional Headquarters																			
1	Guangdong	Huizhou City Meihu Water Purification Center Project, 3rd Stage (惠州市梅湖水质净化中心三期工程项目)	Under construction	Huizhou City SHC Nanfang Water Co., Ltd.	91.2	November 12, 2015	April 30, 2018	BOT	July 13, 2015	27	100,000	(tons/day)	30,000 from the first year of commercial operation and shall increase to 50,000 for the second year, 80,000 for the third year and 100,000 for the fourth year and thereafter	0.76	Superior to Class I Standard A	216.0	25.2	8	September 2015
Shandong Regional Headquarters																			
1	Liaoning	Dalian Puwan New District Sanshilibao Wastewater Treatment Plant Project, 1st Stage (大连市普湾新区三十里堡污水处理廠(一期)项目)	Under construction	SHC Environment Water (Dalian) Co., Ltd.	92.7	September 26, 2012	July 31, 2018	BOT	N/A ⁽²⁾	30	20,000	(tons/day)	10,000 from the first year of commercial operation and shall increase to 14,000 for the second and third year and 20,000 for the fourth year and thereafter	1.650	Class I Standard A	69.9	52.8	7	April 2014

(1) $Investment\ payback\ period = Total\ investment \div ((tariff - cost/ton) \times multiply\ by\ (360\ and\ designed\ capacity))$.

(2) The service concession arrangement shall commence on the date of receipt of the construction work commencement permit and such permit has yet to be granted as of the Latest Practicable Date.

BUSINESS

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Total Investment Amount Incurred		Commen- cement Date of Consolidation with our Group's Financial Statements				
										Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume	Tariff/ Expected Tariff	Water Quality Required	Total Investment (RMB in million)		Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment to be Incurred (RMB in million) (Year)		
2	Hunan	Yiyang City Cheng Bei Wastewater Treatment Plant Project 2nd Stage (Expansion, Upgrade and Reconstruction) (益陽市城北污水處理廠二期擴建及提標改造項目)	Under construction	SHC Environment (Yiyang Chengbei) Wastewater Treatment Co., Ltd.	75.5	September 29, 2017	August 1, 2018	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	40,000	56,000 from the first year of commercial operation and shall increase by 8,000 each year thereafter until it reaches 80,000 ⁽³⁾	1,080	Class I Standard A	99.5	3.2	96.3	9	April 2011	
3	Liaoning	Dalian Wan Wastewater Treatment Plant Project (大連灣污水處理廠項目)	Under construction	SHC Environment (Dalian) Wastewater Treatment Co., Ltd.	75.5	September 15, 2016	May 2018	BOT	November 13, 2015	More than 21 years and 6 months ⁽⁴⁾	40,000	None	1.270	Class I Standard A	119.3	78.2	41.1	9	September 2014	
4	Liaoning	Dalian Quanshui River Wastewater Treatment Plant Project 2nd Stage (大連泉水河污水處理廠二期項目)	Under construction	Dalian SHC Environment Quanshui River Wastewater Treatment Co., Ltd.	75.5	October 28, 2016	April 30, 2018	BOT	April 5, 2016	More than 21 years and 6 months ⁽⁵⁾	105,000	None	0.956	Class I Standard A	228.6	110.5	118.1	10	September 2015	
5	Shanghai	Qingpu Second Wastewater Treatment Plant Project 4th Stage (Expansion) (青浦第二污水處理廠二期擴建四期)	Under construction	Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd.	87.8	March 8, 2017	July 1, 2018	BOT	May 1, 2008		30	60,000	162,000 ⁽⁶⁾	2,000	Class I Standard A	719.7	373.0	346.7	7	February 2014

(3) Starting from the commencement of commercial operation of this project, the guaranteed minimum treatment volume stipulated for the service concession arrangement of this project will be the total guaranteed minimum treatment volume of Yiyang City Cheng Bei Wastewater Treatment Plant Project 1st Stage (益陽市城北污水處理廠一期項目) and Yiyang City Cheng Bei Wastewater Treatment Plant Project 2nd Stage (Expansion, Upgrade and Reconstruction) (益陽市城北污水處理廠二期擴建及提標改造項目).

(4) The granted concession period shall cover (a) 18 months of construction period, (b) the period of quasi-commercial operation (starting from the next day following completion of environmental protection inspection and acceptance and ending on the day of project comprehensive filings), and (c) 20 years of commercial operation.

(5) The granted concession period shall cover (a) 18 months of construction period, (b) the period of quasi-commercial operation (starting from the next day following completion of environmental protection inspection and acceptance and ending on the day of project comprehensive filings), and (c) 20 years of commercial operation.

(6) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Qingpu Second Wastewater Treatment Plant Project 1st Stage (青浦第二污水處理廠一期), Qingpu Second Wastewater Treatment Plant Project 2nd Stage (青浦第二污水處理廠二期), Qingpu Second Wastewater Treatment Plant Project 3rd Stage (青浦第二污水處理廠三期) and Qingpu Second Wastewater Treatment Plant Project 4th Stage (Expansion) (青浦第二污水處理廠二期擴建四期).

BUSINESS

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment to be Incurred (RMB in million)	Date of Consolidation with our Group's Financial Statements	
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)						Tariff/ Expected Tariff (RMB/ton, including VAT)
Fudan Regional Headquarters																		
1	Shanghai	Fengxian West Wastewater Treatment Plant Project 3rd Stage (Expansion) (奉賢西部污水處理廠三期擴建工程)	Under construction	Shanghai Fengxian West Wastewater Treatment Co., Ltd.	73.7	January 24, 2017	June 1, 2018	BOT	June 1, 2007	25	50,000	None	N/A ⁽⁷⁾	350	257.0	93.0	11	June 2015
2	Zhejiang	Yuyao City (Xiaocaoe) Municipal Wastewater Treatment Plant Project 3rd Stage (Upgrade and Reconstruction) (余姚市(小曹娥)城市污水處理廠提標改造三期工程)	Under construction	Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	69.1	October 16, 2017	May 28, 2018	BOT	June 30, 2017	25	75,000	2018: 180,000 ⁽⁸⁾ 2019: 195,000 ⁽⁸⁾ 2020: 210,000 ⁽⁸⁾ 2021: 225,000 ⁽⁸⁾	0.922 ⁽⁹⁾ 0.343 ⁽⁹⁾	166.8	nil	166.8	7	June 2015
3	Zhejiang	Pinghu City East District Wastewater Treatment Plant Project 1st Stage (Upgrade and Reconstruction) (平湖市東片污水處理廠項目一期提標及技術改造)	Under construction	Pinghu Dushan Wastewater Treatment Co., Ltd.	100.0	November 12, 2017	March 31, 2018	ROT	July 26, 2017	29 years, 5 months	40,000	30,000	2.96	43.9	nil	43.9	5	August 2017

(7) As of the Latest Practicable Date, the tariff is yet to be determined and agreed as we were yet to sign the service concession arrangements in relation to this project with the Government Grantor.

(8) The total guaranteed minimum treatment volume for Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 1 (余姚市(小曹娥)水質淨化廠工程一期項目一批), Yuyao City (Xiaocaoe) Water Purification Plant Project 1st Stage Batch 2 (余姚市(小曹娥)水質淨化廠工程一期項目二批), Yuyao City (Xiaocaoe) City Wastewater Treatment Plant Project (Upgrade and Expansion) (余姚市(小曹娥)城市污水處理廠升級改造及擴建工程) and Yuyao City (Xiaocaoe) Municipal Wastewater Treatment Plant Project 3rd Stage (Upgrade and Reconstruction) (余姚市(小曹娥)城市污水處理廠提標改造三期工程) will be 180,000 tons/day in total in 2018, 195,000 tons/day in total in 2019, 210,000 tons/day in total in 2020 and 225,000 tons/day in total from 2021.

(9) If the treated volume is below guaranteed minimum treatment volume, the tariff is RMB0.923 per ton and if the treated volume is above guaranteed minimum treatment volume, the tariff is RMB0.343 per ton.

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Water Quality Required	Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment to be Incurred (RMB in million)	Estimated Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)						
Wuhan Regional Headquarters																		
1	Hubei	Wuhan City Huangpi District Wuhu Wastewater Treatment Plant Project 1st Stage (武漢市黃陂區武漢污水處理廠一期項目)	Under construction	Wuhan SHC Xinwu Wastewater Treatment Co., Ltd.	100.0 (%)	June 1, 2016	May 1, 2018	BOT	June 1, 2016	30	25,000	15,000 from the first two years of commercial operation and shall increase to 17,000 for the third year, 21,000 for the fourth year and 25,000 for the fifth year and thereafter	Class I Standard A	79.7	48.8	30.9	9	January 2016
2	Ningxia	Yinchuan Fifth Wastewater Treatment Plant Project 2nd Stage (Expansion, Upgrade and Reconstruction) (銀川市第五污水處理廠二期擴建及提標改造項目)	Under construction	SHC Environment (Yinchuan) Wastewater Treatment Co., Ltd.	100.0 (%)	August 29, 2016	September 30, 2018	BOT	December 15, 2014	30	50,000	None	Class I Standard A	172.8	138.1	34.7	8	December 2014
3	Jiangxi	Yongfeng County Industrial Park Wastewater Treatment Plant Project 1st Stage (永豐縣工業園區污水處理廠一期項目)	Under construction (treats industrial wastewater)	Lianxi (Yongfeng) Water Co., Ltd.	60.0 (%)	October 10, 2017	June 30, 2018	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	29	10,000	5,000 from the first year of commercial operation and shall increase to 6,000 for the second year, 7,000 for the third year, 8,000 for the fourth year, and 10,000 for the fifth year and thereafter	Class I Standard B	54.6	nil	54.6	15	August 2017

(10) The tariff is RMB1.370/ton until the treated volume exceeds 25,000 tons per day, after which the tariff is RMB0.863/ton.

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Total Investment (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)					
4	Jiangxi	Jiangxi Province Wanzai Industrial Park Wastewater Treatment Plant Project (Expansion) (江西萬載工業園區污 水處理廠擴建項目)	Under construction (treats industrial wastewater)	Lianxi (Wanzai) Water Co., Ltd.	60.0	September 8, 2017	April 30, 2018	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	29	7,500	8,500 from the first year of commercial operation and shall increase to 10,500 for the second year, 11,500 for the third year and 12,500 for the fourth year and thereafter ⁽¹⁾	2,520	34.4	0.5	33.9	8	December 2016
Longjiang Regional Headquarters																		
1	Heilongjiang	Jixi City Jiguan District Wastewater Treatment Plant Project 2nd Stage (龍西市雅冠區 污水處理廠(二期)項 目)	Under construction	Jixi Longjiang Environmental Protection Water-control Co., Ltd.	58.0	August 30, 2016	June 30, 2018	BOT	30 years FCO	30	50,000	30,000 from the first two years of commercial operation and shall increase to 40,000 for the third year and thereafter	1.35	165.0	160.5	4.5	9	November 2016
2	Heilongjiang	Jiamusi City East Wastewater Treatment Plant 2nd Stage (佳木斯市東區污水處 理廠(二期))	Under construction	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	August 1, 2015	June 30, 2018	BOT	N/A ⁽¹²⁾	N/A ⁽¹²⁾	40,000	40,000	1.380	110.2	100.0	10.2	7	November 2016

(11) This is the total guaranteed minimum treatment volume for Jiangxi Province Wanzai Industrial Park Wastewater Treatment Plant Project (Expansion) (江西萬載工業園區污水處理廠擴建項目) and Jiangxi Province Wanzai Industrial Park Wastewater Treatment Plant Project 1st Stage (江西萬載工業園區污水處理廠(一期)項目).

(12) Framework agreement was signed on December 6, 2011 and details of the commencement of service concession arrangement and the granted concession period are not stipulated in the said framework agreement. As of Latest Practicable Date, we are expected to sign the service concession arrangement with the Government Grantor before June 30, 2018.

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Water Quality Required	Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)						
3	Heilongjiang	Zhaodong City Second Wastewater Treatment Plant Project (肇東市第二污水處理廠項目)	Under construction	Zhaodong Longjiang Environmental Protection Water Co., Ltd.	(%) 57.1	July 2016	June 30, 2018	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	50,000 ⁽¹³⁾	18,000	1.900	89.0	85.9	3.1	7	November 2016	
4	Anhui	Lingbi County Wastewater Treatment Plant Northern Wastewater Treatment Plant (靈璧縣污水處理廠)	Under construction	Lingbi Chenxin Green Industry Development Co., Ltd.	46.4	October 1, 2017	June 30, 2018	BOT	June 22, 2017	30	20,000	12,000	1.093	76.9	12.2	64.7	14	June 2017	

(13) Under the relevant service concession arrangement, the design capacity is 50,000 tons/day. The design capacity of the facility currently under construction is 20,000 tons/day and will be increased to 50,000 tons/day in the future.

Reclaimed Water Treatment Projects

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Service Concession Arrangement				Water Quality Required	Total Investment Incurred (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements
									Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)					
1	Heilongjiang	Shuangyashan City Anbang River Basin Municipal Wastewater Treatment Reclaimed Water Treatment Project (雙鴨 山市安邦河流域 城市污水处理再 生水利用项目)	Under construction	Shuangyashan Longchang Water Co., Ltd.	29.6 (%)	November 1, 2016	June 30, 2018	BOT	30	40,000	40,000	0.89	92.6	43.4	49.2	9	November 2016

Longjiang Regional Headquarters

(1) $\text{Investment payback period} = \text{Total investment} \div ((\text{tariff} - \text{cost/ton}) \text{ multiply by } (360 \text{ and designed capacity}))$.

(2) $\text{Cooling water standard for industrial circulation purposes}$.

BUSINESS

Sludge Treatment Projects

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement				Total Investment Incurred as of September 30, 2017	Total Investment to be Incurred	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements		
										Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume	Tariff/ Expected Tariff					Sludge Treatment Quality Required	Total Investment (RMB in million)
Longjiang Headquarters																			
1	Heilongjiang	Harbin City Wastewater Treatment Plant Sludge Disposal Project 2nd Stage (哈爾濱市污水處理廠污泥處置工程 項目二期)	Under construction	Longjiang Environmental Protection Group Co., Ltd.	58.0	June 1, 2013	June 30, 2018	BOT	Service concession arrangement shall commence on the date when it commences trial operation	30	350	None	N/A ⁽²⁾	GB/T23486 -2009	361.6	354.8	6.8	N/A ⁽³⁾	November 2016
2	Heilongjiang	Jiamusi City Wastewater Treatment Plant Sludge Disposal Project (佳木斯市 污水處理廠污泥處 置項目)	Under construction	Jiamusi Longjiang Environmental Protection Water Co., Ltd.	56.4	July 1, 2016	June 30, 2018	BOT	October 13, 2014	30	100	None	590.0	GB/T23485 -2009	97.3	84.2	13.1	6	November 2016
3	Heilongjiang	Mudanjiang City Wastewater Treatment Plant Sludge Treatment Project (牡丹江市 污水處理廠污泥處 置項目)	Under construction	Mudanjiang Longjiang Environmental Protection Water Co., Ltd.	58.0	September 1, 2016	June 30, 2018	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	150	120	335.0	GB/T23486 -2009	98.0	83.7	14.3	10	November 2016

(1) $Investment\ payback\ period = Total\ investment \div ((tariff - cost/ton) \text{ multiply by } (360\ and\ designed\ capacity))$.

(2) As of the Latest Practicable Date, the tariff or expected tariff is yet to be determined and agreed as it is not stipulated in the current service concession arrangement.

(3) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

Waste Incineration Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession Arrangement	Service Concession Arrangement			Total Investment incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (Year)	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)				
1	Shandong	Shandong Province Wulian County Household Waste Incineration Power Generation Project (山東五蓮縣生活垃圾焚燒發電工程項目)	Under Construction	Wulian Ximeng Environmental Protection Power Generation Co., Ltd.	82.9	August 30, 2017	May 31, 2018	BOT	February 23, 2016	30	600	240	113.0	21.6	N/A ⁽³⁾	August 2016
										(Year)	(tons/day)	(tons/day)	(RMB in million)	(RMB in million)	(Year)	

Waste Incineration Business Unit

(1) $\text{Investment payback period} = \text{Total investment} \div ((\text{tariff} - \text{cost/ton}) \text{ multiply by } (360 \text{ and designed capacity}))$.

(2) We also charge an excavation and transportation fee for stale refuse at RMB25/m³, and service fee for treating leachate at RMB40/ton.

(3) Unable to determine the investment payback period as we are unable to predict/forecast the revenue from electricity sale once this project is in commercial operation as this depends on the actual volume of municipal solid waste treated by this project.

Projects Under Development

The table below sets forth the details of our significant service concession arrangement projects under development as of the Latest Practicable Date:

Wastewater Treatment Projects (unless otherwise indicated, the following projects treat municipal wastewater)

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement					Water Quality Required	Total Investment Incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Minimum Treatment Volume (tons/day)	Guaranteed Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)					
Nanfang Regional Headquarter																			
1	Fujian	Anxi County Longmen Town Wastewater Treatment Plant BOT Project 2nd Stage (安 溪縣龍門鎮污水 處理廠BOT二 期項目)	To be constructed	Anxi Nanfang Water Co., Ltd.	91.2	No later than September 11, 2019	September 11, 2020	BOT	June 8, 2011	30	12,500	20,000 the first year of commercial operation and shall increase to 22,250 from the second year and thereafter ⁽²⁾	20,000 the first year of commercial operation and shall increase to 22,250 from the second year and thereafter ⁽²⁾	N/A ⁽³⁾	Class I Standard B	53.4	53.4	N/A ⁽⁴⁾	July 2012

(1) Investment payback period = Total investment ÷ ((tariff – cost/ton) multiply by (360 and designed capacity)).

(2) The guaranteed minimum treatment volume stipulated for the service concession arrangement of this project is the total guaranteed minimum treatment volume of Anxi County Longmen Town Wastewater Treatment Plant BOT Project 1st Stage (安溪縣龍門鎮污水處理廠BOT一期項目) and Anxi County Longmen Town Wastewater Treatment Plant BOT Project 2nd Stage (安溪縣龍門鎮污水處理廠BOT二期項目).

(3) As of the Latest Practicable Date, we have yet to agree a tariff with the Government Grantor.

(4) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Water Quality Required	Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements	
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)						
2	Fujian	Anxi County Longmen Town Wastewater Treatment Plant BOT Forward Project (安溪縣 龍門鎮污水處理 廠BOT遠期項 目)	Future project	Anxi Nanfang Water Co., Ltd.	91.2	N/A ⁽⁵⁾	N/A ⁽⁵⁾	BOT	June 8, 2011	30	25,000	30,000 from the first year of commercial operation and shall increase to 35,000 from the second year and thereafter	N/A ⁽⁵⁾	Class I Standard B	N/A ⁽⁵⁾	nil	N/A	N/A ⁽⁶⁾	July 2012
3	Jiangsu	Jingjiang City Xingang Park Wastewater Treatment Plant Project 2nd Stage (靖江市 新港區污水處 理廠二期項目)	Future project	Jingjiang City Xingang Wastewater Treatment Co., Ltd.	91.2	N/A ⁽⁷⁾	N/A ⁽⁷⁾	BOT	April 16, 2009	33 years, 8 months	20,000	14,000 from the first year of commercial operation and shall increase to 16,000 for the second year and 20,000 for the third year and thereafter	N/A ⁽⁷⁾	Class I Standard A	nil	N/A	N/A ⁽⁸⁾	July 2012	
4	Jiangsu	Jingjiang City Xingang Park Wastewater Treatment Plant Project 3rd Stage (靖江市 新港區污水處 理廠三期項目)	Future project	Jingjiang City Xingang Wastewater Treatment Co., Ltd.	91.2	N/A ⁽⁹⁾	N/A ⁽⁹⁾	BOT	April 16, 2009	33 years, 8 months	40,000	28,000 from the first year of commercial operation and shall increase to 32,000 for the second year and 40,000 for the third year and thereafter	N/A ⁽⁹⁾	Class I Standard A	nil	N/A	N/A ⁽¹⁰⁾	July 2012	

(5) This is a future project, and therefore relevant details such as expected construction date/completion date, tariff and total investment amount required will only be known or decided nearer to the commencement of the project. According to the relevant concession service arrangement, this project will only commence when the volume treated at the relevant first stage project (i.e. Anxi County Longmen Town Wastewater Treatment Plant (安溪縣龍門鎮污水處理廠項目)) reaches capacity.

(6) Unable to determine the investment payback period as the tariff or the expected tariff has not been set as of the Latest Practicable Date.

(7) This is a future project, and therefore relevant details such as expected construction date/completion date, tariff and total investment amount required will only be known or decided nearer to the commencement of the project. According to the relevant concession service arrangement, this project will only commence when the volume treated at the relevant first stage project (i.e. Jingjiang City Xingang Park Wastewater Treatment Plant Project (靖江市新港區污水處理廠一期項目)) reaches capacity.

(8) Unable to determine the investment payback period as the tariff or the expected tariff has not been set as of the Latest Practicable Date.

(9) This is a future project, and therefore relevant details such as expected construction date/completion date, tariff and total investment amount required will only be known or decided nearer to the commencement of the project.

(10) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Water Quality Required	Total Investment Incurred	Total Investment to be Incurred	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume	Tariff/ Expected Tariff					
5	Jiangsu	Taixing City Huangqiao Wastewater Treatment Plant Project 2nd Stage (泰興市 黃橋污水處理廠 二期項目)	Future project	Jiangsu Nanfang Water Co., Ltd.	91.2	March 31, 2019	March 31, 2020	BOT	October 28, 2010	30	25,000	18,000 from the first two years of commercial operation and shall increase to 22,000 for the third year, 25,000 for the fourth and thereafter	N/A ⁽¹¹⁾	Class I Standard A	N/A ⁽¹¹⁾	N/A	N/A ⁽¹²⁾	July 2012
6	Jiangsu	Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage (黃橋工 業園區污水處理 廠一期)項目)	To be constructed	Taixing City Nanfang Water Co., Ltd.	91.2	April 15, 2018	February 28, 2019	BOT	September 29, 2017	30	10,000	7,000 from the first year of commercial operation and shall increase by 1,000 each year thereafter until it reaches 10,000	5.83	Class I Standard A	130.3 ⁽¹³⁾	130.3 ⁽¹⁴⁾	8	November 2017

(11) This is a future project, and therefore relevant details such as the tariff and the total investment amount required will only be known or decided nearer to the commencement of the project.

(12) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

(13) This is the total investment in Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage (黃橋工業園區污水處理廠(一期)項目) and Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage Water Reclamation Program (黃橋工業園區污水處理廠(一期)項目)中水回用工程).

(14) This is the total investment to be incurred in Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage (黃橋工業園區污水處理廠(一期)項目) and Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage Water Reclamation Program (黃橋工業園區污水處理廠(一期)項目)中水回用工程).

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No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement					Water Quality Required	Total Investment Incurred	Total Investment to be Incurred	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Minimum Treatment Volume (tons/day)	Guaranteed Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)					
7	Jiangsu	Huangqiao Industrial Park Wastewater Treatment Plant Project 2nd Stage (黄桥工业園區污水處理廠二期項目)	Future project	Taixing City Nantang Water Co., Ltd.	91.2	N/A ⁽¹⁵⁾	N/A ⁽¹⁵⁾	BOT	September 29, 2017	30	10,000	7,000 from the first year of commercial operation and shall increase by 1,000 each year thereafter until it reaches 10,000	N/A ⁽¹⁵⁾	N/A ⁽¹⁵⁾	nil	N/A	N/A ⁽¹⁶⁾	November 2017	
Shandong Regional Headquarters																			
1	Liaoning	Dalian Puwan New District Houhai Wastewater Treatment Plant Project (大连普湾新区侯海污水处理廠項目)	To be constructed	SIIC Environment Water (Dalian) Co., Ltd.	92.7	April 2018	December 31, 2018	BOT	Service concession arrangement shall commence on the date when construction work commencement permit is granted	30	20,000	10,000 from the first year of commercial operation and 14,000 for the second and third years and 20,000 for the fourth year and thereafter	1.65	70.8	nil	70.8	8	April 2014	

(15) This is a future project, and therefore the relevant details such as the expected construction commencement date/completion date, tariff and the total investment required will only be known or decided nearer to the commencement of the project.

(16) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

BUSINESS

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement					Total Investment Amount Incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements	
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)	Water Quality Required					
Fudan Regional Headquarters																			
1	Zhejiang	Pinghu City East District Wastewater Treatment Plant Project 2nd Stage (Expansion) (平湖市東片污 水處理廠項目二 期擴建)	To be constructed	Pinghu Dushan Wastewater Treatment Co., Ltd. (平湖市獨 山污水處理有限 公司)	100.0	April 1, 2018	May 30, 2019	BOT	July 26, 2017	29 years, 5 months	45,000	33,750	1.16, 0.24 ⁽¹⁹⁾	Class I Standard A	88.2	nil	88.2	7	August 2017
2	Zhejiang	Pinghu City East District Wastewater Treatment Plant Project 3rd Stage (Expansion) (平湖市東片污 水處理廠項目三 期擴建)	Future project	Pinghu Dushan Wastewater Treatment Co., Ltd. (平湖市獨 山污水處理有限 公司)	100.0	N/A ⁽¹⁷⁾	N/A ⁽¹⁷⁾	BOT	July 26, 2017	29 years, 5 months	135,000	N/A ⁽¹⁷⁾	N/A ⁽¹⁷⁾	Class I Standard A	N/A ⁽¹⁷⁾	nil	N/A	N/A ⁽¹⁸⁾	August 2017

(17) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date, tariff, guaranteed minimum treatment volume and total investment required will only be known or decided nearer to the commencement of the project.

(18) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

(19) If the project involves pre-treatment of petrochemical wastewater, the tariff for such pre-treatment will be RMB0.24 per ton.

BUSINESS

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Water Quality Required	Total Investment Incurred September 30, 2017	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume	Tariff/ Expected Tariff				
Longjiang Regional Headquarters																	
1	Heilongjiang	Hegang City Wastewater Treatment and Reclaimed Water Treatment Plant 2nd Stage)(鶴崗市污水處理及再生水利用項目(東區二期))	Future project	Hegang Longjiang Environmental Protection Water Co., Ltd.	58.0	N/A ⁽²⁰⁾	N/A ⁽²⁰⁾	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	30,000	30,000 ⁽²¹⁾	0.9	N/A ⁽²⁰⁾	nil	N/A	January 2017
2	Heilongjiang	Hegang City Wastewater Treatment and Reclaimed Water Treatment Plant 2nd Stage)(鶴崗市污水處理及再生水利用項目(西區二期))	Future project	Hegang Longjiang Environmental Protection Water Co., Ltd.	58.0	N/A ⁽²²⁾	N/A ⁽²²⁾	BOT	Service concession arrangement shall commence on the date when it commences commercial operation	30	50,000	50,000 ⁽²³⁾	0.9	N/A ⁽²²⁾	nil	N/A	January 2017

(20) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date and total investment required will only be known or decided nearer to the commencement of the project.

(21) The guaranteed minimum treatment volume stipulated in the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (East Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(東區一期)) and Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (East Plant 2nd Stage) (鶴崗市污水處理及再生水利用項目(東區二期)).

(22) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date and total investment required will only be known or decided nearer to the commencement of the project.

(23) The guaranteed minimum treatment volume stipulated in the service concession arrangement of this project is the total guaranteed minimum treatment volume of Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (West Plant 1st Stage) (鶴崗市污水處理及再生水利用項目(西區一期)) and Hegang City Wastewater Treatment and Reclaimed Water Treatment Project (West Plant 2nd Stage) (鶴崗市污水處理及再生水利用項目(西區二期)).

BUSINESS

No.	Location	Project	Progress/ Phase	Project Company	Our Group's Effective Interest	Expected Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement					Total Investment Incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽⁵⁾	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/ Expected Tariff (RMB/ton, including VAT)	Water Quality Required				
3	Heilongjiang Hulan District Old Town Second Wastewater Treatment Plant Project (哈爾濱 市呼蘭區老鎮區 第二污水處理廠 項目)	To be constructed	Harbin City Lancheng Environment Water Co., Ltd.	58.0	April 10, 2018	November 30, 2018	BOT	Service concession arrangement shall commence on the next day of the completion of inspection and acceptance formalities	15	30,000	None	N/A ⁽²⁴⁾	Class I Standard A	nil	123.3	N/A ⁽²⁵⁾	January 2018	

(24) As of Latest Practicable Date, the tariff is yet to be determined by/agreed with the Government Grantor.

(25) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

Reclaimed Water Treatment Projects

No.	Location	Project	Project Progress/Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (RMB in million)	Commencement Date of Consolidation with our Group's Financial Statements		
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/Expected Tariff (RMB/ton, including VAT)					Water Quality Required	
Nanfang Regional Headquarters																			
1	Jiangsu	Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage Water Reclamation Program (黃橋工業園區污水處理廠(一期)項目中水回用工程)	To be constructed	Taixing City Nanfang Water Co., Ltd.	91.2	April 15, 2018	February 28, 2019	BOT	September 29, 2017	30	3,000	3,000	2.5	Reclaimed water quality standard	130.3 ⁽²⁾	nil	130.3 ⁽³⁾	8	November 2017
2	Jiangsu	Huangqiao Industrial Park Wastewater Treatment Plant Project 2nd Stage Water Reclamation Program (黃橋工業園區污水處理廠(二期)項目中水回用工程)	Future Project	Taixing City Nanfang Water Co., Ltd.	91.2	N/A ⁽⁴⁾	N/A ⁽⁴⁾	BOT	September 29, 2017	30	3,000	2,100 from the first year of commercial operation and shall increase by 300 each year thereafter until it reaches 3,000	N/A ⁽⁵⁾	Reclaimed water quality standard	N/A ⁽⁴⁾	nil	N/A	N/A ⁽⁶⁾	November 2017

(1) Investment payback period = Total investment ÷ ((tariff – cost/ton) multiply by (360 and designed capacity)).

(2) This is the total investment in Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage (黃橋工業園區污水處理廠(一期)項目) and Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage Water Reclamation Program (黃橋工業園區污水處理廠(一期)項目中水回用工程).

(3) This is the total investment to be incurred in Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage (黃橋工業園區污水處理廠(一期)項目) and Huangqiao Industrial Park Wastewater Treatment Plant Project 1st Stage Water Reclamation Program (黃橋工業園區污水處理廠(一期)項目中水回用工程).

(4) This is a future project, and therefore the relevant details such as the expected construction commencement date/completion date and the total investment required will only be known or decided nearer to the commencement of the project.

(5) As of Latest Practicable Date, the tariff is yet to be agreed with the end user.

(6) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

BUSINESS

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Total Investment Incurred as of September 30, 2017	Total Investment Incurred	Estimated Investment Payback Period ⁽⁷⁾	Commencement Date of Consolidation with our Group's Financial Statements	
										Granted Concession Period	Designed Capacity	Guaranteed Minimum Treatment Volume	Tariff/Expected Tariff					Water Quality Required
					(%)	(Year)	(tons/day)	(tons/day)	(RMB/ton, including VAT)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)			
Longjiang Regional Headquarters																		
1	Anhui	Lingbi County Wastewater Treatment Project	Future project	Lingbi Chenxin Green Industry Development Co., Ltd. (靈璧臣信綠色產業發展有限公司)	46.4	N/A ⁽⁷⁾	N/A ⁽⁷⁾	BOT	June 22, 2017	30	25,000	15,000	1.025	Reclaimed water quality standard	nil	N/A	N/A	June 2017

(7) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date and total investment required will only be known or decided nearer to the commencement of the project.

Sludge Treatment Project

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Commencement of Service Concession arrangement	Service Concession Arrangement				Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Total Investment to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (RMB in million)	Commencement Date of Consolidation with our Group's Financial Statements
										Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)	Tariff/Expected Tariff (RMB/ton, including VAT)					
Fudan Regional Headquarters																		
1	Henan	Nanyang City Wastewater Treatment Plant Sludge Treatment and Disposal Project 2nd Stage (南陽市污水處理廠二期工程)	Future project	Nanyang City Zhonghui Sludge Treatment Resource Utilization Co., Ltd.	69.1	N/A ⁽²⁾	N/A ⁽²⁾	BOT	August 12, 2011	26	100	140 from the first three years of commercial operation and shall increase to 180 for the fourth year and 200 for the fifth year and thereafter	232.96	nil	N/A	N/A ⁽³⁾	September 2016	
					(%)					(Year)	(tons/day)	(tons/day)	(RMB/ton, including VAT)	(RMB in million)	(RMB in million)	(RMB in million)	(RMB in million)	

(1) Investment payback period = Total investment ÷ ((tariff – cost/ton) multiply by (360 and designed capacity)).

(2) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date and total investment required will only be known or decided nearer to the commencement of the project.

(3) Unable to determine the investment payback period as the tariff or the expected tariff has yet to be determined/agreed as of the Latest Practicable Date.

Water Supply Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest (%)	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Service Concession Arrangement				Total Investment (RMB in million)	Total Investment Incurred as of September 30, 2017 (RMB in million)	Total Investment Incurred to be Incurred (RMB in million)	Estimated Investment Payback Period ⁽¹⁾ (RMB in million)	Commencement Date of Consolidation with our Group's Financial Statements
									Commencement of Service Concession arrangement	Granted Concession Period (Year)	Designed Capacity (tons/day)	Guaranteed Minimum Treatment Volume (tons/day)					
Shandong Regional Headquarters																	
1	Hunan	Yiyang City Municipal Water Supply Project Fourth Water Plant (益陽市第四供水項目第四水廠)	To be constructed	Yiyang City Tap Water Co., Ltd.	90.0	March 20, 2018	December 31, 2018	BOT	January 17, 2016	28	200,000	None	N/A ⁽²⁾	501.1	501.1	N/A	March 2016

(1) Investment payback period = Total investment ÷ ((tariff – cost/ton) multiply by (360 and designed capacity)).

(2) The tap water tariff will be announced by the local government nearer to the completion of the construction.

Waste Incineration Projects

No.	Location	Project	Progress/Phase	Project Company	Our Group's Effective Interest	Expected Construction Commencement Date	Expected Completion Date	Type of Project Model	Service Concession Arrangement			Total Investment Amount incurred as of September 30, 2017	Total Investment to be Incurred	Estimated Investment Payback Period ⁽¹⁾	Commencement Date of Consolidation with our Group's Financial Statements
									Commencement of Service Concession arrangement	Granted Concession Period	Guaranteed Minimum Treatment Volume				
						(%)	(Year)	(tons/day)	(tons/day)	(RMB/ton, including VAT)	(RMB in million)	(RMB in million)	(RMB in million)		
Waste Incineration Business Unit															
1	Sichuan	Dazhou City Municipal Household Waste Incineration Project 2nd Stage (遂州市城市生活垃圾焚烧发电项目二期段)	Future project	Dazhou Jiating Environment Renewable Resource Co., Ltd.	100.0	N/A ⁽²⁾	N/A ⁽²⁾	BOO	N/A ⁽²⁾	30	350	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽³⁾	February 2014

(1) Investment payback period = Total investment ÷ ((tariff – cost/ton) multiply by (360 and designed capacity)).

(2) This is a future project, and therefore the relevant details such as expected construction commencement date/completion date and total investment required will only be known or decided nearer to the commencement of the project.

(3) Unable to determine the investment payback period as the tariff or the expected tariff and the total investment have yet to be determined/agreed as of the Latest Practicable Date.

Other Projects

In addition to the above projects, during the Track Record Period, we also undertook other projects that are ancillary to our services. For instance, we undertake the installation of wastewater pipeline system, sewage systems, pump stations, and wastewater collector networks, which are all ancillary to our wastewater treatment services. Other projects include water supply system, water supply pipeline and landfill.

In addition, as of Latest Practicable Date, we had been commissioned to construct two wastewater treatment projects and we plan to tender these underlying wastewater treatment plants to be owned and managed under ROT project model when the tender notice is issued.

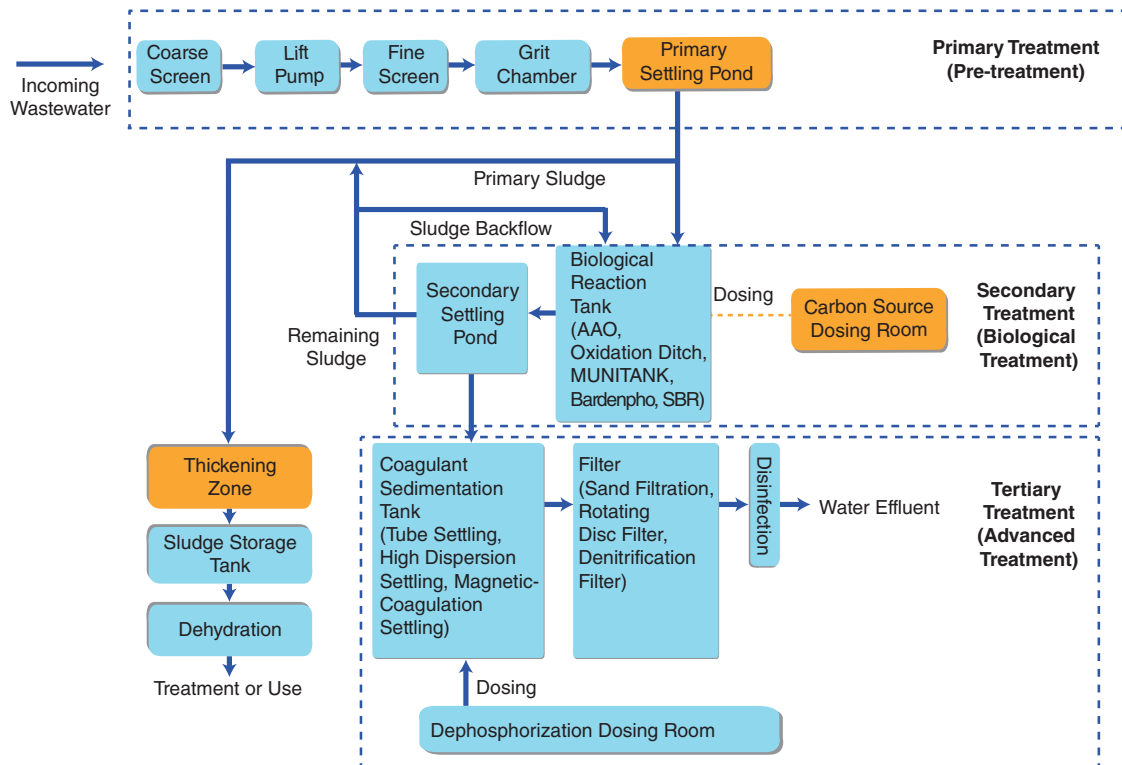
TREATMENT AND PRODUCTION PROCESSES**Wastewater Treatment Process**

As of September 30, 2017, we had 101 wastewater treatment projects in operation under our service concession arrangements and O&M projects. For the years ended December 31, 2014, 2015, 2016 and the nine months ended September 30, 2017, the average utilization rates of our wastewater treatment plants were 103.0%, 100.9%, 99.2% and 96.8%, respectively. For details of our average utilization rate, please see “Business – Utilization Rate”.

We focus on the treatment of municipal wastewater. In general, wastewater usually consists of domestic sewage and infiltrated ground water, which contains organic pollutants and pathogens that are likely to cause odor and transmit diseases and it must therefore be treated before being discharged. Wastewater is collected and carried through wastewater pipeline networks constructed and owned by local governments to wastewater treatment plants for treatment. We treat wastewater using physical, biological and chemical processes before it is discharged to the environment. We adopt various processes to treat wastewater based upon (i) the composition of the wastewater; (ii) the standards to be achieved for the treated wastewater; (iii) the volume of wastewater to be treated; and (iv) construction conditions and the impact of construction on the surrounding environment. Different treatment techniques can be combined to maximize the effect of the treatment and to reduce treatment costs.

BUSINESS

The following flowchart illustrates the major steps of our wastewater treatment process:



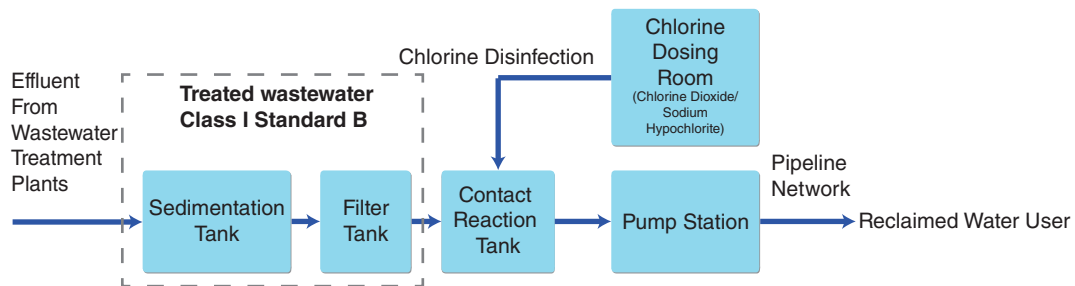
In general, wastewater is collected by the municipal wastewater pipeline network and pumped to the wastewater treatment plants for treatment. In a typical wastewater treatment system, wastewater treatment can be divided into three stages: pre-treatment stage, biological treatment stage and advanced treatment stage:

- Pre-treatment is the process in which larger floating particles in the wastewater are intercepted by physical treatment methods. The grit chamber removes grits or particles with heavier specific gravity and larger particle size that can be naturally settled. The primary sedimentation tank is used to decrease the solid concentration in the waste water.
- Biological treatment focuses on removing colloid and soluble organic pollutants in the wastewater through cultivated micro-organisms. The major technologies that we use in our wastewater treatment plants are AAO, Oxidation Ditch, MUNITANK, SBR and Bardenpho.
- Advanced treatment is the process in which TP, nitrogen, suspended solids and organic matters, which are difficult to degrade in the water, are further treated through physical and chemical treatment methods, and, if necessary, further treated in combination with the biological treatment methods.

Reclaimed Water Treatment Process

As of September 30, 2017, we had five reclaimed water treatment plants in operation with an aggregate daily treatment and supply capacity of approximately 220,000 tons. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, the average utilization rates of our reclaimed water treatment facilities were 50.0%, 91.4%, 105.9% and 107.3%, respectively. For details of our average utilization rate, please see “Business – Utilization Rate”.

The following flowchart illustrates the major steps in our reclaimed water treatment and supply process:

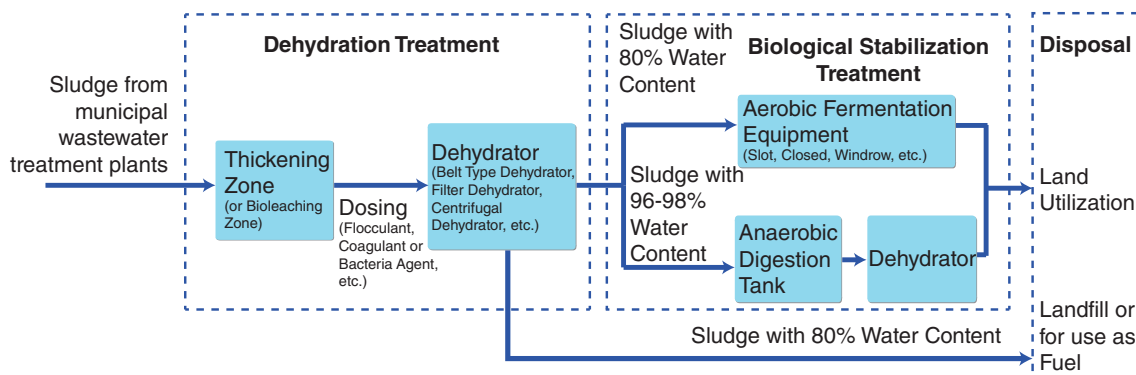


In order to meet the standards for use of reclaimed water, the outgoing water must first be treated with disinfectants to remove any live bacteria and viruses. The effluent from wastewater treatment plants that meets Class I Standard B but not Class I Standard A must also be treated through a sedimentation tank and a filter tank. The reclaimed water may be subject to further advanced treatment depending on the purpose of such reclaimed water. Once such standards are met, the outgoing water is supplied to reclaimed water users through water pumps and pipeline networks.

Sludge Treatment Process

As of September 30, 2017, we had five sludge treatment plants in operation with a total treatment capacity of 1,335 tons per day. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, the average utilization rates of our sludge treatment plants were nil, nil, 84.6% and 85.5%, respectively.

The chart below illustrates our typical sludge treatment process:



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In general, our sludge treatment process can be divided into three stages: dehydration, biological stabilization and disposal:

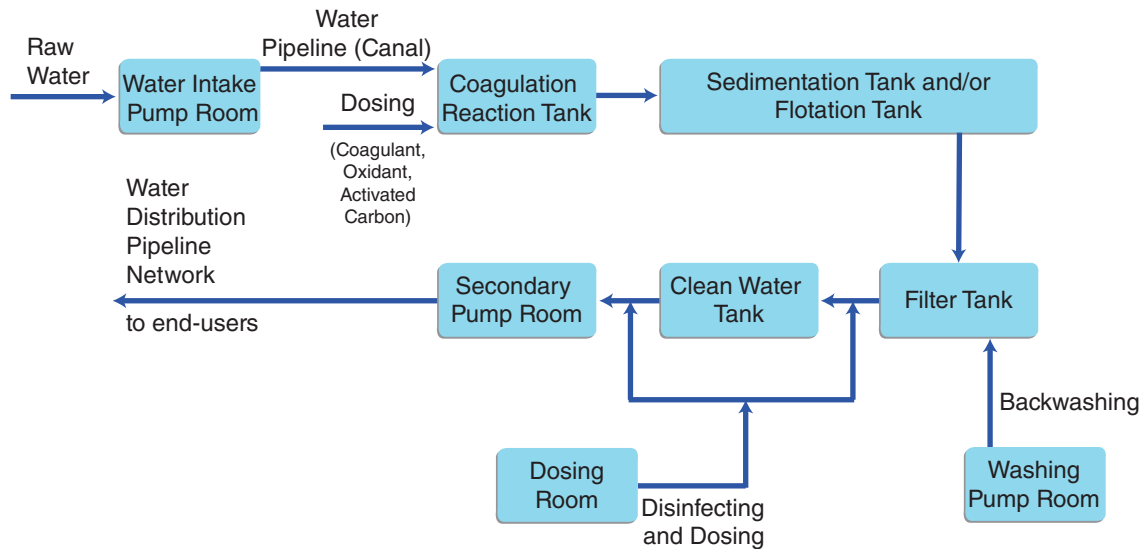
- Dehydration is the process by which sludge is dehydrated or deeply dehydrated by adding chemical agents and using chemical or biological treatments so that the water content of the sludge will decrease from 98%-99% to 80% (or to 60% after deep dehydration).
- Biological stabilization mainly includes aerobic and anaerobic biological treatments. Aerobic fermentation of sludge is the process through which organic matter in dehydrated sludge is degraded under high temperatures through aerobic respiration under aerobic conditions, turning the sludge into ripened sludge with stable properties. Anaerobic digestion of sludge is the process through which degradable organic matter in the sludge is decomposed into carbon dioxide, methane and water by facultative bacteria and anaerobic bacteria under anaerobic conditions so as to stabilize the sludge.
- At the disposal stage, the treated sludge is generally sent to landfills or used in incineration or land use.

Water Supply Production Process

As of September 30, 2017, we had 17 water supply projects in operation under our service concession arrangement projects and O&M projects with an aggregate daily supply capacity of approximately 1,785,000 tons. For the years ended December 31, 2014, 2015, 2016 and the nine months ended September 30, 2017, the average utilization rates of our water supply plants were 59.9%, 66.9%, 74.0% and 65.6%, respectively. For details of our average utilization rate, please see “Business – Utilization Rate”.

In general, our water supply process begins with the collection of raw water from a local river or other natural sources. The raw water is first treated using a biological pre-treatment process which uses micro-organisms to remove organic pollutants, ammonia nitrogen, nitrates and inorganic materials in the water. It is then combined with chemical reagents to agglomerate solid particles that are suspended in the water. The water is then discharged into a flocculation tank, where the agglomerated solids are accelerated to increase their density. Afterwards, the water enters the sedimentation tank where most of the solid and suspended organic compounds are removed. Remaining smaller and lighter solid particles are then removed through a filtration process. The water is then disinfected by adding a small amount of chlorine. Finally, the water is pumped into the municipal water pipeline for use and consumption.

The chart below illustrates the major steps of our water supply process:



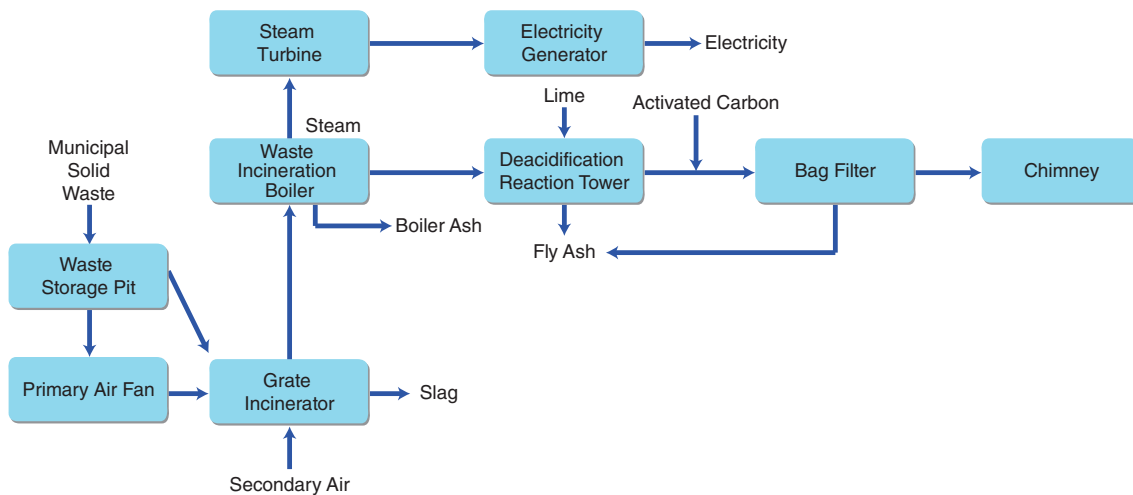
Our tap water plants generally adopt conventional water treatment techniques, including coagulation, sedimentation, filtration and disinfection:

- Coagulation is the process whereby coagulants and water are mixed uniformly to form large flocs. Depending on the quality of the raw water, oxidants, activated carbon and other reagents may be introduced in addition to the coagulants.
- Sedimentation is the process in which the flocs formed during coagulation are separated from the water by gravity action in the sedimentation tank. Air-flotation is the process in which some suspended solids are removed by micro air bubbles that adhere to suspended solids.
- Filtration is the process in which particles suspended in the water are generally intercepted by apertured granular filters like quartz sand filter through adhesion so as to further remove small suspended impurities and organic matters in the water and make the water clear.
- Disinfection is the process by which chemicals, such as hypochlorous acid, are oxidized in order to kill bacteria. The disinfected water in the clear water tank will be pressurized to a certain level through the pump house and then be supplied to users through transmission and distribution pipeline networks.

Waste Incineration Process

As of September 30, 2017, we had one waste incineration project in operation. For the years ended December 31, 2014, 2015, 2016 and the nine months ended September 30, 2017, the average utilization rates of our waste incineration plant were 95.3%, 91.1%, 86.4% and 112.3%, respectively. For details of our average utilization rate, please see “Business – Utilization Rate”.

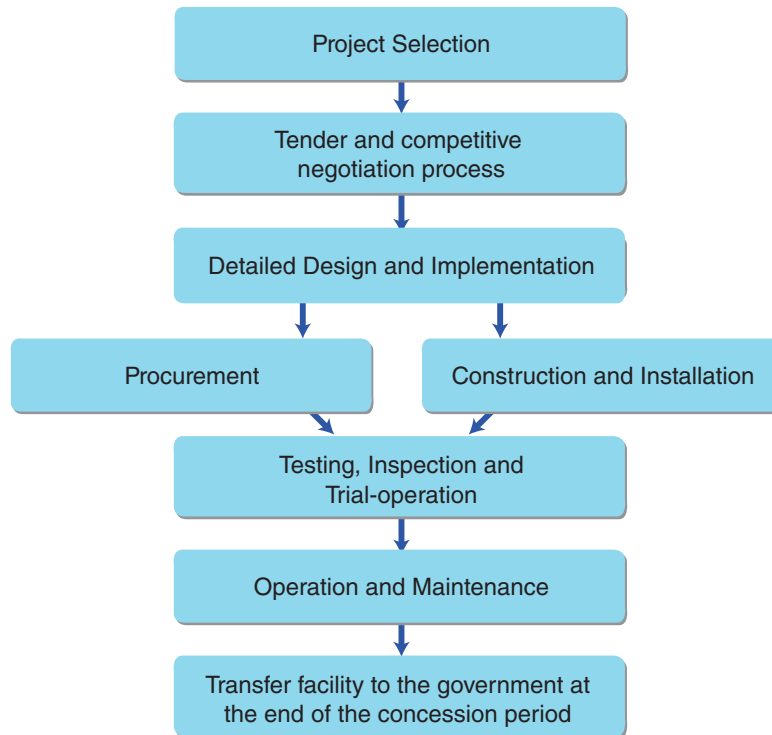
The following flow chart provides an overview of the major steps of our waste incineration process:



The municipal solid waste collected from cities and towns is transported to the incineration plant by waste trucks. After the municipal solid waste is weighed and recorded, the waste trucks enter the unloading hall and discharge the waste into the waste storage pit. The municipal solid waste in the waste storage pit is blended and ripened repeatedly by refuse cranes, and then it is sent into the grate incinerator for incineration treatment. It will then undergo drying, burning and burnout in three stages, and the waste in the grate incinerator (under the combustion conditions supported by large amounts of oxygen) is stirred for thorough burning. Meanwhile, high-temperature disinfection, sterilization, innocuity and volume reduction, minimization and stabilization treatments are carried out. High-temperature gas (usually between 850°C-1,050°C) produced by the waste burning will enter the waste incineration boiler for heat exchange, generating high-temperature and high-pressure steam that drives a steam turbine to generate electricity. Clean electricity is fed into the grid system after being supercharged by a transformer. The waste storage pit is closed and operates under micro-negative pressure, and the fumes in the pit are pumped by the primary air fan into the grate incinerator to support combustion. The flue gas produced during the waste burning is emitted through a chimney after deacidification, activated carbon absorption and ash removal by a bag filtering process. Wastewater is then discharged from the plant to a wastewater treatment station for physical, chemical and biological treatments and, after meeting the nanotube standards, it will be delivered to an urban wastewater treatment plant for further treatment to meet the applicable standard and eventually to be discharged. Residues produced during the burning of the waste will be recycled and ash will be transported to a landfill for burial after stabilization.

PROJECT MANAGEMENT PROCESS

We manage our service concession arrangement projects by using a number of processes. Depending on which project model is adopted, some of the processes may not be applicable. The followings are discussion of our typical project management process adopted in our BOT, BOO and TOT project models. Our typical project management process includes the following:



Project selection (applicable to the BOT, BOO and TOT project models)

We believe our excellent reputation in executing and operating wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration projects over the years enables us to compete with our peers and to obtain high quality new projects. We pursue projects granted by local governments or designated agencies in our targeted regions. Some new projects in our portfolio are expansion or upgrade projects from our existing customers as a result of increasing demand for additional treatment volume or improvement in environmental standards. Our investment department and project companies proactively seek potential projects by collecting market information from existing customers and other market participants. In relation to project model selection, such as BOT, BOO and TOT projects, our investment department will lead and organize project selection. Our investment department will first collect extensive information to understand the target projects. Based on the project information collected, our investment department will contact the government to investigate the project’s background and will make a preliminary judgment about the project. At the same time, our investment department will organize our other departments to jointly carry out due diligence on the target projects. After due diligence, our investment department and other relevant departments will assess and analyze the projects for their investment potential, set the threshold conditions and terms for any investments, and prepare investment plans. The pricing aspects of investment plans are calculated by the investment department or the production department.

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The main standards we use for evaluating potential projects include: credibility and credit records of potential customers and sources of their project funds; internal resources and external financing available for the projects; our understanding of the local market; specific requirements of our customers; existing technologies and alternative technologies concerning the projects; the possibility of our successful acquisition of potential projects; predicted costs and revenues; influences of acquisition on cash flow, liabilities level/repayment and so on. Our investment department will collect extensive information about projects according to the Company's investment plans and development strategies. On this basis, the investment department will preliminarily select the projects, work out a feasibility or investment report for the projects it deems worth further review by our management, and submit the report to our deputy general manager (vice president) for review and to our general manager (president) for approval. During the project evaluation, we will organize a special work team for the projects to carry out a feasibility study and due diligence investigation. Based on the data obtained through investigation, our investment department will produce an investment report and submit it to our investment review committee for consideration and approval.

Public Tender and Competitive Negotiation Procedures (applicable to BOT, BOO and TOT Project Models)

As our customers are usually governments, in general we will need to acquire new projects via public tender or competitive negotiation except for upgrading or expansion works for some of our existing projects.

Public Tender

For public tender, tender notices can be generally accessed through the Internet or announcement published by the local government. Usually, we prudently select the tender notices of potential projects. After the commencement of tender process, we usually have a period to inquire about the tender provisions with the local government and prepare the final bidding documents, which should be submitted within 20 to 30 days under the relevant PRC laws and regulations. We generally prepare and submit bidding documents according to the bidding provisions issued by relevant local government.

According to the information collected and reports produced by our investment department, our business team actively participates in the bidding process and prepares relevant bidding documents based on their professional knowledge in various fields. Such a process consists of careful consideration of project quotation, technologies and treatment process used/involved in the projects, and the project's overall operation costs.

After submission of the bidding documents, the local governments will take into account many factors in the bidding evaluation. These factors include the applicants' project quotation, credentials and qualifications, project management ability, reputation, experience, technical design and suggested commercial terms of the major management and technical persons.

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During the Track Record Period, we were not aware of any disputes, claims or complaints in relation to our tendered projects or our acquisitions. For details of the regulatory and procedural requirements of the public tender process, see “Regulations Overview – Concession in Municipal Public Utilities Projects”.

According to the Measures for the Administration of Concession for Infrastructure and Public Utilities, government authorities are required to select investors and operators of public utility projects through public tender. However, pursuant to the Government Procurement Law, government procurement may be conducted in the form of public tender, competitive negotiation or other methods. Although public tender is generally viewed as the primary method for government procurement, the government may also procure services and/or construction through competitive negotiations in accordance with the Government Procurement Law.

For the year ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, we had four, eight, four and eight successful bids, respectively, out of six, 10, 10 and 17 of our submitted public tender, representing a tender success rate of 67%, 80%, 40% and 43%, respectively. During the Track Record Period, the major factors that influenced our success rate were the local governments’ plans for the projects presented for bidding, our internal evaluation of the projects, and the competitiveness of other bidders. For details of the process and the main standards we use for evaluating potential projects, see “– Project Management Process – Project Selection (applicable to BOT, BOO and TOT project models”.

Competitive Negotiation

In addition to public tenders, we participate in competitive negotiations in order to obtain projects. The competitive negotiations we participate in are generally as follows: (i) local governments or institutions designated by them will set up a negotiation committee, which consists of their representatives and other experts; (ii) depending on the projects and the service suppliers’ qualifications, the governments or their designees will invite at least three potential candidates to participate in competitive negotiations in accordance with the Government Procurement Law; (iii) after inviting potential candidates to participate in the competitive negotiations, they have a one-on-one negotiations with each of the participants; (iv) the governments or their designees will then select a winner; (v) the governments will then notify the winner; and (vi) after obtaining approval of relevant governments, the parties will proceed to execute the service concession arrangements and other relevant agreements.

Signing of concession agreement

After winning a tender or a successful negotiation, we will sign a service concession arrangements, normally through our PRC operating subsidiaries or project companies, with our customers, usually the municipal, district or county level governments or their designees, to obtain the concession rights to operate the relevant plants. Under our TOT project model, we will sign either asset purchase agreements to purchase the relevant plants from the local governments or share purchase agreements to purchase the companies that own the relevant plants. According to the asset purchase agreements and share purchase agreements, we will acquire the underlying assets for a consideration either to be paid in installments or a lump sum depending on the parties’ negotiation. After signing the asset purchase agreements and share purchase agreements, we will sign service concession arrangements with the local governments in order to obtain the concession right to operate the relevant plants during the concession period.

Design planning and obtaining government approvals (applicable to the BOO and BOT project models only)

Before we commence construction of a plant, certain approvals and permits are required from the relevant authorities. The local governments usually assist us in obtaining the relevant approvals and permits. See “Business – Licenses and Permits” for details of the approvals and permits that we need in order to commence construction of plants.

After obtaining the necessary approvals and permits, our project companies lead the preparation of a project implementation plan. This process generally entails conducting further due diligence and a deeper analysis of the issues identified in the due diligence. We outline and plan the proposed treatment processes or supply processes to be contained in the project implementation plan, taking into account our customers’ specifications and the relevant PRC laws and regulations. We sometimes commission qualified design institutes to draft design proposals. We will work closely with them throughout the design planning process, which typically takes approximately one to two months depending on the complexity of the project. We will need to submit the design scheme to the government for examination and approval and cannot proceed with construction work until we obtain relevant approvals.

Procurement, Construction and Installation (applicable to the BOT and BOO project models only)

In relation to our BOT and BOO projects, we are responsible for constructing the relevant treatment/supply plants. In general, we do not construct plants by ourselves but engage qualified third-party contractors to construct plants and install the necessary equipment and systems. For our procedures for selecting relevant contractors, see “Business – Suppliers – Contractors”.

In some projects, the materials used for constructing plants and the equipment and systems installed during construction are provided or purchased by the third-party contractors. Depending on the terms of our contracts with third-party contractors, in some projects we are required to supply and purchase such materials and equipment by ourselves. Our procurement policies generally require that materials and equipment be purchased via a tender process.

The third-party contractor will carry out construction according to approved design plans, and the construction process generally lasts several months to two years, depending on project specifications and complexity. We are responsible for paying service fees to the third-party contractor. After the third-party contractor begins construction of a plant, we will supervise the progress, quality and safety of the construction work during the construction period. We generally appoint a qualified third-party project supervision company to supervise the performance of the third-party contractor. If necessary, relevant governmental quality supervision departments will also supervise and examine the construction progress and quality and safety of the construction work.

Test, inspection and trial operation (applicable to the BOT and BOO project models only)

After the construction of a plant is completed, we will test, inspect and debug the system to ensure that the operation of the plant will meet our client's requirements and terms of the relevant service concession arrangements. Debugging a plant is a procedure involving the examination of equipment and the pipeline network and integrating them into a comprehensive operating system. After the test is completed, in some instances, depending on the terms stipulated in the service concession arrangements, the project will go through a trial operation stage. Before the plants enter into commercial operation, local environmental protection departments will evaluate the quality of the treated wastewater, reclaimed water, sludge or municipal solid waste or tap water supplied by the plants and will not approve commercial operation unless the relevant standards are met.

Operation and maintenance (applicable to the BOT, BOO and TOT project models)

We have developed a comprehensive plans for operating and maintaining plants, including quality control systems for the treatment supply stage, equipment maintenance and repair systems, process and operational management systems and the safety systems.

During the concession period, we operate and maintain our treatment and supply plants according to the customers' specifications and designated specifications stipulated in the service concession arrangements between us and the local government. Apart from our Shandong Regional Headquarters, our other regional headquarters will also engage a third party to provide maintenance and repair services. We maintain our plants on a regular basis. Maintenance is done regularly or as required by our maintenance management system depending on the type of equipment and components used in the plants. Our maintenance management system involves preventative measures and regular inspections in order to keep the plants in good condition. During the project operation period, we bear the cost of operation, maintenance and repair.

During the project operation period, we always comply with the required standards for wastewater treatment, reclaimed water treatment, sludge, tap water or municipal solid waste projects as stipulated in the relevant service concession arrangements as well as relevant state and local standards, in order to ensure the treated wastewater, reclaimed water, sludge, or municipal solid waste and tap water supply will meet both regulatory and contractual standards. Relevant government departments will test and supervise the quality of the treated wastewater, reclaimed water, sludge or municipal solid waste or tap water supplied by our plants. In our wastewater treatment business, the quality of most of our outgoing wastewater must comply with the Pollutant Discharge Standard for Municipal Wastewater Treatment Plants (GB18918-2002). In our urban water supply business, our source of water supply must meet the Surface Water Quality Standard (GB3833-2002) or Quality Standard for Ground Water (GB/T14848). Finished water and pipe network water from our urban water supply system are generally required to meet the Standards for Drinking Water Quality (GB5749-2006). During the Track Record Period, the sludge treated by our plants generally must comply with the standard of Mud for Land Improvement – Sludge Treatment by Municipal Wastewater Treatment Plant (GB/T24600-2009), Mud for Landscaping – Sludge Treatment by Municipal Wastewater Treatment Plant (GB/T23486-2009) or Mud for Blended Landfill – Sludge Treatment by Municipal Wastewater Treatment Plant (GBT23485-2009).

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During the operational period, we charge our customers for the services we provide in accordance with the relevant provisions in our service concession arrangements.

Transfer of projects from the government to us (applicable to the TOT project model only)

After entering into asset purchase agreements or share purchase agreements with us, the local governments will transfer the plants to us or our operating subsidiaries or project companies upon the date agreed in the agreements. In some cases, the local governments will also provide a warranty period for the transferred plants after the initial transfer date.

After receiving the plants, our investment department will take lead in establishing special transfer groups, which comprise members selected from the equipment department, operation and management department, investment department, personnel department, general management office and financial department. These group are responsible for transitioning the plants, including all equipment and personnel. Depending on the conditions and state of the transferred plants, we may carry out restorative repair work to the plants, if necessary. The restorative repair work is organized by the equipment department and involves the production department, engineering department, technology department and operation and management department. The proportion of the costs of the repair work that we will have to bear depends on the agreement signed between us and the local government. The government may bear such costs, depending on the specific provisions of the agreement.

Transfer to the government (applicable to the BOT and TOT project models only)

Under the BOT and TOT project models, we are required to transfer the treatment plants to the local governments following the expiry of the concession period. Generally, we will carry out all necessary repair work to the plants before such transfer to ensure that the plants are in good working order. After the completion of the transfer, we have no further operational or maintenance responsibilities. However, under certain service concession arrangements, we may provide a warranty to the local government for a specified period after the transfer of the plants.

LONGJIANG ACQUISITION

During the Track Record Period, we, through our wholly owned subsidiaries, Thrive Far Limited and SIIC Environment Holdings (Shenzhen) Co., Ltd., acquired a total of 32.7% of the equity interests in Longjiang in November 2016, a former associate of our Group, at an aggregate consideration of RMB836.0 million (the “**Longjiang Acquisition**”). As a result of this acquisition, our equity interest in Longjiang increased to 58.0% (aggregate total consideration is RMB1,241.0 million for acquisitions in 2014 and 2016), at which point Longjiang became a non-wholly owned subsidiary of our Group. The Longjiang Acquisition represents an important and strategic move in respect of our investment in the water services industry in the Northeast China. We believe the Longjiang Acquisition will increase our market share in the water services industry in China, promote our regional market presence and improve our overall industry position. In addition, our Directors believe that Longjiang has considerable growth potential. For details, see “Financial Information – Acquisition of Longjiang” and “History and Development – Major Acquisitions – Longjiang”.

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ACQUISITIONS AFTER THE TRACK RECORD PERIOD

After September 30, 2017, we acquired the following entities and assets in order to expand our businesses:

On November 30, 2017, we entered into a share transfer agreement with Thunip Corp., Ltd., a company principally engaging in environmental-related businesses, including operation of environmental pollution control facilities and environmental protection projects contracting services, and Ms. Zhang Li, each an Independent Third Party, to acquire 100% equity interest in Dalian Ziguang Water Co., Ltd. (大連紫光水務有限公司) (“**First Dalian Project**”), a company established in the PRC and on the same day, we also entered into another share transfer agreement with Thunip Corp., Ltd. and Times International Industries Limited, a company principally engaging in investment and investment management, each an Independent Third Party, to acquire the entire issued and paid-up share capital of Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd (大連紫光凌水污水處理有限公司) (“**Second Dalian Project**”), another company established in the PRC. Both transactions are expected to be completed in the first quarter of 2018. In addition, we lodged a tender offer for 51% equity interest in Weifang City Fangzi District SHC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司) (formerly known as Weifang City Fangzi District Water Company (濰坊市坊子區供水總公司)), which was accepted on September 18, 2017 and a share increase agreement was signed on November 16, 2017. We completed this transaction on the February 12, 2018 (“**Weifang Project**”). We expect to sign the new TOT concession agreement by the end of April 2018. Details of these projects and the terms/proposed terms of their respective concession agreements as of the Latest Practicable Date are set out below:

Acquisition	Project	Business	Project Type	Designed Capacity (tons/day)	Counter-party	Concession Agreement			
						Location	Tariff (RMB/ton, including VAT)	Remaining Concession Period	Minimum Intake (tons/day)
Dalian Ziguang Water Co., Ltd. (大連紫光水務有限公司)									
First Dalian Project	Dalian Laohutan Wastewater Treatment Plant Project (大連老虎灘污水處理廠項目) ⁽¹⁾	Wastewater Treatment	BOT	80,000	Dalian City Construction Authority	Liaoning	0.80	8 years and 3 months	80,000
First Dalian Project	Dalian Laohutan Wastewater Treatment Plant Project (Upgrade and Expansion) (大連老虎灘污水處理廠提標改造項目)	Wastewater Treatment	BOT	10,000	Dalian City Construction Authority	Liaoning	N/A ⁽²⁾	8 years and 3 months	10,000

(1) This project is currently undergoing upgrading works to upgrade water quality of treated wastewater to Class I Standard A, and the upgrading works are expected to complete by the end of June 30, 2018.

(2) As of Latest Practicable Date, the tariff is yet to be determined or agreed as the project is currently under construction.

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Acquisition	Project	Business	Project Type	Designed Capacity (tons/day)	Counter-party	Concession Agreement			
						Location	Tariff (RMB/ton, including VAT)	Remaining Concession Period	Minimum Intake (tons/day)
Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd (大連紫光凌水污水處理有限公司)									
Second Dalian Project	Dalian Lingshui River Wastewater Treatment Plant Project (大連凌水河污水處理廠項目) ⁽³⁾	Wastewater Treatment	BOT	60,000	Dalian City Construction Authority	Liaoning	0.79	9 years	60,000
Second Dalian Project	Dalian Lingshui River Wastewater Treatment Plant Project (Upgrade and Expansion) (大連凌水河污水處理廠提標改造項目)	Wastewater Treatment	BOT	20,000	Dalian City Construction Authority	Liaoning	N/A ⁽⁴⁾	9 years	20,000
Weifang City Fangzi District SHC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司)									
Weifang Project	Weifang City Fangzi District Water Corporation Capital Increase and Share Enlargement Project (濰坊市坊子區自來水總公司增資擴股項目)	Water Supply	TOT	40,000	Fangzi District Government	Shandong	Price for residents: 1.95; Price for non-residents: 2.90; and Price for special purpose use: 4.40	25 years	None

For our First Dalian Project, pursuant to the share transfer agreement, we agreed to pay consideration of RMB108.5 million for 100% of the equity interest in Dalian Ziguang Water Treatment Co., Ltd. The consideration was determined with reference to the earnings and growth potential of the company, the value of net assets owned by the company through the acquisition and independent valuation of the company's equity interest as of June 30, 2017 conducted by an independent valuer and will be settled by way of cash. Similarly, for our Second Dalian Project, pursuant to the share transfer agreement, we agreed to pay consideration of RMB97.0 million for 100% of the equity interest in Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd. The consideration was determined with reference to the earnings and growth potential of the company, the value of net assets owned by the company through the acquisition and independent valuation of the company's equity interest as of June 30, 2017 conducted by an independent valuer and will be settled by way of cash. Both share transfer agreements require us to settle all the outstanding payables and liabilities of the

(3) This project is currently undergoing upgrading works to upgrade water quality of treated wastewater to Class I Standard A, and the upgrading works are expected to complete by the end of December 31, 2018.

(4) As of Latest Practicable Date, the tariff is yet to be determined or agreed as the project is currently under construction.

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company, and they contain customary conditions, representations and warranties. For both transactions, we have made the first payment of RMB50.0 million in total and the remaining balance of RMB155.5 million shall be paid on the completion date. Both transactions are expected to be completed in the first quarter of 2018.

For our Weifang Project, our tender offer was accepted on September 18, 2017 and we subsequently signed on share increase agreement on the November 16, 2017. Subject to completion formalities, we will acquire 51% of the equity interest in Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司) for a total consideration of RMB79.1 million. The consideration was determined with reference to independent valuation of the company's equity interest as of April 28, 2017 conducted by an independent valuer and will be settled by way of cash. We completed this transaction on the February 12, 2018.

According to the audited financial statements of Dalian Ziguang Water Co., Ltd. (大連紫光水務有限公司) which were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC, for the years ended December 31, 2015 and 2016 and six months ended June 30, 2017, Dalian Ziguang Water Co., Ltd. (大連紫光水務有限公司) recorded a revenue of RMB24.5 million, RMB19.9 million and RMB9.8 million, respectively, a net profit before tax of RMB8.7 million, RMB8.3 million and RMB3.4 million and a net profit after tax of RMB6.5 million, RMB6.2 million and RMB2.8 million, respectively, of the same periods. As of December 31, 2015, 2016 and June 30, 2017, its total assets amount to RMB80.2 million, RMB84.3 million and RMB97.7 million, respectively and a net asset of RMB69.9 million, RMB76.1 million and RMB78.9 million, respectively, of the same periods.

For Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd (大連紫光凌水污水處理有限公司), according to its audited financial statement which were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC, for the years ended December 31, 2015 and 2016 and six months ended June 30, 2017, Dalian Ziguang Lingshui Wastewater Treatment Co., Ltd (大連紫光凌水污水處理有限公司) recorded a revenue of RMB16.4 million, RMB13.5 million and RMB6.5 million, a net profit before tax of RMB4.5 million, RMB4.5 million and RMB0.5 million and a net profit after tax of RMB3.3 million, RMB3.3 million and RMB0.5 million, respectively, of the same periods. As of December 31, 2015, 2016 and June 30, 2017, its total assets amount to RMB54.1 million, RMB54.9 million and RMB70.7 million, respectively, and a net asset of RMB37.0 million, RMB40.3 million and RMB40.8 million, respectively, of the same periods.

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For Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司), according to its audited financial statement for the year ended December 31, 2016, which were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC, and financial information extracted from the audited reports for the years ended December 31, 2015 and 2016 as disclosed in the open bid notice, Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司) recorded a revenue of RMB33.0 million and RMB36.9 million, respectively, and a loss of RMB6.2 million and RMB4.0 million, respectively. It had a total asset of RMB65.4 million and RMB57.0 million, respectively, and a net asset of RMB22.8 million and RMB35.9 million, respectively, as of December 31, 2015 and 2016.

We believe the First Dalian Project, the Second Dalian Project and the Weifang Project are strategic to us due to the following reasons: (i) the acquisitions of these projects allow us to expand our market share in the wastewater treatment and water supply market and at the same time consolidate our market position in the wastewater treatment industry and water supply industry; (ii) the Weifang Project will consolidate our water supply market share in Weifang, which we believe is very important for us, and (3) the earning and growth potential of First Dalian Project and Second Dalian Project. We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Hong Kong Listing Rules. For details, see “Waiver from Strict Compliance with the Hong Kong Listing Rules – 6. Businesses/Companies Acquired After The Track Record Period”.

SUPPLIERS

Our principal suppliers during the Track Record Period were construction contractors who constructed our facilities, design institutes that designed our treatment plants or supply plants, equipment vendors, suppliers of raw materials, such as wastewater treatment chemicals, and electricity suppliers who provided electricity to our facilities which we usually obtain from the local suppliers in the PRC.

For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, our five largest suppliers accounted for approximately 17.9%, 29.8%, 44.6% and 34.1%, respectively, of our total purchase costs and purchases from our largest suppliers accounted for approximately 7.6%, 9.9%, 14.2% and 8.2% of our total purchase costs, respectively, during the same period. We have been working with our five largest suppliers for more than a year. Our five largest suppliers typically offer us credit terms of up to 180 days and payments are generally made to us by inter-bank remittance. All of our five largest suppliers are Independent Third Parties, and none of our Directors, their respective close associates or any of our Shareholders holding more than 5% of the issued share capital of our Company as of the Latest Practicable Date, to the knowledge of our Directors, owned any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not enter into any long-term agreements with our suppliers.

We generally select suppliers through tenders or inquiries. We select contractors and design institutes based on their skills, qualifications, expertise and experience, and we also consider their track record and their financial condition. We require all of our independent contractors and design institutes to possess the requisite qualifications for undertaking the work for which they are commissioned. For our suppliers other than contractors and design institutes, we will assess their reputation and financial condition, quality of materials and services, pricing and track record. If suppliers are selected through inquiries, we generally require the shortlisted suppliers to be selected from our qualified suppliers list. Suppliers who are not on the list are subject to qualification appraisals as well as onsite inspections for important projects. Only after passing the appraisal can they be included on our qualified suppliers list. We typically select at least three suppliers from the qualified suppliers list for the inquiries process.

For our tender procedure, we have established management systems applicable to tenders and bidding. The tender application department will prepare tender work plans and tender documents together with other departments. Our tender documents normally contain important information about the relevant project and bidding process, including: (i) instructions for bidding; (ii) format of bidding documents; (iii) technical conditions, specifications and drawings (if applicable); (iv) contract terms, including general terms and particular terms; (v) performance guarantees and bonds; and (vi) bid evaluation methods.

In selecting contractors, we evaluate a variety of information about the suppliers, including: (i) legal status and qualification; (ii) relevant design, construction and installation qualifications (if applicable); (iii) financial conditions and credit status; (iv) previous experience and reputation; (v) tender price; and (vi) technical capabilities (if applicable).

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We usually enter into construction contracts with third-party contractors for our BOT or BOO projects. The third-party contractors are responsible for completing construction work in accordance with our design and any national and industry standards. The third-party contractors are normally responsible for procuring the raw materials and equipment, with the result that the contractors bear the risk of increases in the cost of raw materials. We make progress payments to our contractors based on the percentage of completion of the construction work. We normally pay 80% to 90% of the consideration during the construction phase, and up to 95% of the consideration after completion of the final acceptance test. We retain 5% of the consideration during the warranty period, which lasts one to two years depending on the terms of the relevant contracts. The retention money is released upon expiration of the warranty period. During the construction phase, the contractors bear all legal liabilities and economic losses arising from any accident caused by their insufficient safety measures.

We usually engage third-party design institutes to help design our BOT or BOO projects. The third-party design institutes are responsible for completing designs in accordance with the relevant national and industry standards. We normally pay up to 20% of the consideration for their services after executing the design contracts. We then make progress payments according to the percentage of completion of the design. The remaining 5% to 25% of the consideration will be paid to the design institutes upon acceptance of the constructed projects.

We have worked with most of our contractors, design institutes and other raw materials and equipment suppliers for more than a year. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes with any of them and did not experience any suspensions or delays of operation as a result of their failure to act in accordance with our agreements with them. We have access to alternative suppliers who offer similar materials with terms comparable to our existing suppliers. To mitigate the risks associated with any reliance on our major suppliers, we periodically seek potential alternative suppliers in the PRC and obtain quotes from such suppliers with the view to keeping in contact with potential suppliers who can offer favorable pricing and delivery terms. We believe that a ready pool of potential alternative suppliers will allow us to locate a replacement in a timely manner in the event that we need to replace any of our existing suppliers. During the Track Record Period, we had not experienced any material difficulties in obtaining any construction or design services, raw materials or equipment for our business operations.

INVENTORY

Our inventory consists primarily of raw materials, including treatment chemicals, packaging materials and other raw materials related to wastewater treatment, sludge treatment and water supply. We conduct regular inspection on inventory levels to reduce inventory risks and to maintain appropriate level of raw materials for our business operation. For more details, see “Financial Information – Description of Principal Consolidated Balance Sheet Items – Inventories”.

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RAW MATERIALS AND EQUIPMENT

During the Track Record Period, the main raw materials for our operations included raw water and chemicals (such as polyacrylamide, disinfectant and polyferric sulfate) we used in our wastewater treatment, tap water supply and sludge treatment facilities. In addition, equipment such as water pumps, agitators, grid machines, aeration machines, mud scrapers, gates, check gates, dehydrators, water decanters, electrical panels, quality control equipment, diesel, transportation equipment and loaders, were all used in our operations.

CUSTOMERS AND PRICING

Customers

During the Track Record Period, our customers for wastewater treatment, sludge treatment and waste incineration services were generally municipal, district or county-level governments in the PRC. We were generally able to establish long-term relationship with such local government entities due to the nature of our business. Our customers for reclaimed water treatment, EPC services and consultancy works and other services were generally private enterprises. Our customers for tap water supply services are commercial and non-commercial entities and individual households which are end users of the tap water we supply. We are generally able to retain our customers once they were connected to our water supply pipeline network and use our water supply services, unless such customers relocate from their current premises. During the Track Record Period, we did not receive any material complaints from our customers. We generally grant our customers a credit period of up to 180 days and payments are generally made to us by inter-bank remittance.

The total revenue from our top five customers for the three years ended December 31, 2016 and the nine months ended September 30, 2017 were approximately RMB664.0 million, RMB778.3 million, RMB825.7 million and RMB1,148.4 million, respectively, accounting for approximately 44.1%, 43.1%, 31.2% and 34.2% of our total revenue for such periods, respectively. Our top five customers during the Track Record Period were local government or functional departments of local government. For the year ended December 31, 2014, 2015, 2016 and nine months ended September 30, 2017, our largest customers accounted for 14.7%, 14.9%, 13.1% and 8.6% of our total revenue, respectively.

All of our five largest customers are Independent Third Parties, and none of our Directors, their respective close associates or any of our Shareholders holding more than 5% of the issued share capital of our Company as of the Latest Practicable Date, to the knowledge of our Directors, owned any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date. For additional information on our counterparty risk, please see “Risk Factors – Risks Relating to Our Business and Industry – We are exposed to credit and liquidity risks with respect to the payment structure under our project model agreements and payment delays or defaults by our customers as well as any failure to recoup construction costs due to failure to receive sufficient payments may negatively affect our business, financial condition, results of operations and prospects.”

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In addition, during the Track Record Period, to the best knowledge and belief of our Directors, one of our top five customers during the Track Record Period, i.e. local environmental protection authority, was also one of our top five suppliers for the year ended December 31, 2015. The table below sets forth types of services provided by us, revenue attributable to such customer, and the purchase costs attributable to such supplier, and the percentage to our total revenue and total purchase costs for the year ended December 31, 2015

2015	Revenue (RMB in thousands)	Percentage to our total revenue for the relevant period (%)	Purchase costs (RMB in thousands)	Percentage to our total purchase costs for the relevant period (%)	Services provided	Services engaged
Local environmental protection authority	77,005	4.3	60,000	5.6	Wastewater treatment	Construction of wastewater pipeline network

We engaged the local environmental protection authority to construct wastewater pipeline network to one of our wastewater treatment plant in 2015. They were one of our top five customers during the Track Record Period. Based on our historical record and credit, we granted a credit period of 60 days to the local environmental protection authority, which was shorter than the 180 days we normally granted to our local government customers. Negotiations of the terms of our services provided to them and services engaged with them were conducted on individual basis. To the best knowledge and belief of our Directors, the local environmental protection authority is an Independent Third Party.

Pricing

Tariffs for wastewater treatment, reclaimed water treatment and waste incineration are based on the terms of our services concession agreements while tariffs for water supply services are determined under polices set by local governments. Tariffs can increase in certain circumstances as provided in the service concession agreements or under applicable PRC law and regulation. See “Business – Key Terms of Our Service Concession Arrangements – Tariff and Settlements (applicable to the BOT, BOO and TOT project models)” and “Regulation Overview – Pricing”. The average tariff per ton (inclusive of VAT) for our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration under service concession arrangements projects and O&M Projects for the nine months ended September 30, 2017 was RMB0.94, RMB0.84, RMB416.94, RMB2.79 and RMB77.42, respectively. Our fees for our EPC construction and consultancy works and other services are determined on the basis of our construction and/or operating costs. We set forth below details of our pricing of our main services:

- Wastewater Treatment:** The tariff for our wastewater treatment services is usually set and calculated by the relevant local governments according to formulas stipulated in the relevant service concession agreements, taking into account investment amounts, construction costs, operational costs, amount of wastewater

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treated during the previous pricing period and reasonable returns on investment. In general, the service concession arrangements usually stipulate a guaranteed minimum treatment volume of wastewater to be treated and a guaranteed minimum unit price. Additionally, the tariff is not affected by the actual unit price the local governments charge to end users. For details of our service concession arrangements and guaranteed minimum treatment volumes, see “Business – Our Projects under Service Concession Arrangements and O&M Projects”.

- **Reclaimed Water:** We negotiate a contract price with each of our customers, taking into account treatment costs associated with their proposed uses and the cost of reclaimed water distribution. For further details, see “Business – Our Projects under Service Concession Arrangements and O&M Projects”.
- **Sludge Treatment:** The tariff for our sludge treatment services is usually set and calculated by the relevant local governments according to formulas stipulated in the relevant service concession agreements, taking into account investment amounts, construction costs, operational costs and amount of sludge treated during the previous pricing period and reasonable returns on investment. In general, the service concession arrangements usually stipulate a guaranteed minimum treatment volume of sludge to be treated and a guaranteed minimum unit price. Additionally, the tariff is not affected by the actual unit price the local governments charges to end users. For details of our service concession arrangements and guaranteed minimum volumes, see “Business – Our Projects under Service Concession Arrangements and O&M Projects”.
- **Tap Water Supply:** The tariff for our tap water supply services is calculated according to the volume of tap water consumed multiplied by the unit price set in accordance with the relevant laws and regulations while taking operational costs into account. Unit prices may be reset every few years and we can apply a price increase whenever operational costs increase due to changing market conditions as provided in the relevant agreement. A tiered pricing structure based on usage volume for residential and non-residential users was implemented in some areas pursuant to the Notice of Establishment of the Tiered Water Price Structure for Urban Residents. The notice provided that usage volume will be measured on an annual basis. During the Track Record Period, some of our water supply projects had implemented tiered pricing structures. For further details, see “Business – Our Projects Service Concession Arrangements and O&M Projects”.
- **Waste Incineration:** For our waste incineration projects, we generate revenue from two sources. We charge, usually local governments in the PRC, waste treatment fees based on the volume of municipal solid waste we process and, at the same time, we sell power generated from our power plants to power grid companies at on-grid electricity tariffs.

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The tariff for our waste treatment services is based on the volume of municipal solid waste treated by our plant and the unit price set out in the service concession arrangements. Most of our service concession arrangements include a guaranteed minimum amount of municipal solid waste to be delivered for processing during the concession period.

In 2012, the NDRC issued the Power Price Policy Notice, which is applicable to all waste-to-energy plants approved on or after January 1, 2006 and superseded the Trial Measures for the Management of Prices and Allocation of Costs for Power Generated from Renewable Energy (可再生能源發電價格和費用分攤管理試行辦法). The WTE Power Price Policy Notice provides that on-grid tariffs are calculated on the basis of the amount of on-grid electricity generated as well as the amount of municipal solid waste processed. The on-grid tariff for the first 280 kWh of power generated by every ton of waste is RMB0.65 per kWh (VAT inclusive), and the on-grid tariff for any additional power output is the same as that for coal power projects in neighboring areas. All of our waste incineration plants are subject to the provisions in the WTE Power Price Policy Notice.

Unit Prices/Tariff

The following tables set out the average unit prices/tariff of our wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration under our service concession arrangement projects and O&M projects during the Track Record Period.

	For the year ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
	RMB/ton, including VAT			
Wastewater Treatment	0.83	0.83	0.86	0.94
Reclaimed Water Treatment ⁽¹⁾	1.14	0.97	0.84	0.84
Sludge Treatment ⁽²⁾	–	–	238.65	416.94
Water supply	2.58	2.61	2.55	2.79
Waste incineration	78.65	65.75	82.76	77.42

Notes:

- (1) *Due to the tiered pricing structure implemented by Henggang Reclaimed Water Plant Project (橫崗再生水廠項目), the increase in the daily reclaimed water supply volume of this project during the Track Record Period led to the decrease of our average unit price of reclaimed water treatment from RMB1.14 per ton in 2014 to RMB0.84 per ton in 2016 and 2017. For details of the tiered pricing structure implemented by Henggang Reclaimed Water Plant Project (橫崗再生水廠項目), see “– Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.*
- (2) *Our average unit price of sludge treatment increased from RMB238.65 per ton for the year ended December 31, 2016 to RMB416.94 per ton for the year ended December 31, 2017, which was mainly due to the increase in the sludge treatment fee of Harbin City Wastewater Treatment Plant and Sludge Disposal Project 1st Stage (哈爾濱市污水處理廠污泥處置工程項目一期). For details of Harbin City Wastewater Treatment Plant and Sludge Disposal Project 1st Stage (哈爾濱市污水處理廠污泥處置工程項目一期), see “– Our Projects under Service Concession Arrangements and O&M Projects – Overview List”.*

UTILIZATION RATE

The following table set out the average utilization rate for our service concession arrangement projects and O&M projects which are in commercial operation during the Track Record Period.

	For the year ended December 31, 2014			For the year ended December 31, 2015			For the year ended December 31, 2016			For the nine months ended September 30, 2017		
	Average treated/supply volume ⁽¹⁾ (tons/day)	Average Designed Capacity ⁽²⁾ (tons/day)	Utilization rate ⁽³⁾ %	Average treated/supply volume ⁽¹⁾ (tons/day)	Average Designed Capacity ⁽²⁾ (tons/day)	Utilization rate ⁽³⁾ %	Average treated/supply volume ⁽¹⁾ (tons/day)	Average Designed Capacity ⁽²⁾ (tons/day)	Utilization rate ⁽³⁾ %	Average treated/supply volume ⁽¹⁾ (tons/day)	Average Designed Capacity ⁽²⁾ (tons/day)	Utilization rate ⁽³⁾ %
Wastewater treatment												
Nanfang Regional Headquarters . . .	1,267,640	1,222,329	103.7% ⁽⁴⁾	1,317,840	1,227,500	107.4% ⁽⁴⁾	1,380,487	1,249,603	110.5% ⁽⁴⁾	1,277,684	1,257,500	101.6% ⁽⁴⁾
Shandong Regional Headquarters . . .	786,299	815,000	96.5%	756,293	815,000	92.8%	754,638	896,959	84.1%	847,772	915,000	92.7%
Fudan Regional Headquarters	—	—	—	292,557	349,436	83.7%	578,030	622,838	92.8%	660,038	707,172	93.3%
Wuhan Regional Headquarters	652,821	590,000	110.6% ⁽⁴⁾	689,062	635,342	108.5% ⁽⁴⁾	724,074	658,675	109.9% ⁽⁴⁾	999,679	878,636	113.8% ⁽⁴⁾
Longjiang Regional Headquarters	—	—	—	—	—	—	344,396	385,219	89.4%	2,190,301	2,412,106	90.8%
Overall	2,706,760	2,627,329	103.0%⁽⁴⁾	3,055,753	3,027,278	100.9%⁽⁴⁾	3,781,625	3,813,294	99.2%	5,975,474	6,170,414	96.8%
Reclaimed water treatment												
Nanfang Regional Headquarters	24,999	50,000	50.0%	45,678	50,000	91.4%	53,075	50,137	105.9% ⁽⁵⁾	53,640	50,000	107.3% ⁽⁵⁾
Overall	24,999	50,000	50.0%	45,678	50,000	91.4%	53,075	50,137	105.9%⁽⁵⁾	53,640	50,000	107.3%⁽⁵⁾

Notes:

- (1) Average treated/supply volume (tons/day) = sum of total volume of treated wastewater or reclaimed water or sludge treated or supplied tap water during the period indicated/number of days of the period indicated (365 days for the year ended December 31, 2014, 2015 and 2016, 273 days for the nine months ended September 30, 2017).
- (2) Average designed capacity (tons/day) = sum of total designed capacity (per day) multiplied actual operating number of days for projects in operation during the period indicated/number of days of the period indicated (365 days for the year ended December 31, 2014, 2015 and 2016, 273 days for the nine months ended September 30, 2017).
- (3) Utilization rate = Average treated or supply volume/designated capacity x 100%.
- (4) During the Track Record Period, the average treated wastewater volume of our wastewater treatment plants exceeded their respective designed daily capacity due to abundance rain in some PRC provinces, which cause some of our wastewater treatment plants received more incoming wastewater than originally anticipated. In general, the actual processing capacities of our wastewater treatment plants are higher than their respective designed capacities, to ensure continuous normal operations. As of the Latest Practicable Date, we are in the process of constructing certain new wastewater treatment plants and upgrading selected existing wastewater treatment plants and related infrastructure in order to increase the designed treated and processing capacity of such plants. For more details, please see "Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List".
- (5) During the Track Record Period, the average treated reclaimed water volume of our reclaimed water treatment plants exceeded their respective designed daily capacity due to abundance rain in some PRC provinces, which cause some of our reclaimed water treatment plants received more incoming wastewater than originally anticipated. In general, the actual processing capacities of our reclaimed water treatment plants are higher than their respective designed capacities, to ensure continuous normal operations. As of the Latest Practicable Date, we are in the process of constructing certain new reclaimed water treatment plants and related infrastructure in order to increase the designed treated and processing capacity of such plants. For more details, please see "Business – Our Projects under Service Concession Arrangements and O&M Projects – Overview List".

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	For the year ended December 31, 2014		For the year ended December 31, 2015		For the year ended December 31, 2016		For the nine months ended September 30, 2017									
	Average treated/supply volume ⁽⁶⁾	Average Designed Capacity ⁽²⁾	Average treated/supply volume ⁽⁶⁾	Average Designed Capacity ⁽²⁾	Average treated/supply volume ⁽⁶⁾	Average Designed Capacity ⁽²⁾	Average treated/supply volume ⁽⁶⁾	Average Designed Capacity ⁽²⁾								
	(tons/day)	(tons/day)	(tons/day)	(tons/day)	(tons/day)	(tons/day)	(tons/day)	(tons/day)								
Sludge treatment																
Fudan Regional Headquarters	-	-	-	-	-	-	78	100	77.6%	204	300	68.0%				
Wuhan Regional Headquarters	-	-	-	-	-	-	-	-	-	275	325	84.5%				
Longjiang Regional Headquarters	-	-	-	-	-	-	99	109	91.1%	646	690	93.6%				
Overall	-	-	-	-	-	-	177	209	84.6%	1,125	1,315	85.5%				
Water supply																
Shandong Regional Headquarters	188,957	380,000	192,662	380,000	50.7%	431,309	623,014	69.2%	441,553	700,000	63.1%					
Wuhan Regional Headquarters	263,659	375,000	312,135	375,000	83.2%	328,755	376,027	87.4%	340,675	375,000	90.8%					
Longjiang Regional Headquarters	-	-	-	-	-	55,193	101,945	54.1%	323,633	610,000	53.1%					
Overall	452,617	755,000	504,797	755,000	66.9%	815,257	1,100,986	74.0%	1,105,861	1,685,000	65.6%					
	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾	Utilization rate⁽³⁾				
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)				
	Electricity Produced	Amount of Municipal Solid Waste Received	Amount of Municipal Solid Waste Treated	Amount of Municipal Solid Waste Treated	Amount of Electricity Produced	Amount of Electricity Produced	Amount of On-grid Electricity	Amount of On-grid Electricity	Utilization Rate⁽⁷⁾	Electricity Price	Electricity Price	Electricity Price				
	(tons/day)	(approximate tons)	(approximate tons)	(approximate tons)	(approximately MWh)	(approximately MWh)	(approximately MWh)	(approximately MWh)	(%)	(RMB/kWh)	(RMB/kWh)	(RMB/kWh)				
Waste incineration																
2014:	667.0	2014: 237,069	2014: 204,107	2014: 204,107	2014: 5,886.4	2014: 5,238.6	2014: 5,238.6	2014: 5,238.6	2014: 95.3%	2014: 0.66	2014: 0.66	2014: 0.66				
2015:	638.0	2015: 227,596	2015: 232,871	2015: 232,871	2015: 6,558.3	2015: 5,606.2	2015: 5,606.2	2015: 5,606.2	2015: 91.1%	2015: 0.66	2015: 0.66	2015: 0.66				
2016:	604.7	2016: 221,627	2016: 221,336	2016: 221,336	2016: 7,537.6	2016: 6,340.5	2016: 6,340.5	2016: 6,340.5	2016: 86.4%	2016: 0.66	2016: 0.66	2016: 0.66				
Nine months ended September 30, 2017:	786.2	2017: 231,290	2017: 214,634	2017: 214,634	2017: 6,362.0	2017: 5,413.3	2017: 5,413.3	2017: 5,413.3	2017: 112.3% ⁽⁸⁾	2017: 0.66	2017: 0.66	2017: 0.66				

Notes:

(6) Average daily processed volume = total annual volume of municipal solid waste treated / actual number of days the relevant plant was in operation during the period indicated.

(7) Utilization rate = amount of municipal solid waste treated/designed processing capacity over the period indicated x 100%.

(8) For the nine months ended September 30, 2017, the average treated municipal solid waste of our waste incineration plant exceeded its respective designed daily capacity due to excessive municipal solid waste being delivered to our plant by the local government, which cause our waste incineration plant received more incoming municipal solid waste than originally anticipated. In general, the actual processing capacities of our waste incineration plant is higher than its respective designed capacity, to ensure continuous normal operations.

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Sales of Tap Water

We distribute tap water directly to end users through our proprietary pipeline network. Our end users include residential and non-residential users. The table below sets forth information in relation to our tap water supply operations for the indicated periods:

	For the year ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
	(in million tons)			
Supply volume	165.2	184.3	297.6	301.9
Sales volume	117.6	122.2	185.7	183.9

Our total supply volume, including tap water we produced at our tap water supply plants, in 2014, 2015 and 2016 and for the nine months ended September 30, 2017 was 165.2 million tons, 184.3 million tons, 297.6 million tons, and 301.9 million tons, respectively. Our total sales volume in 2014, 2015 and 2016 and nine months ended September 30, 2017 was 117.6 million tons, 122.2 million tons, 185.7 million tons, and 183.9 million tons, respectively. The difference in supply volume and sales volume represented volume loss of 29%, 34%, 38% and 39% in 2014, 2015 and 2016 and the nine months ended September 30, 2017, respectively. Volume loss was caused by a number of reasons, including pipe leakage and discrepancy between actual volume used and reported by end users. During the Track Record Period, we took various measures to proactively reduce volume loss, including upgrading old pipelines, increasing frequency of pipeline maintenance to detect and fix leakage point, and enhancing meter reading effort. However, our efforts to reduce the volume loss was offset by the new water supply projects we acquired during the Track Record Period especially those under TOT project model. These new projects have higher volume loss and it will take us sometime to reduce the volume loss. As a result, we only able to maintain our volume loss between 29% and 39% during the Track Record Period.

MARKETING AND SALES

Due to the nature of our businesses, minimal marketing is required after we secured the applicable projects. For our business development efforts for new projects, see “– Project Management Process – Project Selection (applicable to BOT, BOO and TOT project models)”. The senior management team of each of our project companies is responsible for maintaining customer relationships and promoting our services.

PROJECT FINANCING

For our service concession arrangement projects, we do not receive payments from our customers until the projects are in operation or for our construction project upon the completion of the constructed project. As a result, we have to incur substantial capital expenditure in developing such projects. Please see “Risk Factors – Risks Relating to our Business and Industry – Our business requires a large amount of capital to finance our ongoing operations and expansion. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, financial condition and results of operations”. During the Track Record Period, we funded the development and construction costs of our service concession arrangement projects and construction projects through internal resources and bank borrowings. During the Track Record Period and up to the Latest Practicable Date, in compliance with the relevant PRC laws and regulations, at least 20% of the development and construction costs of our service concession arrangement projects were funded through our internally generated funds with the remaining being financed through bank borrowings.

For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, our capital expenditures, which included expenditures on acquisition of subsidiaries, joint ventures and associates, service concession arrangements, land use rights and property, plant and equipment, were RMB1,657.4 million, RMB2,926.6 million, RMB1,745.1 million and RMB1,270.3 million, respectively. As of January 31, 2018, total borrowings amounted to RMB10.7 billion. Please see “Financial Information – Indebtedness” for more details of our outstanding borrowings balance.

Going forward, we intend to use our internal resources and to finance the development cost of our service concession arrangement projects and future acquisition projects.

As of the Latest Practicable Date, our planned capital expenditures for the year ended December 31, 2018 were expected to be approximately RMB1.9 billion. For details of our planned capital expenditures, please see “Financial Information – Capital Expenditures – Planned Capital Expenditures”.

Our planned capital expenditures may be subject to change due to variations in our future cash flow, results of operations and financial condition, changes in the PRC and the world economy, the availability of financing on terms acceptable to us, technical and other problems in obtaining and installing equipment, changes in the Regulatory Overview in the PRC and other factors.

QUALITY CONTROL

We endeavor to ensure our quality at different stages of our operations. We believe all of our quality control personnel possess the necessary industry experience to maintain the quality of our operations. At the project planning stage, we utilize our substantial experience to establish a comprehensive system for quality management, to ensure that the construction and technical plan is reasonable and that equipment and other procurement meets the needs of the construction. We formulate a design plan, conduct on-site due diligence, and design the related facilities accordingly. During construction stage of our facilities and EPC projects, we apply our extensive project management skills to closely monitor the progress and quality of the construction, which includes conducting inspections of materials, semi-finished products and finished products. When our treatment facilities, supply facilities or waste incineration plants come into operation, we will closely monitor the operation of our facilities and plants. For instance, for our wastewater treatment facilities and tap water supply facilities, we will continuously monitor the quality of the wastewater effluent and supplied tap water by using a computerized control system. This computerized control system is able to maintain on-line and real-time tracking of every aspect of our facility operation. In addition, during the operational stage, we generally schedule our plants for periodic inspection and maintenance.

In particular, for our wastewater treatment facilities, in order to ensure the quality of water inflow and outflow from our wastewater treatment facilities and to meet the requirements stipulated in our service concession arrangements, our regional headquarters of wastewater treatment uses on-line instruments such as DO, MLSS, ORP, COD_{Cr}, pH, TP and NH₃-N to monitor the water quality and if necessary, adjust the operating parameters in order to ensure that it will meet the water quality standard as stipulated in the service concession arrangements. Our project companies will analyse the data, and will classify and archive the water quality report for future reference. If the data shows any abnormality, we will investigate the incidents in a timely manner as part of our water quality management. Our regional headquarters establishes a clear line of responsibility during our water quality testing stage (such as laboratory operation, chemicals safe keeping etc) in order to ensure the reliability of water quality analysis. In addition, our professional technicians and laboratory personnel regularly track each aspect of our treatment systems in operations and maintain detailed records so that problems or defects in water quality can be expediently detected. This ensures the quality of our wastewater treatment and helps us pre-empt problems that may arise during operations such that they can be remedied as soon as possible.

Similarly to our wastewater treatment facilities, the tap water we distribute to end users has to meet the applicable quality standards, including the Standards for Drinking Water Quality (GB5749-2006) (生活飲用水衛生標準), which was jointly promulgated by the Standardization and Administration of the PRC and the Ministry of Health of the PRC (now known as the National Health and Family Planning Commission of the PRC) on 1 July 2007. For water quality inspection, we strictly follow the Drinking Water Standard Inspection Procedures (GBT5750) (生活飲用水標準檢驗方法). We also monitor the quality of raw water we procure from local rivers to ensure such raw water meets the Surface Water Environment Standards (GB3838) (地表水環境質量標準) by implementing water source protection

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management, whereby we carry out regular inspections of water quality near the water source and the surrounding environment of our water source. If the incoming raw water does not meet our required standards, for example, has excess pollutant in the raw water, we will cease the raw water collection for this plant. We also install a real-time water quality monitoring system or on-site sampling at each plant to track and record quality data of input and output water at regular intervals throughout the day. We also conduct induction training sessions regarding the proper use of facility equipment as well as safety procedures.

Except as disclosed in this listing document, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material quality problems with respect to our wastewater treatment, reclaimed water supply, supply services or waste incineration.

RISK MANAGEMENT AND INTERNAL CONTROL

We attach great importance to our internal control and risk management system, through which we identify, evaluate and manage various risks inherent to our business operations. Our Board of Directors supervise the overall operations of our internal control and risk management system supported by our Audit Committee and Risk and Investment Management Committee. The following table illustrates the responsibilities of our key organizations in charge of internal control and risk management matters.

<u>Key Organization</u>	<u>Main Responsibility</u>
Audit Committee	<p>The Audit Committee is assisted by various independent professional service providers, including the external auditor of our Company, a reputable accounting firm with international practice. The Audit Committee is responsible for carrying out assessments of the effectiveness of key internal controls of our Group.</p> <p>As of the Latest Practicable Date, the Audit Committee consisted of three Directors. For more details about their experience and background, see “Directors and Senior Management”.</p>
Risk and Investment Management Committee .	<p>The Risk and Investment Management Committee is responsible for overseeing our Group’s overall risk management framework and advising our Board on our Group’s risk related matters as well as investment management. As of the Latest Practicable Date, the Risk and Investment Management Committee consisted of three Directors, two senior management and one general manager. For more details about their experience and background, see “Directors and Senior Management.”</p>

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We manage our network through five regional headquarters — Wuhan Regional Headquarters, Nanfang Regional Headquarters, Shandong Regional Headquarters, Longjiang Regional Headquarters, Fudan Regional Headquarters and our waste incineration business unit, covering Northeast China, East China, Central China, South China, North China, Northwest China and Southwest China. Our headquarters in Shanghai provides guidance to these regional headquarters and provide guidance for essential business issues and risk management policies.

Our headquarters of the Group maintain a systematic project management system and operational management procedures. We have a uniform project selection and approval procedure for all new projects. We continuously invest in optimizing of our centralizing risk management system. We hold quarterly meetings and require the general managers, vice general managers responsible for finance and chief financial offers of our regional headquarters to attend. During such meetings, our regional headquarters are required to report to our headquarters their operational performance, material fluctuations of wastewater treatment and water supply, and material incidents. The quarterly meetings also provide a forum for our management throughout the Company to share know-hows and experiences. Leveraging the scale and diversity of our operation, we are able to share and transfer operational best practices and latest technologies across our nationwide project portfolio. The interactions help us to continuously improve the utilization rates of our facilities and our operational efficiency. Our professional management also helps ensure the quality of the wastewater effluent and supplied tap water, as well as extending the operating life of our facilities.

We have established a set of comprehensive risk management policies and measures to identify, evaluate and manage risks arising from our operations. Our Audit Committee oversees the financial controls and risk management systems of our Group. The head of the internal audit department is responsible for periodically reporting its findings and, where necessary, discusses any issues that may arise with our external legal advisers to help ensure that we are not in breach of relevant regulatory requirements or applicable laws.

We are exposed to various risks during our operation. Please see “Risk Factors” in this listing document for further discussion. We focus on enhancing our internal control and risk management systems. We have implemented various policies and procedures to ensure effective risk management in each aspect of our operations, financial reporting and recording, fund management, and compliance with applicable laws and regulations of Singapore, Hong Kong and the PRC. Our Board of Directors and senior management assume the overall responsibilities for overseeing the implementation of our internal control and risk management procedures and other measures throughout our Group. We have also established an Audit Committee to oversee the financial controls, internal control procedures and risk management systems of our Group and to carry out assessments of the effectiveness of key internal controls of our Group. In addition, we also establish a Risk and Investment Management Committee and the Risk and Investment Management Committee is responsible for overseeing our Group’s overall risk management framework and advising our Board on our Group’s risk related matters as well as investment management. We set forth below the identity and experience of each member of the Risk and Investment Management Committee: (1) Mr. Feng Jun, our executive Director, serves as the chairman of the Risk and Investment Management Committee. He is mainly responsible for overseeing the human resources related matters of our Group. Mr. Feng

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had been the assistant chief executive officer and chief investment officer of SIHL Holdings, a company listed on the Hong Kong Stock Exchange (stock code: 363), from June 2013 to December 2016; (2) Mr. Xu Zhan, our executive Director, is mainly responsible for overseeing the financial related matters and capital market affairs of our Group. Mr. Xu has worked in SIIC for over 20 years. He has been an executive director of SIHL Holdings, a company listed on the Hong Kong Stock Exchange (stock code: 363), since November 17, 2016; (3) Mr. Xu Xiaobing, our executive Director, is mainly responsible for overseeing the merger and acquisition related matters of our Group. He is currently also the deputy chief executive officer of SIHL Holdings, a company listed on the Hong Kong Stock Exchange (stock code: 363); (4) Mr. Huang Hanguang, the general manager of our Company since July 2010, is mainly responsible for the project operations of our Group. Mr. Huang has more than 20 years of experience in the water treatment industry; (5) Mr. Yang Anyuan, the deputy general manager of our Company since October 2017, is responsible for the legal and compliance management of our Group; and (6) Mr. Wu Qiang, the general manager of Fudan Water, is mainly responsible for the project operations and engineering technology related matters. Mr. Wu over 10 years of experience in securities, merger and acquisition, finance, project planning and corporate management. Mr. Wu also worked as a director and general manager of several other companies in the environmental protection industry in the past. For further information on the composition of our Audit Committee and Risk and Investment Management Committee and the qualification of its members, see “Directors and Senior Management” of this listing document. We will engage and continue to appoint external professional advisers, including auditors, legal or other advisers to render professional advice so as to comply with all the relevant laws and regulations applicable to us.

RESEARCH AND DEVELOPMENT

We believe that we have strong research and development capabilities, which have enhanced our ability to design and construct wastewater treatment and reclaimed water treatment solutions as well as water supply and waste incineration solutions. Our capabilities also enable us to adapt existing technologies to suit the specific needs of our customers. As of September 30, 2017, we had 26 research and development employees all held bachelor’s degrees or above, and among our 26 research and development employees, 13 of them had more than 10 years extensive experience in the relevant industry. We adopt a commercially driven approach to our research and development and have long-term investment in technological innovation and technology application.

We have established a Research and Development Center (“**Center**”) with the aim of improving environmental quality and strengthening intelligent operation management of our wastewater treatment plants and at the same time, achieving energy saving and cost reduction. The Center places emphasis on the development of enhanced nitrogen and phosphorus removal technologies, in-depth wastewater and drinking water processing technologies, development and application technologies of membrane treatment processes, integrated platform for simulation and management of water treatment processes and wastewater energy development technologies. It developed these technologies particularly for the Group to effectively solve difficulties and bottlenecks in the production of the Group. Meanwhile, focusing on the development trends of the environmental protection industry, the Center developed sludge reduction technologies, sludge energy development technologies and soil restoration & improvement technologies, and formed specialty sections that focus on the needs of specific areas of our operations.

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For the years ended December 31, 2014, 2015, 2016 and the nine months ended September 30, 2017, our research expenses were RMB1.7 million, RMB2.4 million, RMB1.8 million, and RMB3.7 million, respectively, accounting for 1.0%, 1.3%, 0.7% and 1.8% of our administrative expenses.

As a result of our research and development efforts, we have 45 registered patents in the PRC as of the Latest Practicable Date. Our research and development efforts focus on (i) improving and adapting our existing technologies and treatment techniques to meet the specific requirements of our current projects for the purpose of increasing their operating efficiency; and (ii) developing and commercializing new technologies in areas where we believe there is a strong growth potential in the near to medium term.

Core technologies that relate to our research and development efforts, comprising of technologies in the wastewater treatment systems, water reclamation systems, water supply systems and waste incineration systems, typically include the following: (i) interactive integrated biological treatment technology; (ii) MBR technology; (iii) Fenton fluidized bed technology; (iv) sludge aerobic fermentation technology; (v) water supply mixing technology with strong turbulence; (vi) ozone-intensed biological activated carbon advanced treatment technology; and (vii) ultraviolet/chlorine coupling disinfection technology.

The following are a few of our significant research and development projects which we currently undertake:

- **Robot for Pool Surface Inspection**

The activated sludge process is generally used in domestic sewage treatment processes, and technologists are required to conduct periodical inspections on status of the pool surface and operating condition of the aeration of the biochemical pool, which is the core process. We are currently researching and developing an intelligent inspection robot that can visually monitor various pool segments in the entire biochemical pool, and monitor dissolved oxygen on real-time basis, in order to realize intelligent real-time inspection and key indicators. This is monitored on a regular basis in the biochemical pool, to avoid situations such as false detections and missed detections caused by manual inspection, and to avoid certain safety loopholes existing in manual inspection, such as slipping and falling on rainy and snowy days.

- **Unmanned Aerial Vehicle System for Water-Quality Sampling**

We are currently researching and developing an intelligent unmanned aerial vehicle system for water-quality sampling that can fly to complicated water areas to water sampling in a timely manner, conduct monitoring, as well as obtain water-quality sampling in the nearby rivers outlets. This also aids in filling in gaps in monitoring and sampling measures for outlets, and providing the regional center maintenance teams with efficient and convenient intelligence equipment, so as to improve their efficiency of maintenance and helps speed up the reaction time of troubleshooting.

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In addition to our research and development efforts, we also entered into collaboration agreements with domestic institution. The terms of our collaboration agreements for research projects vary, depending on the subject and nature of the research and our arrangements with our research partners. Most of collaboration projects during the Track Record Period were funded by a combination of governments grant and/or our resources. Our research and development team usually participated in these collaboration projects. For these collaboration projects, we were typically entitled to the ownership of the intellectual property rights developed in the research process and there were usually no profit-sharing arrangements involved. During the Track Record Period, we worked with domestic institutions including Science and Technology Commission of Shanghai Municipality; Institute of Microbiology, Heilongjiang Academy of Sciences; Stanford’s William Cloy Codiga Energy Recovery Research Center; School of Municipal and Environmental Engineering of Harbin Institute of Technology; Key Laboratory of Environmental Biotechnology, RCEES, CAS; and Northeast Agricultural University, to conduct research and develop technologies that are mainly related to our business operation. We believe our research and development initiatives will enhance the performance of our current business.

AWARDS AND RECOGNITIONS

We have received various awards and recognitions in the PRC for our operations and business, including:

Year	Award/Certificate	Awarded Entity	Awarding Body
2013	“Theory and Technology of Membrane Pollution Control in the Process of Low-pressure Membrane Urban Water Treatment” First Prize in Science and Technology Award (Invention) (《低壓膜法處理城市水過程中膜污染控制理論與技術》科學技術一等獎(發明))	Longjiang	Heilongjiang Province People’s Government
2013	“Advanced Biological Method for Strengthening New Integrated A/O at Low Temperature and Technology of Utilization of Carbon Source in Sludge” Second Prize in Science and Technology Award (Advancement) (《生物低溫強化新型一體A/O改良工藝及污泥內碳源利用技術》科學技術二等獎(進步))	Longjiang	Heilongjiang Province People’s Government
2013	High and New Technology Enterprise (高新技術企業)	Longjiang	Heilongjiang Province Science and Technology Department, Heilongjiang Province Finance Department, Heilongjiang Province State Administration of Taxation and Heilongjiang Province Local Taxation Bureau

BUSINESS

COMPETITION

We operate in a highly competitive industry. We compete primarily with state-owned, privately-owned and foreign companies in the PRC, including new entrants to the market, some of which may have a lower cost structure, such as lower capital expenditures or financing costs, or greater access to customers. They may also possess more advanced wastewater treatment techniques than us or have stronger access to capital than we do. For more details, please see “Industry Overview – Overview of PRC’s Water Sector – Major Entry Barriers to PRC’s Water Industry”.

In addition, when we enter into a new market, we may face intense competition from companies with an established presence in the relevant geographical areas and from other companies with similar expansion targets. We cannot assure you that we will be able to successfully compete to expand into other parts of the PRC or overseas. For details please see “Risk Factors – Risks Relating to our Business and Industry – Our further expansion may place strains on our resources”.

For the measures implemented by us to address the potential competition and conflict of interests between (i) the Retained SIHL Holdings Group and our Group in relation to Longjiang, (ii) our Controlling Shareholders and our Group, please see “Relationship with our Controlling Shareholders – Measures to Address Potential Competition and Conflict of Interests”.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held seven registered trademarks, and we had 45 registered patents for technologies relating to wastewater treatment, reclaimed water treatment, water supply and waste incineration. In general, we engaged patent agents to prepare and submit our patent applications. As of the Latest Practicable Date, our Company is in the process of registering a patent. Our Company is also in the process of registering a trademark under its own name and will cease to share trademarks with the Retained SIHL Holdings Group after completion of the registration of the same. For further details, please see “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – Operational Independence – Trademark Patents and Technical Know-how” and “Appendix VI – Statutory and General Information – B. Further Information about the Business of Our Group – 2. Intellectual Property Rights”.

We were not involved in any litigation or legal proceedings for violation of intellectual property rights of third parties, nor have we suffered from any infringement of our intellectual property during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Our head office, which is leased by us, is located at One Temasek Avenue #37-02, Millenia Tower, Singapore 039192. Our property interests principally comprise: (i) the land and buildings with respect to our BOT/TOT and BOO projects occupied by us pursuant to service concession arrangements; (ii) the properties owned by us; and (iii) the properties leased by us. In addition, we also occupy certain properties in connection with our O&M projects.

To the best knowledge of our Directors, except for the mortgage under the office building of SIIC Environment Holdings (Wuhan) Co., Ltd., there were no encumbrances on the land use rights owned by us as of the Latest Practicable Date.

As of the Latest Practicable Date, all the material properties we occupy and use relate to our projects under BOO, BOT and TOT project model pursuant to service concession arrangements which were awarded by Government Grantors.

Properties Occupied by Us Pursuant to Service Concession Arrangements

As of the Latest Practicable Date, we have 145 service concession arrangement projects that involve the use and occupation of land and these projects comprise 169 parcels of land. Further details of the property interests relating to our service concession arrangement projects are set out below.

Land Use Right Certificates

Our service concession arrangement projects that involve the use and occupation of land are categorized into the following three main categories:

- (i) **Type 0 Projects** – The service concession arrangement projects in respect of which land use right certificates of the relevant lands are held by us.
- (ii) **Type I Projects** – The service concession arrangement projects in respect of which no currently valid land use right certificates have been issued.
- (iii) **Type II Projects** – The service concession arrangement projects in respect of which the land use right certificates are held by third-parties other than us.

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Each of Type I Projects and Type II Projects is further sub-categorized into three different types with reference to the basis on which we are entitled to occupy and use the lands. The list of different types of projects is set out below:

<u>Project Type</u>	<u>Status of the land use rights certificates for the relevant property</u>	<u>Total number of projects as of the Latest Practicable Date</u>	<u>Total number of parcels of land concerned ^(Note 1)</u>
(i) Type 0 Projects	The service concession arrangement projects in respect of which land use right certificates for the relevant lands are held by us.	67	102
(ii) Type I A Projects	The service concession arrangement projects in respect of which no currently valid land use right certificates have been issued, but the Government Grantors, being the parties to our service concession arrangements, have granted us the right to occupy and use the underlying lands by virtue of land lease agreements.	3	3
(iii) Type I B Projects	The service concession arrangement projects in respect of which no currently valid land use right certificates have been issued, but we have the legal right to occupy and use the lands based on the service concession arrangements and written decision, approvals or permits (such as preliminary land use inspection opinion, construction land use approval, construction land use planning permits or other form of permit) issued by the local government or functional department of local government confirming the purpose of such lands are for construction and operation of our service concession arrangement projects.	27	27 ^(Note 2)
(iv) Type I C Projects	The service concession arrangement projects in respect of which no currently valid land use right certificates have been issued, but the Government Grantors who have contractual obligations to provide land to us under the service concession arrangements are yet to complete the relevant land provision approval process (i.e requisition of the collectively-owned land and the conversion of the same into state-owned construction land) before granting us the right to use and occupy the relevant lands.	2	2

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Project Type	Status of the land use rights certificates for the relevant property	Total number of projects as of the Latest Practicable Date	Total number of parcels of land concerned ^(Note 1)
(v) Type II A Projects	The service concession arrangement projects in respect of which the land use right certificates are held by parties other than us with such parties being the Government Grantors or Government Designees.	18	16
(vi) Type II B Projects	The service concession arrangement projects in respect of which the land use right certificates are held by the Government Subordinate Enterprises, which have issued written confirmations to us in relation to our rights to occupy and use the relevant land.	26	15
(vii) Type II C Projects	The service concession arrangement projects in respect of which the land use right certificates are held by the Government Subordinate Enterprises, and we rely on our existing contractual rights under the service concession arrangements and written approvals or permits issued by the local government or functional department of local government to legally occupy and use the relevant lands.	4	5
Total number of projects		147	170 ^(Note 3)

Notes:

1. *The difference in the numbers of projects and parcels of land is attributable to the manner in which parcels of land are identified with specific projects, and this varies depending on whether land use right certificates have been issued for specific projects. In some cases, the number of parcels of land corresponds to the number of land use right certificates. For example, the land used for Tianmen City Second Water Plant Project 1st Stage (天門市二水廠第一期工程) has two land use right certificates, thus there are two parcels of land for this project. In other cases, multiple projects occupy land under the same land use right certificate, such as Qingpu Second Wastewater Treatment Plant Project 1st Stage (青浦第二污水處理廠項目一期) and Qingpu Second Wastewater Treatment Plant Project 2nd Stage (青浦第二污水處理廠項目二期). In this case, there is only one parcel of land for these two projects. For land without land use right certificates, each project is deemed to occupy one parcel of land.*

2. *With respect to five Type I B Projects, we have obtained written confirmations from the relevant Government Grantors that the procedures for applying for the land use right certificates in our name have been commenced. After completion of such procedures, these Type I B Projects will become Type 0 Projects.*

With respect to six Type I B Projects, we have obtained written confirmations from the relevant Government Grantors that the procedures for applying for the land use right certificates in the name of the Government Designees have been commenced. After completion of such procedures, these Type I B Projects will become Type II A Projects.

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With respect to three Type I B Project, we have obtained written confirmation from the relevant local government that the procedures for applying for the land use right certificate in the name of a Government Subordinate Enterprise have been commenced. After completion of such procedures, this Type I B Project will become a Type II B Project.

3. *One parcel of land which has obtained the land use right certificate and three buildings which have obtained the building ownership certificates are not included. These land and buildings were registered under the name of the Government Subordinate Enterprise but transferred to us as part of the TOT assets.*

Type 0 Projects

As of the Latest Practicable Date, we have 67 Type 0 Projects comprising of 102 parcels of lands. For these 67 Type 0 Projects, we hold the relevant land use rights certificates. As advised by our PRC Legal Adviser, we are entitled to legally occupy and use the land associated with these Type 0 Projects by virtue of the land use rights certificates.

Type I Projects

As of the Latest Practicable Date, we have 32 Type I Projects comprising of 32 parcels of lands, which no currently valid land use right certificates have been issued. Based on the relevant service concession arrangements, we are entitled to legally occupy and use the land associated with Type I Projects (other than Type I C Projects) without land use right certificates during the concession periods. We set forth below details of our Type I A, I B and I C Projects.

Type I A and Type I B Projects

As advised by our PRC Legal Adviser, our rights to occupy and use the state-owned land associated with Type I A and I B Projects are legally granted under the *Land Administration Law of the PRC* (《中華人民共和國土地管理法》) (the “**Land Administration Law**”), and therefore the risk of such granted rights or authorizations being revoked by superior authorities is highly remote. In addition, the local governments can legally grant us the right to occupy and use the properties under the relevant service concession arrangement projects through grant, allocation or lease, and no further confirmation from any other third-party is required to establish our rights to occupy and use these properties for the following reasons:

- (i) under Article 5, Clause 2 of the Regulations on the Implementation of the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法實施條例》), state-owned land with undetermined usage rights are to be registered in a registry set up by the local governments at or above the county level, which are responsible for the protection and administration of such land. Therefore, the local governments have the right to administer these parcels of state-owned lands in respect of which no land use right certificates have been issued;
- (ii) under Article 24 of the Law of the People’s Republic of China on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》) and the Catalogue of the Allotted Land (《劃撥用地目錄》), the local governments are the competent authorities to approve the allocation of state-owned land for the construction and operation of service concession arrangement projects without any land use right certificates; and

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- (iii) with respect to Type I B Projects, as advised by our PRC Legal Adviser, the local governments can legally grant us the right to occupy and use the lands under the relevant service concession arrangements because the functional departments of the local governments have expressly conferred us the right to occupy and use of such lands for our service concession arrangement projects through the issuance of written decisions, approvals or permits.

As advised by our PRC Legal Adviser, land ownership in the PRC is split into two categories: State-owned land and collectively-owned land. State-owned land is owned by the State and administered by the government. Collectively-owned land refers to land owned by farmer collectives, which are generally committees of local villagers. According to the relevant PRC laws and regulations, if the land proposed to be granted or allocated by the local government is collectively-owned land, before such grant or allocation, it must go through a series of procedures, including: (i) requisition of the collectively-owned land by the local government and compensation to the owners of the collectively-owned land in accordance with the relevant laws and regulations and (ii) conversion of the collectively-owned land into state-owned construction land. If the land proposed to be granted or allocated by the local government is state-owned land held by the local government, no requisition of the land by the local government is required before granting or allocation. The local government will only need to convert the land into state-owned construction land before granting or allocation.

Out of the 30 Type I A and Type I B Projects, we have three projects which currently occupy collectively-owned lands (one Type I A and two Type I B Projects). With respect to Type I A Project “Dazhou City Domestic Waste Harmless Consolidated Treatment Plant Project” (達州市城市生活垃圾無害化綜合處理廠項目) that occupies collectively-owned land, several agreements relating to the acquisition of land interests associated with this project (the “**Agreements**”) have been entered into between (i) a Government Subordinate Enterprise (whose rights under the Agreements were subsequently transferred to local government) and (ii) the owners of the collectively-owned land, pursuant to which the Government Subordinate Enterprise has obtained the right to occupy and use the relevant land. Predecessor project company was granted this project through TOT project model in 2007. We subsequently acquired this project company in 2013. As advised by our PRC Legal Adviser, as the Agreements are valid till 2024, the local government which assume the rights of the Government Subordinate Enterprise can, and had granted us the right to occupy and use the underlying land of this project.

With respect to Type I B Project “Dongguan City Dalang Songshanhu Southern Wastewater Treatment Plant Project” (東莞市大朗松山湖南部污水處理廠項目) that occupies collectively-owned land, the relevant land bureau has issued the construction land use approval in relation to the land for this project. Given the collectively-owned land for this project is for the purpose of construction of public utilities in certain villages and towns, such use will only be conditional upon conversion of the collectively-owned land into collectively-owned construction land approved by the local government and it is not necessary to convert the collectively-owned land into state-owned construction land. As advised by our PRC Legal Adviser, the approval for the use by the local government of the collectively-owned land for construction purpose has already been obtained. Thus, the local government is entitled to grant us the right to occupy and use the land.

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With respect to Type I B Project “Water Diversion Project from Wenshui to Pingchuan (Southern line)” (引文入川(南線)供水工程) that occupies collectively-owned land, we have signed compensation agreements for land use with the local governments and fully paid the compensation fee for land use according thereto, and at the same time, the local governments have signed compensation agreements for land requisition with owners of the collectively-owned land. However, conversion of the collectively-owned land into state-owned construction land is yet to be completed by the local government as of the Latest Practicable Date. As advised by our PRC Legal Adviser, based on these agreements, the local government can grant us the right to occupy and use such land.

Type I C Projects

As of the Latest Practicable Date, we have two projects under Type I C Projects comprising of two parcels of lands. All of our Type I C Projects (namely “Ningbo Huangjiabu Binhai Wastewater Treatment Plant Project (Upgrade)” (寧波黃家埠濱海污水處理廠提標改造工程) and “Dalian Puwan New District Sanshilibao Wastewater Treatment Plant Project 1st Stage” (大連普灣新區三十里堡污水處理廠(一期)項目)) currently involve the occupation and use of collectively-owned land. As of the Latest Practicable Date, the Government Grantors are yet to complete the land provision approval process (i.e. the requisition of the collectively-owned land and the conversion of the same into state-owned construction land), thus, they do not have the right to grant or allocate the relevant land use rights to any third-party.

As advised by our PRC Legal Adviser, the relevant service concession arrangements between us and the Government Grantors for these two Type I C projects generally contain expressed provisions relating to the use of land, including, inter alia, the provision of land, the planned site and scope for construction, the schedule of delivery of land and the term of the land use. Thus, the Government Grantors have legal contractual obligations to provide the land for our service concession arrangement projects pursuant to the service concession arrangements.

In the event that the local government fails to complete the requisite requirements, in particular for our Type I C Projects as mentioned above, the owners of the collectively-owned lands may assert their rights over the lands against us. See “Risk Factors – Certain defects in titles with respect to the properties occupied by us under certain service concession arrangements may materially and adversely affect our ability to use such properties and in turn, affect our business, financial condition and results of operations.” However, pursuant to the relevant service concession arrangements, the Government Grantors have legal contractual obligations to ensure that we can legally occupy and use the relevant land during the concession period. We have the contractual right to demand the Government Grantors to provide the land pursuant to the service concession arrangements. As the Government Grantors have failed to perform their obligations to requisition the collectively-owned lands and convert the same to state-owned construction land, and as a result of which the lands occupied by us still remain as collectively-owned lands, we are entitled to demand the Government Grantors to fulfill their obligations, to take remedial measures and/or to provide compensation for damages pursuant to the service concession arrangements.

The five projects which currently occupy, in whole or in part, collectively-owned land without land use right certificates as set out above are not material to us as a whole, as they, in aggregate, contributed only approximately 4.7%, 5.1%, 3.4% and 1.9% of our total revenue for the three years ended December 31, 2016 and the nine months ended September 30, 2017, respectively.

Type II Projects

As of the Latest Practicable Date, we have 48 Type II Projects comprising of 36 parcels of lands, which land use right certificates are held by parties other than us. We set forth below details of our Type II A, II B and II C Projects.

Type II A Projects

As advised by our PRC Legal Adviser, according to Article 66 of the Law on Organization of Local People's Congresses at Different Levels and Local People's Governments at Different Levels of the People's Republic of China (《中華人民共和國地方各級人民代表大會和地方各級人民政府組織法》), each department of a local government is under the unified leadership of such local government. Therefore, local governments have the right to grant land use rights with respect to land owned by its functional departments to grantee under service concession arrangements to occupy and use such lands during concession periods and the local governments can instruct its functional departments to grant us the rights to occupy and use such lands during the concession periods. Accordingly, the local governments, being the superior authorities of the functional departments, have the right to grant us the right to legally occupy and use the relevant lands for the Type II A Projects through service concession arrangements.

As advised by our PRC Legal Adviser, because the local governments that have granted us the rights under the service concession arrangements by law have control over the right to use the relevant lands, there is no appreciable risk that the parties holding the relevant land use right certificates will assert any rights or remedies over the relevant lands or pursue any remedy against us for the Type II A Projects.

Type II B and Type II C Projects

With respect to Type II B Projects, the Government Subordinate Enterprises have confirmed to us in writing that we are entitled to use the relevant lands during the concession periods. As advised by our PRC Legal Adviser, the holders of the relevant land use right certificates are the Government Subordinate Enterprises, which are enterprises subordinate to the local government (with the local governments as the sole shareholder or controlling shareholder or actual controller of such subordinate enterprises). Accordingly, the local governments are entitled to request these enterprises to provide the land which they have land use rights to us to occupy and use such land in accordance with the service concession arrangements during the concession period.

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With respect to Type II C Projects, even in the absence of written confirmation by the Government Subordinate Enterprises, as advised by our PRC Legal Adviser, we have existing contractual rights to legally occupy and use the relevant lands based on the service concession arrangements and of written decisions, approvals or permits issued by the local government or functional department of local government or interviews with the Government Grantors confirming the purpose of such land is for the construction and operation of our service concession arrangement projects during the concession period. The risk of any third-parties asserting any right/remedies against us in relation to the land occupied and used by us is highly remote.

As advised by our PRC Legal Adviser, the risk of the central government penalizing us for the lack of land use right certificates is highly remote. The local governments are also unlikely to seek to penalize us, as the Government Grantors granting the service concession arrangement projects are the same governments that have the authority to issue land use right certificates. If any local government were to penalize us for lack of land use right certificates, it would then be in breach of the relevant concession agreement it has entered into with us. During the Track Record Period and up to the Latest Practicable Date, we have never been penalized by any government authorities for our occupation and use of the land for construction and operation of our service concession arrangement projects without the relevant land use right certificates, and no party (including the Government Subordinate Enterprises) has ever asserted any right over, or pursued remedies against us in relation to properties occupied and used by it.

Our Contractual Rights under Service Concession Arrangements

Neither the Municipal Concessions Measures nor the Infrastructure Concessions Measures, which are the key national-level regulations regulating, and governing the service concession arrangement relating to, municipal public utilities, require enterprises holding concession rights to obtain land use right certificates or building ownership certificates as a precondition for such enterprises to engage in the construction and operation of their service concession arrangement projects. Under the relevant service concession arrangements, the Government Grantors have the obligations to provide the land to our Group or assist our Group to obtain the land required for the construction or operation of our service concession arrangement projects. According to the Land Administration Law, the local governments at the county level or above (which are Government Grantors or superior to the Government Grantors) have the right to administer land and to issue land use right certificates through their land administration departments. Therefore, as the PRC central government is not directly involved in the administration of the land use right in the local areas, it is unlikely for the central government of the PRC would initiate an enforcement action against our Group for the lack of land use right certificates. In addition, the local governments are also unlikely to seek to penalize our Group, as the Government Grantors sponsoring the service concession arrangement projects are the same governments that have the authority to issue land use right certificates. If any local government were to penalize our Group for lack of land use right certificates, it would then be in breach of the relevant concession agreement it has entered into with our Group.

As advised by our PRC Legal Adviser, although we do not have the land use right certificates for the lands we use under our service concession arrangements, the Government Grantors have the legal obligations to ensure that we are entitled to use the lands pursuant to the relevant service concession arrangements. If any of the Government Grantors fail to perform its legal obligations under the relevant service concession arrangements and should we suffer any loss or damages (including claims initiated by any third-party), we have the right to make a claim against such Government Grantors through court proceeding and/or request the Government Grantors to either remedy the breach or compensate us for any loss or damages we suffered arising from its breach. As of the Latest Practicable Date, we have never been penalized by any competent government authorities due to lack of land use right certificates.

Building Ownership Certificates

As advised by our PRC Legal Adviser, pursuant to article 32 of Law of the People's Republic of China on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》), when a real estate is transferred or mortgaged, the ownership of the building and the right to use the land occupied by the building are transferred or mortgaged at the same time. In addition, pursuant to article 147 of the Real Right Law of the People's Republic of China (《中華人民共和國物權法》), when the buildings, fixtures and affiliated facilities thereof are transferred, exchanged, used as equity contributions or endowed, the right to use the land for construction occupied by the aforesaid buildings, fixtures and affiliated facilities thereof shall be disposed of at the same time. Furthermore, pursuant to paragraph 2 of article 2 of the Rules for the Implementation of the Provisional Regulations on the Registration of Real Property (《不動產登記暫行條例實施細則》), for buildings and structures (such as houses) and fixtures (such as forest and trees) should register together with the land use right certificate owners under the new nationwide real estate registration system in the PRC. In light of the above, as advised by our PRC Legal Adviser, the person who is entitled to the land use right is generally the same as the person who is entitled to the building ownership, based on the principle of "Property Follows Land" ("房隨地走") and "Land Follows Property" ("地隨房走").

Type 0 Project

With respect to our service concession arrangement projects under Type 0 Projects classification (which we own the land use rights certificates), we had obtained the building ownership certificates for 25 projects. As advised by our PRC Legal Adviser, with respect to the remaining 42 projects, 11 projects do not require building ownership certificate as there is not building erected on the land (it is either under construction or under development) without building ownership certificates, based on the principle of "Property Follows Land" ("房隨地走") and "Land Follows Property" ("地隨房走"), the Governments Grantors in our services concession arrangements under Type 0 Projects, having the rights and authorities to grant us the land use rights, also have the rights and authorities to grant us the rights to legally occupy and use the relevant buildings situated at the lands which we do not own the relevant land use rights certificates. For details of our land use right certificate under Type 0 Projects, see "Business – Properties Owned By Us Pursuant To Service Concession Arrangements – Land Use Right Certificates".

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As advised by our PRC Legal Adviser, pursuant to our services concession arrangements under Type 0 Projects, we are not required to obtain the relevant building ownership certificates and we are legally entitled to occupy and use such buildings despite not having the building ownership certificates. Our PRC Legal Adviser further advised us the risk of us being penalized by the relevant competent government authorities for not having the relevant building ownership certificates for our Type 0 Projects is highly remote and it will not materially or adversely affect our business operation. In addition, as we hold the relevant land use right certificates, the risk of any third-parties asserting any right against us in relation to the buildings we used is highly remote.

Type I and II Projects

With respect to our service concession arrangement projects under Types I and Type II Projects (except the five projects which are currently occupying collectively-owned lands), as we do not own the land use rights certificates for these Type I and Type II Projects, according to the relevant PRC laws and regulations, we cannot obtain or apply for the relevant building ownership certificates. However, as advised by our Legal Adviser, based on the principle of “Property follows land” (“房隨地走”) and “Land follows property” (“地隨房走”), the Government Grantors in these services concession arrangement projects, having the rights and authorities to grant us the land use rights, also have the rights and authorities to grant us to rights to legally occupy and use the relevant buildings situated at the lands which we do not own the relevant land use rights certificate. For details of our land use right certificate under Type I and Type II Projects, see “Business – Properties Owned By Us Pursuant To Service Concession Arrangements – Land Use Right Certificates”.

As advised by our PRC Legal Adviser, pursuant to our services concession arrangements under Type I and Type II Projects (other than the five projects which are currently occupying collectively-owned lands), we are not required to obtain the relevant building ownership certificates and we are legally entitled to occupy and use such buildings despite not having the building ownership certificates. For our five projects which are currently occupying collectively-owned lands, as advised by our PRC Legal Adviser, (i) we do not require any building ownership certificate for “Dazhou City Domestic Waste Harmless Consolidated Treatment Plant Project” (“達州市城市生活垃圾無害化綜合處理廠項目”), as there is not building erected on the land given that it is used as landfill site and (ii) “Dongguan City Dalang Songshanhu Southern Wastewater Treatment Plant Project” (東莞市大朗松山湖南部污水處理廠項目), as the local government has completed its conversion of the collectively-owned land into collectively-owned construction land and thus based on the principle of “Property follows land” (“房隨地走”) and “Land follows property” (“地隨房走”), we can legally use and occupy the building. For the remaining three projects (“**Three Collectively-owned Land Projects**”), neither we nor the Government Grantors can apply for the building ownership certificate as they are collectively-owned lands as of the Latest Practicable Date.

Our PRC Legal Adviser further advised us that the risk of us being penalized by the relevant competent government authorities for not having the relevant building ownership certificates for our Type I and Type II Projects (apart from the Three Collectively-owned Land Projects) is highly remote and it will not materially or adversely affect our business operation.

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Our contractual Rights under Service Concession Arrangements

As of the Latest Practicable Date, we had not been involved in any dispute or penalized by any competent government authorities due to lack of building ownership certificate. As advised by our PRC Legal Adviser, the Government Grantors in our services concession arrangement projects (including Type 0 Project, Type I Project and Type II Project) have the contractual obligations to ensure that we can legally occupy and use the relevant buildings situated on the lands used by our service concession arrangement projects during the concession period pursuant to the relevant service concession arrangements. Should our business operation interrupted or suffer any losses due to not able to use such buildings or should we penalized by the relevant competent government authorities, we are entitled to demand the Government Grantor to fulfill its obligations under the service concession arrangements, to take remedial measures and/or to compensate us for any losses we have suffered.

Safety Conditions

During the Track Record Period up to the Latest Practicable Date, we had not been penalized by any government authority over safety conditions concerns with respect to the buildings for which we have not obtained the relevant building ownership certificates or undertaken the completion inspection of construction work as required under the relevant local rules and regulations. Our Directors are of the view that such buildings are safe for occupation.

Our Directors are of the view that, based on the government confirmations where applicable, the relevant service concession arrangements, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SIIC, it is unlikely that we will be subject to penalties or other legal consequences, nor will our business operations or financial condition be materially adversely affected, as a result of the aforesaid property issues. Based on the above, our Directors are also of the view that the land and buildings with defective titles as of the Latest Practicable Date were not collectively material to our business operations. As a result, no provision has been made in our consolidated financial statements.

Properties Owned by Us

As of the Latest Practicable Date, we owned six properties in China with an aggregate floor area of approximately 8,414.7 square meters. Among them, we had obtained the building ownership certificates for four properties with an aggregate floor area of approximately 8,119.1 square meters, accounting for approximately 96.5% of the aggregate floor area of buildings owned by us. For the remaining two properties (consideration paid was RMB0.4 million in total) with an aggregate floor area of approximately 295.6 square meters which we currently do not have the building ownership certificate, these are used for employee dormitory. We do not have such building ownership certificates because the real estate developers from whom we acquired such properties failed to apply for the building ownership certificates on our behalf after delivering such properties to us. As advised by our PRC Legal Adviser, we will not be subject to any penalties by relevant government authorities for not having such building ownership certificates and we can legally occupy and use these properties despite not having the relevant building ownership certificates. Prior to obtaining the relevant certificates, we cannot transfer or dispose these properties and these properties cannot be bought, sold or accepted by banks as security for mortgage.

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In addition to the above, as part of our acquisition of Weifang Project, we also acquired a property (with an aggregate floor area of approximately 600.0 square meters) which is currently being used as an office premises. For details of our acquisition of Weifang project, see “Business – Acquisitions After the Track Record Period”. As of the Latest Practicable Date, we do not have the relevant building ownership certificate for this property as the previous owner did not have the same. As advised by our PRC Legal Adviser, prior to obtaining the relevant building ownership certificate, we cannot transfer or dispose this property and this property cannot be bought, sold or accepted by banks as security for mortgage.

As of Latest Practicable Date, we are not aware of any ownership dispute or third-party claims against the above mentioned three properties. Our Directors are of the view that the lack of building ownership certificates of these properties, will not, individually or in aggregate, have any material adverse effect on our business operation. If necessary, we believe that we will be able to find comparable properties as alternatives, and such relocation will not have any material adverse effect as our financial condition or our results of operations.

Properties Leased by Us

As of the Latest Practicable Date, we had leased 84 buildings with an aggregate floor area of approximately 16,466.4 square meters, which are primarily used as our office premises and employee dormitory. Among the 84 leased buildings, we have nine leased buildings where our lessors have failed to obtain the relevant building ownership certificates or relevant written consent to lease such properties to us (mainly used as office and employee dormitory) from the relevant parties with an aggregate floor area of approximately 2,833.9 square meters (“**Nine Lessors**”). In addition, we have 14 leased buildings where we are unable to determine whether our lessors have the necessary relevant building ownership certificates or relevant written consent to lease such properties to us due to lack of cooperation and response from our lessors when we requested lessors to provide the relevant building ownership certificates or relevant written consent (“**Six Lessors**”). These 14 leased buildings are mainly used as employee dormitory with an aggregate floor area of approximately 757.0 square meters.

As advised by our PRC Legal Adviser, due to the lessors’ failure to obtain the relevant building ownership certificates or the relevant written consent to lease such properties to us, the relevant lease agreements may be deemed invalid and we may be forced to vacate such properties. As of the Latest Practicable Date, we had not been involved in any litigation disputes or penalized by any competent government authorities due to lack of the building ownership certificates of the lessors or written consents from the lessors. As part of the rectification measures, we have actively communicated with the Nine Lessors and urged them to obtain the relevant building ownership certificates and relevant written consent to lease such properties to us on a timely basis. We are unable to estimate the required timeframe for them to obtain such certificates or consents as this is subject to the efficiency of the Nine Lessors and the local government/building owners. In additions, we also actively communicated with the Six Lessors and urged them to provide the relevant building ownership certificates or relevant written consent to lease such properties to us. If it turns out that they do not have the relevant certificates or consents, we will urge them to obtain the relevant certificates or consent

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from the local government/building owners. As advised by our PRC Legal Adviser, we are not subject to penalty due to the lack of the building ownership certificates of the lessors or the relevant written consents from the building owners from the competent government authorities and the lack of such certificates or written consents from the lessors/building owners will not materially or adversely affect our business operations. In the event that we are required to relocate from such premises, we would expect to be able to relocate promptly to substitutive premises without causing a material adverse impact to our operations or financial condition as these buildings leased by us are primarily used as employee dormitory and can be replaced by other comparable alternative premises.

In addition, among our 84 leased buildings, 81 leases were not registered with relevant PRC government authorities. Our PRC Legal Adviser has advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. As advised by our PRC Legal Adviser, our failure to register the lease agreements would not affect the validity of the lease agreements, and would not have a material adverse impact on our operations.

Properties Occupied by Us In Connection with Our O&M Projects

As of the Latest Practicable Date, we had not obtained the land use right certificates/building ownership certificates for our O&M projects because, as advised by our PRC Legal Adviser: (i) there are no relevant regulatory requirements under PRC laws and regulations or there are no contractual arrangements for such projects which require us to obtain the relevant land use right certificates/building ownership certificates; and (ii) the contractual arrangements for such projects require the local governments or their designees to obtain the relevant land use right certificates/building ownership certificates. In addition, our PRC Legal Adviser has also advised that our rights under the contractual arrangements for these projects are not contingent upon the local governments or their designees obtaining the land use right certificates/building ownership certificates for these projects.

Difference of Land Cost or Rental

We are not aware of any difference of land cost or rental we would have to pay in the event the relevant properties did not have defective titles.

Deed of Indemnity

On March 8, 2018, SIIC entered into the Deed of Indemnity with our Company, pursuant to which SIIC has agreed to give certain indemnities and covenants in favor of our Company (for itself and as trustee for the benefit of each of our subsidiaries from time to time) in connection with, among other things, any penalties and other financial losses (including but not limited to the costs of relocation and the losses incurred as a result of any disruption of operation) incurred by any of our subsidiaries or project companies resulting from any non-compliance with the applicable laws and regulations including failure by any of our

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subsidiaries or project companies or their branches to (a) obtain requisite permits, licences, registrations and certifications from, or make requisite filings with, or complete the requisite formalities with appropriate regulatory authorities for their respective business operations; (b) obtain the relevant land use right certificates and/or building ownership certificates for the land and/or buildings occupied and/or use by any of us; and (c) make full contributions to social security funds and housing provident fund for some of the us employees. For details of the non-compliance, see “Business – Non-Compliance”.

Internal Control Measures

We have implemented the following internal control measures to prevent the future occurrence of property issues such as those disclosed in the above tables. Our Directors are of the opinion that, as of the Latest Practicable Date, our internal control measures below were adequate and effective, in all material respects, to prevent the re-occurrence of such issues.

- (i) our legal departments conduct periodic inspections of the land use right certificates and building ownership certificates for our properties and report its findings to our Directors;
- (ii) we have engaged external PRC legal advisers to provide assistance in respect of any legal and compliance matters relating to property titles when and as appropriate;
- (iii) with respect to new projects to be undertaken by us: (a) we will use our best endeavors to specify in the concession agreements to be entered into with the local governments that our relevant members are authorized and have the legal right to occupy and use the land and buildings associated with the relevant projects and that we will not have any obligation to obtain long-term title certificates for any such properties; (b) we will, with the assistance of its legal department and also external legal advisers (if necessary), conduct due diligence on whether the relevant land is collectively-owned or state-owned before entering into the concession agreements with the local governments and we will only proceed with the relevant bidding process for the project if the land is state-owned land; and
- (iv) with respect to new projects to be acquired by us: (a) we will use our best endeavors to negotiate with counterparties to, where necessary and practical, obtain the long-term title certificates prior to completion of the proposed acquisitions or, alternatively, require additional indemnities for losses that may result from defective property titles; (b) we will, with the assistance of our legal department and also external legal advisers (if necessary), conduct due diligence on whether the relevant land is collectively-owned or state-owned before entering into acquisition agreements; and (c) in case the relevant land is collectively-owned, we will not proceed with the proposed acquisition.

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The above measures are equally applicable to the management and control of any companies/projects to be developed by us or acquired by us during the due diligence process, in particular the land use right certificates and building ownership certificates, and the post-development and post-acquisition operation process, to ensure that the operation of any companies/projects to be developed by us or acquired by us are in compliance with our control standards and the relevant PRC laws and regulations.

Views of Our Directors, the Company and the Sole Sponsor

In light of the above internal control measures, our Directors are of the view, and the Sole Sponsor concurs that we have adequate internal control measures in place for our property related issues in the future, and therefore are able to comply with the internal control requirements under the Hong Kong Listing Rules. Based on (i) the review of the internal control related documents, information and confirmation provided by us; (ii) the remedial measures adopted by us; and (iii) our Directors' views set out in this listing document, the Directors are satisfied and the Sole Sponsor concurs that the enhanced internal controls for property related compliance are adequate and effective.

Exemption from Property Valuation

Our properties are used for non-property activities as defined under Rule 5.01(2) of the Hong Kong Listing Rules and they principally include premises for use as production facilities and office space. As of the Latest Practicable Date, no single property interest owned or leased by us had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Hong Kong Listing Rules to value or include in this listing document any valuation report of our property interests. As such, according to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this listing document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings.

EMPLOYEES

Our employees are critical to our success. Through our well-established training and recruitment policies, we dedicate significant resources to personnel recruitment, training and promotion. We recruit our employees based on a number of factors such as their work experience, educational background and operational requirements. We provide regular training to our employees to strengthen staff commitment and improve staff skills and technical expertise. We offer attractive remuneration packages, which include salary, certain welfare and other benefits, which is performance based. During the Track Record Period, we maintained a high employee retention rate of over 90%.

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As of September 30, 2017, we had 5,631 full-time employees. The following table sets out our employees by job function:

	<u>Number of Employees</u>	<u>Percentage of Total Employees</u>
Operation	3,434	61.0%
Administration and Management	1,033	18.3%
Construction Management	174	3.1%
Customer Service	373	6.6%
Financing	217	3.9%
Others	400	7.1%
Total	<u>5,631</u>	<u>100.0%</u>

As of September 30, 2017, we have 5,620 employees based in PRC and 11 based in Singapore. For all our PRC based employees, we are required to make contributions to social security fund and housing provident fund for our employees in accordance with applicable PRC laws and regulations. For our Singapore based employees, we are required to make contributions to mandatory provident fund schemes. During the Track Record Period, we failed to make contributions to the social security funds in respect of some of our employees and failed to make such contributions for some of our employees based on their actual wages as required under PRC law. Please see “Business – Non-Compliance” for more details.

We have a labor union that protects our employees’ rights, assists us in attaining our economic objectives, encourages employees to participate in management decisions and assists us in mediating disputes with union members. During the Track Record Period, we did not experience any material labor disputes with our employees, receive any material complaints, notices or orders from relevant government authorities or third parties, or receive any material claims from our employees relating to social security or housing provident funds.

INSURANCE

We maintain insurance for our employees covering accident claims arising during the course of the construction and operation of our projects. We believe that the coverage of our existing insurance policies is adequate for our present operations and consistent with industry practice. However, we may not have sufficient insurance coverage for damages and liabilities arising during the course of our business operations. Please see “Risk Factors – Risks Relating to Our Business and Industry – Our insurance coverage may not adequately cover the risks related to our business and operations” for details. During the Track Record Period, we took out insurance policies according to the requirements of our various project agreements.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints from our customers or penalties from the relevant authorities in relation to the insurance coverage for our projects. Where we sub-contract our construction work to a third party contractor, our typical contracting agreement provide that the contractor shall bear the liabilities and losses arising from the portions for which they are responsible.

ENVIRONMENT, HEALTH AND SAFETY

We regard environmental protection and occupational health and safety as an important social responsibility.

Environment

We are subject to various PRC environmental laws and regulations, including:

- the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》),
- the *Law of the PRC on Appraising Environment Impact* (《中華人民共和國環境影響評價法》),
- the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》),
- the *Law of the PRC on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), and
- the *Administrative Regulations on the Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》).

We are also subject to environmental regulations regulating sound levels and the emission of airborne pollutants, including *Law of the PRC on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》). Please see “Regulatory Overview”. In addition to the above, Construction Project Environmental Protection came into effect on October 1, 2017. Please also see “Regulatory Overview – PRC Laws and Regulations Relating to Environmental Protection”.

As the environmental laws and regulations do not currently impose more stringent requirements on our business operations, we will not likely encounter any material difficulty or incur substantial costs in compliance. Moreover, as the new Environmental Protection Law sets more severe punishments for polluters, it is expected that the unlawful discharging of over-polluted wastewater will significantly decrease, which in turn will reduce the likelihood that we receive and treat over-polluted wastewater.

Except as disclosed in “Business – Non-compliance” and “Business – Licenses and Permits”, we have obtained all material environmental licenses and permits for each of our projects based on their respective stages of development and have complied in all material respects with the relevant environmental protection laws and regulations during the Track Record Period and up to the Latest Practicable Date.

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Health and Safety

Pursuant to the relevant PRC laws and regulations, we are required to provide our employees with a safe working environment which includes, among other things, providing adequate protective clothing and gear, providing safety education and training, and having dedicated safety management personnel. We also conduct regular inspections and maintenance checks on our equipment to ensure they meet the applicable national or industrial standards with respect to their design, manufacturing, installation and usage.

We believe our health and safety control measures are adequate and comply with applicable laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major accident in the course of their employment and the relevant PRC authorities had not imposed any material sanctions or penalties on us for incidents of non-compliance with any health and safety laws or regulations in the PRC.

LEGAL PROCEEDINGS

As of the Latest Practicable Date, there were no pending or threatened litigation, arbitration, or administrative penalties or other proceedings which would materially and adversely affect our business, financial condition or results of operations. Our PRC Legal Adviser is of the view that, except as disclosed in “Business – Non-compliance”, we had complied with all applicable PRC laws and regulations in all material respects, and had obtained permits, licenses, qualifications, authorizations and approvals material to our business operations during the Track Record Period and up to the Latest Practicable Date.

LICENSES AND PERMITS

The principal permit required to conduct our main business in the PRC is pollutant discharge permits for operating our wastewater treatment plants. For our water supply plants, we require water intake permits and health permits to supply water in the PRC. For our other business lines, we require work safety licence, electric power business licence, construction enterprise qualification, permits for the safe use of hazardous chemicals, and purchase licence of precursor chemicals. For more information regarding the laws and regulations that we are subject to in the PRC, see “Regulatory Overview – Business Qualification and Licences” and “Regulatory Overview – Land, Planning and Construction Permit”.

As advised by our PRC Legal Adviser, the Classified Directory for the Management of Stationary Source Discharge Permits (2017) (“Order No. 45”) (《固定污染源排污許可分類管理名錄(2017年版)》(部令第45號)) (“**Order No. 45**”) was promulgated by the MEP on July 28, 2017, and it introduces a new registration system. Under the Order No. 45, wastewater treatment industry participants have to apply their new formal pollutant discharge permits and renew their existing pollutant discharge permits under the new registration system by 2019. The Order No. 45 did not stipulate when the new registration system will be in place.

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As of the Latest Practicable Date, we have 28 subsidiaries still in the process of renewing and applying pollutant discharge permits. In addition, one of our subsidiaries has obtained a temporary pollutant discharge permit because it was unable to apply for a formal pollutant discharge permit due to the new policy promulgated by the PRC under the Order No. 45. The expiration date of the temporary pollutant discharge permit is December 31, 2017. As the new registration system is yet to be implemented by the local environmental protection authorities, our affected subsidiaries cannot renew their existing pollutant discharge permit or apply for a new pollutant discharge permit. As advised by our PRC Legal Adviser, based on their interview with the local environmental protection authorities and written confirmation received by the affected subsidiaries from the local environmental protection authorities, our PRC Legal Adviser confirm that (i) we are unable to apply for or renew our pollutant discharge permit until the new national discharge permit application system is implemented at the local environmental protection authorities; (ii) as of the Latest Practicable Date, the temporary pollutant discharge permits held by our subsidiary was legal and valid; and (iii) our affected subsidiaries which are still in the process of renewing or applying for their pollutant discharge permits can still legally operate during this application period until the new national discharge permit application system is implemented by the relevant local environmental protection authorities.

In addition to the above, for our BOO/BOT project models, after we have entered into the relevant service concession arrangements, the competent government authorities or third party companies are contractually obligated to assist us in obtaining various certificates and permits that we need in order for us to commence construction stage of our projects, which are set out below:

1. Project establishment approval (立項) – approval issued by the development and reform commission at a competent administrative level for project establishment;
2. Environmental impact assessment (環境影響評估) – a procedure required for assessment of the environmental impact of a construction project;
3. Construction land use planning permit (建設用地規劃許可證) – a permit authorizing an entity to begin the survey, planning and design of a parcel of land;
4. Construction planning permit (建設工程規劃許可證) – a certificate indicating government approval for an entity's overall planning and design of a project;
5. Construction work commencement permit (建築工程施工許可證) – a permit required for the commencement of construction of a project;
6. Environmental protection inspection and acceptance formalities (環保驗收手續) – formalities required for the completion of environmental protection construction work for a project; and
7. Completion inspection and acceptance formalities (工程竣工驗收手續) – formalities required for the completion of construction work for a project.

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For our TOT projects, we will have to obtain the buildings and structures which have been built by the local governments or their designees.

Our PRC Legal Adviser has advised us that, during the Track Record Period and up to the Latest Practicable Date, except otherwise disclosed in “Business – Non Compliance” and in this listing document, we had obtained all requisite licenses, approvals, permits and written confirmations from the relevant government authorities in the PRC to conduct our business in the PRC. All of these licenses, approvals and permits remained in full effect, and no circumstances existed that would render the revocation or cancellation of our licenses, approvals and permits or would render legal impediments to our business operations. Our PRC Legal Adviser has also advised us that, to the best of their knowledge, there is no legal impediment to renewing any material licenses, approvals, and permits for our business and operations in PRC, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedules prescribed by the applicable PRC laws and regulations.

NON-COMPLIANCE

Except as disclosed hereunder, we have complied with the applicable PRC laws and regulations which are material to our business operations during the Track Record Period and up to the Latest Practicable Date. The following table set forth a summary of our systemic non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
1.	We failed to obtain the project establishment approvals for the construction work of two projects.	We commenced the relevant construction work at the instruction of the local governments, which sought to expedite the construction and operation of these projects, but we have not obtained the relevant project establishment approvals. The relevant local governments are responsible for assisting us with obtaining the project establishment approvals.	According to the <i>Measures for the Administration of Enterprise Investment Projects Approval and Filing</i> , if a company carries out construction work without project establishment approval, a fine of not more than RMB50,000 may be imposed for each incident. As advised by our PRC Legal Adviser, the local governments may impose fines in aggregate of up to RMB50,000 on us for such non-compliance incidents.	Our PRC Legal Adviser conducted interviews with the relevant local government authorities for these two projects, both of which confirmed that, we have the right to continue to construct and/or operate the relevant projects. Based on the interviews, during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.
		None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.	Our PRC Legal Adviser is of the view that, based on the interviews with the relevant local government authorities, (i) we are entitled to continue the relevant project construction and/or operation without obtaining the project establishment approvals; (ii) the risk of us being imposed of any administrative penalties due to the lack of the project establishment approvals is remote; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.	Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations through interviews; and (ii) the risk of such confirmations through interviews being challenged or revoked by higher-level government authorities is remote.
			Our Directors are of the view that, based on the interviews with the relevant local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SHC, one of our Controlling Shareholders, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result no provision has been made in our consolidated financial statements.	We expect to obtain the project establishment approvals for the construction work of these two projects by the end of 2018.
				We have obtained a Deed of Indemnity provided by SHC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.
				We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
2.	<p>We failed to obtain the construction land use planning permits for the construction work of eight projects.</p>	<p>We commenced the relevant construction work at the instruction of the local governments, which sought to expedite the construction and operation of these projects, but we have not obtained the relevant construction land use planning permits. The relevant local governments are responsible for obtaining or assisting us with obtaining (as the case may be) the construction land use planning permits.</p> <p>None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>According to the <i>Urban and Rural Planning Law of the PRC</i>, if a construction entity which was authorised to use the construction land fails to obtain a construction land use planning permit, the people's government at or above the county level shall cancel any relevant authorization document. If the land has already been occupied, it shall be returned promptly. Furthermore, the liable party shall be obliged to compensate for any damage caused to any other relevant parties. As advised by our PRC Legal Adviser, the local governments will not impose any fines on us based on the PRC laws and regulations.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmations and interviews with the relevant local government authorities, (i) we are entitled to continue the project construction and/or operation without obtaining the construction land use planning permits; (ii) we will not be subject to any administrative penalties for failure to obtain the construction land use planning permits; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.</p>	<p>We have obtained written confirmations from the relevant local government authorities for six projects, and our PRC Legal Adviser conducted interviews with the relevant local government authorities for two projects, all of which confirmed that, we have the right to continue to construct and/or operate the relevant projects. Based on the government confirmations and interviews with the relevant local government authorities, during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations in writing or through interviews; and (ii) the risk of such confirmations or interviews being challenged or revoked by higher-level government authorities is remote.</p> <p>We expect to obtain the construction land use planning permits for the construction work of seven projects by the end of 2018. For the remaining one project, this project is a Type I C Project in respect of which no currently valid land use right certificates have been issued, but the Government Grantor who has contractual obligations to provide land to us under the service concession arrangement is yet to complete the relevant land provision approval process and hence our ability to obtain the construction land use planning permit is subject to the completion of the administrative procedures by the Government Grantor as mentioned above. We will maintain regular communication with the relevant Government Grantor and endeavor to obtain the construction land use planning permit once the Government Grantor has completed the relevant land provision approval process. For details of the Type I C Projects, see "Business – Property – Properties Occupied by Us Pursuant to Service Concession Arrangements – Land Use Right Certificate".</p>
			<p>Our Directors are of the view that, based on the government confirmations and interviews with the relevant local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SHIC, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result no provision has been made in our consolidated financial statements.</p>	

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No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.</p> <p>We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
3.	We failed to obtain the construction planning permits for the construction work of nine projects.	<p>We commenced the relevant construction work at the instruction of the local governments, which sought to expedite the construction and operation of these projects, but we have not obtained the relevant construction planning permits. The relevant local governments are responsible for obtaining or assisting us with obtaining (as the case may be) the construction planning permits.</p> <p>None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>According to the <i>Urban and Rural Planning Law of the PRC</i>, for construction work carried out without a construction planning permit, the relevant local government at or above the county level may order the construction to cease. If the impact on the planning caused by such construction without the permit can be eliminated, the relevant local government may order the company to rectify such impact; an additional fine of not less than 5% but not more than 10% of the construction cost may be imposed. If such impact cannot be eliminated, the relevant local government may order the construction entity to demolish such buildings or structures, or, for construction work that cannot be demolished, it may confiscate such buildings or structures or any income illegally earned from such property, and a further fine of not more than 10% of the construction cost may be imposed. As advised by our PRC Legal Adviser, the local governments may impose fines in aggregate of up to RMB11.3 million on us for such non-compliance incidents.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmations and interviews with the local government authorities, (i) we are entitled to continue the project construction and/or operation without obtaining the construction planning permits; (ii) the risk of us being imposed of any administrative penalties due to the lack of the construction planning permits is remote; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.</p> <p>Our Directors are of the view that, based on the government confirmations and interviews with the local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SHC, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result, no provision has been made in our consolidated financial statements.</p>	<p>We have obtained written confirmations from the relevant local government authorities for five projects, and our PRC Legal Adviser conducted interviews with the relevant local government authorities for four projects, all of which confirmed that, we have the right to continue to construct and/or operate the relevant projects. Based on the government confirmations and interviews with the local government authorities during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations in writing or through interviews; and (ii) the risk of such confirmations or interviews being challenged or revoked by higher-level government authorities is remote.</p> <p>We expect to obtain the construction planning permits for the construction work of eight projects by the end of January, 2019. For the remaining one project, this project is a Type I C Project in respect of which no currently valid land use right certificates have been issued, but the Government Grantor who has contractual obligations to provide land to us under the service concession arrangement is yet to complete the relevant land provision approval process and hence our ability to obtain the construction land use planning permit is subject to the completion of the administrative procedures by the Government Grantor as mentioned above. We will maintain regular communication with the relevant Government Grantor and endeavor to obtain the construction planning permit once the Government Grantor has completed the relevant land provision approval process. For details of the Type I C Projects, see “Business – Property – Properties Occupied by Us Pursuant to Service Concession Arrangements – Land Use Right Certificate”.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.</p> <p>We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
4.	<p>We failed to obtain the construction work commencement permits for the construction work of 16 projects.</p>	<p>We commenced the relevant construction work at the instruction of the local governments, which sought to expedite the construction and operation of these projects, but we have not obtained the relevant construction work commencement permits. The relevant local governments are responsible for obtaining or assisting us with obtaining (as the case may be) the construction work commencement permits.</p> <p>None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>According to the <i>Rules on the Administration of Construction Quality</i>, for construction work carried out without a construction work commencement permit, a construction entity commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report, shall be ordered to stop the construction work, carry out remedial actions within a prescribed time limit and pay a fine of not less than 1% but not exceeding 2% of the construction price. As advised by our PRC Legal Adviser, the local governments may impose fines in aggregate of up to RMB2.9 million on us for such non-compliance incidents.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmations and interviews with the local government authorities, (i) we are entitled to continue the project construction and/or operation without obtaining the construction work commencement permits; (ii) the risk of us being imposed of any administrative penalties due to the lack of the construction work commencement permits is remote; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.</p> <p>Our Directors are of the view that, based on the government confirmations and interviews with the local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SHIC, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result, no provision has been made in our consolidated financial statements.</p>	<p>We have obtained written confirmations from the relevant local government authorities for ten projects, and our PRC Legal Adviser conducted interviews with the relevant local government authorities for six projects, all of which confirmed that, we have the right to continue to construct and/or operate the relevant projects. Based on the government confirmations and interviews with the local government authorities, during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations in writing or through interviews; and (ii) the risk of such confirmations or interviews being challenged or revoked by higher-level government authorities is remote.</p> <p>As of the Latest Practicable Date, we have received the construction work commencement permits for the construction work of three projects. We expect to obtain the construction work commencement permits of nine project by the end of 2018 and three projects by the end of 2019. For the remaining one project, this project is a Type I C Project in respect of which no currently valid land use right certificates have been issued, but the Government Grantor who has contractual obligations to provide land to us under the service concession arrangement is yet to complete the relevant land provision approval process and hence our ability to obtain the construction land use planning permits is subject to the completion of the administrative procedures by the Government Grantor as mentioned above. We will maintain regular communication with the relevant Government Grantor and endeavor to obtain the construction work commencement permit once the Government Grantor has completed the relevant land provision approval process. For details of the Type I C Projects, see “Business – Property – Properties Occupied by Us Pursuant to Service Concession Arrangements – Land Use Right Certificate”.</p>

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No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.</p> <p>We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
5.	We failed to complete the relevant completion inspection and acceptance formalities for the operation of 36 projects.	<p>We commenced the relevant operation at the instruction of the local governments, which sought to expedite the operation of these projects, but we have not completed the relevant completion inspection and acceptance formalities. The relevant local governments are responsible for completing or assisting us with completing (as the case may be) the completion inspection and acceptance formalities.</p> <p>None of our Directors or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>According to the <i>Rules on the Administration of Construction Quality</i>, if a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the contractual project price, and shall be obliged to pay compensation according to law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checking in respect of the project within 15 days from the day when the construction project passes such checks, it shall be ordered to carry out remedial actions within a prescribed time limit and shall be fined not less than RMB200,000 but not exceeding RMB500,000. As advised by our PRC Legal Adviser, the local governments may impose fines in aggregate of up to RMB38.1 million on us for such non-compliance incidents.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmations and interviews with the local production and operation of the relevant projects prior to completing the completion inspection and acceptance formalities; (ii) the risk of us being imposed of any administrative penalties due to the lack of the completion inspection and acceptance formalities is remote; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.</p> <p>Our Directors are of the view that, based on the government confirmations and interviews with the local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SIFIC, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result, no provision has been made in our consolidated financial statements.</p>	<p>We have obtained written confirmations from the relevant local government authorities for 20 projects, and our PRC Legal Adviser conducted interviews with the relevant local government authorities for 16 projects, all of which confirmed that, we have the right to continue to operate the relevant projects. Based on the government confirmations and interviews with the local government authorities, during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations in writing or through interviews; and (ii) the risk of such confirmations or interviews being challenged or revoked by higher-level government authorities is remote.</p> <p>As of the Latest Practicable Date, we have completed the relevant completion inspection and acceptance formalities for the operation of two projects. We expect to obtain the relevant completion inspection and acceptance formalities of 11 projects by the end of 2018, four projects by the end of 2019 and two projects by the end of 2020.</p> <p>In addition to the above:</p> <p>(i) nine projects are Type I B Projects in respect of which no currently valid land use right certificates have been issued and the Government Grantors are yet to complete the administrative procedures of obtaining such land use rights certificates;</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>(ii) one project is Type I C Project in respect of which no currently valid land use right certificates have been issued, but the Government Grantor who has contractual obligations to provide land to us under the service concession arrangement is yet to complete the relevant land provision approval process;</p> <p>(iii) two projects are Type II A Projects in respect of which the land use right certificates are held by parties other than us with such parties being the Government Grantors or Government Designees; and</p> <p>(iv) two projects are Type II B Projects in respect of which the land use right certificates are held by the Government Subordinate Enterprises.</p> <p>For the 14 projects above, as we do not hold the relevant land use right certificates, our ability to complete the relevant completion inspection and acceptance formalities is subject to the transfer of such land use rights certificates to the relevant parties or completion of the relevant land provision approval process by the relevant Government Grantors. For details of the Type I B, Type I C, Type II A and Type II B Projects, see “Business – Property – Properties Occupied by Us Pursuant to Service Concession Arrangements – Land Use Right Certificate”.</p> <p>For the remaining three projects:</p> <p>(i) one of our construction planning permit for a project was lost; and</p> <p>(ii) we have completed the relevant completion inspection and acceptance formalities for the remaining two projects but unfortunately such records and confirmations were lost. We were also informed by the relevant government departments that they were unable to locate such records and confirmations in their archives internally as well.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>For the above three projects, we are currently in communication with the relevant government departments to have these issues resolved and our ability to complete the relevant completion inspection and acceptance formalities to re-issues the relevant records/confirmation is subject to these issues being resolved.</p> <p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.</p> <p>We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
6.	<p>We failed to complete the environmental protection inspection and acceptance formalities for the operation of three projects.</p>	<p>We commenced the relevant operation at the instruction of the local governments, which sought to expedite the operation of these projects, but we have not completed the relevant environmental protection inspection and acceptance formalities. The relevant local governments are responsible for completing or assisting us with completing (as the case may be) the environmental protection inspection and acceptance formalities.</p> <p>None of our Director or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>In accordance with the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), for those construction projects which have not completed requisite environmental protection inspection and acceptance formalities, the relevant government at or above the county level may order termination of production or use, and a fine of not more than RMB100,000 may be imposed. As advised by our PRC Legal Adviser, the local governments may impose fines in aggregate of up to RMB100,000 on us for such non-compliance incidents.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmation and interviews with the local government authorities, (i) we are entitled to continue the production and operation of the relevant projects prior to completing the environmental protection inspection and acceptance formalities; (ii) the risk of us being imposed of any administrative penalties due to the lack of the environmental protection inspection and acceptance formalities is remote; and (iii) such non-compliance incidents will not have any adverse impact on our business operations.</p> <p>Our Directors are of the view that, based on the government confirmation and interviews with the local government authorities, the advice of our PRC Legal Adviser and the Deed of Indemnity provided by SHIC, such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result, no provision has been made in our consolidated financial statements.</p>	<p>We have obtained a written confirmation from the relevant local government authority for one project, and our PRC Legal Adviser conducted interviews with the relevant local government authorities for two projects, all of which confirmed that, we have the right to continue to operate the relevant projects. Based on the government confirmation and interviews, during the Track Record Period and up to the Latest Practicable Date, no fines have been imposed upon us for such non-compliance incidents. We have not received any penalty notice in relation to these non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.</p> <p>Our PRC Legal Adviser is of the view that, (i) the aforesaid local governmental authorities are competent authorities to issue the relevant confirmations in writing or through interviews; and (ii) the risk of such confirmations or interviews being challenged or revoked by higher-level government authorities is remote.</p> <p>We expect to obtain the environmental protection inspection and acceptance formalities for the operation of one project by the end of 2018 and another one project by the end of 2020. For the remaining one project, we are currently unable to complete the environmental protection inspection and acceptance formalities due to delay in the resettlement arrangements by the relevant local government in clearing the land for our use in one of our project. Our ability to complete the environmental protection inspection and acceptance formalities is therefore subject to the local government completing the resettlement arrangements. We will, however, maintain regular communication with the relevant local government and endeavor to complete the environmental protection inspection and acceptance formalities once the relevant local government has completed the resettlement arrangements.</p>

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No.	Particulars of the Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents and any Directors/Senior Management Involved	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incidents.</p> <p>We have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such non-compliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
7.	<p>We failed to make sufficient contributions to social security funds and housing provident fund for some of our employees in accordance with applicable PRC laws and regulations.</p> <p>We estimate that the aggregate amount of social security funds and housing provident fund that we did not pay was approximately RMB3.5 million, RMB3.0 million and RMB2.9 million and RMB2.9 million, as of December 31, 2014, 2015 and 2016 and as of September 30, 2017, respectively.</p>	<p>The non-compliance occurred mainly due to administrative oversight by the handling person of the human resources department of our Group.</p>	<p>Our PRC Legal Adviser has advised us that, under the relevant PRC laws and regulations, late fees and fines will be imposed on an employer for not making sufficient social security funds for employees in a timely manner. If any competent PRC government authority is of the view that the social security funds we made for our employees breached the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC government authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of indebtedness. If we fail to do so within the prescribed period, we may be subject to a fine ranging between one to three times of the total outstanding balance. As advised by our PRC Legal Adviser, the maximum aggregate amount of fine that could impose on us due to insufficient contributions to the social security funds during the Track Record Period will be approximately RMB8,580,123.</p> <p>Our PRC Legal Adviser has also advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it can order us to pay the outstanding balance to the relevant PRC government authorities within a prescribed period. And if we fail to do so within the time limit, it can apply to the people's court for compulsory execution. We will not be subject to any fines due to the insufficient contributions to the housing provident fund.</p> <p>Based on the above, our Directors are of the view that such incidents will not result in any material adverse impact on our Group's business, financial condition and operation results.</p>	<p>As of the Latest Practicable Date, no administrative action had been initiated against, and no fine or penalty had been imposed by the relevant competent PRC government authorities with respect to this non-compliance incident, nor has any order been received by us to settle the outstanding amount of social security funds and housing provident fund contributions.</p> <p>We have contributed social security funds and housing provident fund on the basis prescribed by applicable PRC laws and regulations or local policies (as appropriate) for all our eligible PRC employees since December 2017.</p> <p>As of the Latest Practicable Date, we have made provision for the payment due based on the adjusted payment base and considered such amount in our 2017 budget accordingly.</p> <p>We have established internal compliance guidelines, which set forth our policies and procedures with respect to compliance issues.</p> <p>We have obtained a Deed of Indemnity provided by SIIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incident.</p>

No.	Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
8.	<p>15 of our Group's project companies in the PRC were involved in 26 non-compliance incidents concerning violation of wastewater discharge standard and environment-related incidents.</p>	<p>These non-compliance incidents were mainly due to the excessive pollution levels in the incoming wastewater to be treated and the relevant project companies was not equipped to treat incoming wastewater beyond the level prescribed under the relevant service concession arrangements.</p> <p>None of our Director or senior management was involved in the non-compliance incidents at the relevant time.</p>	<p>Our PRC Legal Adviser has advised us that, the aggregated amount of penalties imposed on our project companies for incidents occurred after our acquisitions of these project companies during the Track Record Period was approximately RMB3.4 million, ranging from less than RMB10,000 to RMB1.5 million per violation, which in aggregate was insignificant as compared to the total profits of our Group for each year during the Track Record Period, and the financial impact of these non-compliance incidents on our Group during the Track Record Period was immaterial.</p> <p>Our PRC Legal Adviser is of the view that, based on the government confirmations in relation to the 24 non-compliance incidents, (i) other than such aggregated penalties of approximately RMB3.4 million already imposed, there will not be any other fines or penalties for the same incident; (ii) we have not been involved in any other similar non-compliance matters, nor subject to any other administrative penalties; and (iii) such non-compliance incidents will not have any material adverse impact on our business operations.</p> <p>Based on the above, our Directors are of the view that such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result no provision has been made in our consolidated financial statements.</p>	<p>Our PRC Legal Adviser has advised us that, (i) payment for all the penalties had been made; (ii) except for the five incidents of Xinxiang City Xiaodian Wastewater Treatment Project 1st Stage (新鄉市小店污水處理工程一期), we had obtained confirmations from the relevant local competent environmental departments, which confirmed that all of the breaches have been subsequently rectified, that all of the administrative penalties have been fully paid (where applicable) and that there was no other violation of relevant environmental rules and regulations by the project companies as of the relevant date of such confirmations.</p> <p>As of the Latest Practicable Date, we no longer own Xinxiang City Xiaodian Wastewater Treatment Project 1st Stage (新鄉市小店污水處理工程一期). We are currently involved in a court proceeding with Xinxiang Economic and Technology Development Management Committee in relation to the termination of the service concession arrangement of this project. As of the Latest Practicable Date, the court is yet to hold any court hearing and it is our intention to seek compensation based on our rights reserved in the service concession arrangement through counter-claim. During the Track Record Period, we have been fined by the regulatory authority because the wastewater treated by the wastewater treatment plant in this project did not meet the levels prescribed under the relevant PRC laws and regulations and the fines involved during the Track Record Period amounted to approximately RMB3.0 million in total. Out of this RMB3.0 million fines, RMB2.8 million fines were related to incidents before our acquisition of this project and this was due to the excessive pollution levels in the incoming wastewater to be treated by this project and this project was not equipped to treat incoming wastewater beyond the level prescribed under the relevant service concession arrangements. In addition, our Directors are of the view that, the termination of Xinxiang City Xiaodian Wastewater Treatment Project 1st Stage (新鄉市小店污水處理工程一期) does not and will not have a material financial or operational impact on our Group as a whole because this project did not contribute any revenue during the Track Record Period.</p>

No.	Systemic Non-Compliance Incidents	Reasons for the Systemic Non-Compliance Incidents	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
				<p>We have obtained a written Deed of Indemnity provided by SIC in respect of any losses or expenses which may be payable by us as a result of such non-compliance incident.</p>

No.	Systemic Non-Compliance Incidents	Reasons for the Systemic Non Compliance Incidents	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
9.	<p>Eight of our Hong Kong subsidiaries failed to file the Form D2A/D2B/ND2A/ND2B/D4/R1 (as the case maybe) in relation to (i) change of director, (ii) change in particulars of director/company secretary, (iii) appointment/resignation of director/company secretary, (iv) cessation to act as director/company secretary, (v) change of address of registered office, or (vi) annual returns, within the timeframe as required under the Companies Ordinance and/or the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) which was in force before March 3, 2014 (the “COs”).</p>	<p>The omissions were unintentional and due to oversight of the administrative staff responsible for supervision on secretarial matters. During relevant periods, the relevant subsidiaries had relied on corporate secretarial services provided by an external service provider to handle such matters.</p>	<p>We engaged Mr. Richard Leung, barrister-at-law in Hong Kong (“HK Counsel”) to advise us on Hong Kong laws and to issue a legal opinion in relation to non-compliance with the COs. As advised by our HK Counsel, the relevant Hong Kong subsidiaries and the officers of such Hong Kong subsidiaries are liable to a total maximum fine of HK\$885,000 in respect of the late-filing breaches. However, as advised by our HK Counsel, (i) the chance of prosecution is very low; (ii) in case of prosecution, there is a time bar defence for many of the late-filing breaches in question which can be run by the relevant Hong Kong subsidiaries; and (iii) in case of conviction, the likely penalty would only be fines which are much lower than the maximum fines.</p> <p>Based on the above, our Directors are of the view that such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result no provision has been made in our consolidated financial statements.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then and current directors of the relevant Hong Kong subsidiaries, nor have any of them been subject to any fine relating to the disclosed incidents of non-compliance.</p> <p>To prevent the recurrence of such non-compliances, we have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such noncompliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>

No.	Systemic Non-Compliance Incidents	Reasons for the Systemic Non Compliance Incidents	Legal Consequences and Potential Maximum and Other Financial Liabilities	Rectification Actions Taken and Status as of the Latest Practicable Date
10.	<p>Two of our Hong Kong subsidiaries failed to convene the annual general meetings within 18 months from the date of incorporation or within nine months from the ending date of the accounting reference period pursuant to section 610(1) of the COs.</p>	<p>The omissions were unintentional and due to oversight of the administrative staff responsible for supervision on secretarial matters. During relevant periods, the relevant subsidiaries had relied on corporate secretarial services provided by an external service provider to handle such matters.</p>	<p>Our HK Counsel advised us that, under section 610(1) of the COs, if default is made in holding an annual general meeting within the prescribed period, the relevant Hong Kong subsidiary and every officer of the relevant Hong Kong subsidiary in default shall be liable to a maximum fine of HK\$50,000.</p> <p>As advised by our HK Counsel, (i) the chance of prosecuting the offences in respect of the defaults committed by the relevant Hong Kong subsidiaries is low; (ii) even if prosecutions are being laid, the targets will usually be the relevant Hong Kong subsidiaries committing the defaults, and the likely penalty will only be fines which will be much lower than the maximum fines; and (iii) even if prosecutions are being laid against individual director(s) of the relevant Hong Kong subsidiaries for failure to lay accounts at the relevant annual general meetings, given that non-compliances were not willful, the likely penalty will only be fines which will be much lower than the maximum fines. Further, it is highly unlikely that imprisonment sentences will be imposed on any director of the relevant Hong Kong subsidiaries.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, there has not been any prosecution initiated against our Group or the then and current directors of the relevant Hong Kong subsidiaries, nor have any of them been subject to any fine relating to the disclosed incidents of non-compliance. Further, all late filings have been remedied.</p> <p>To prevent the recurrence of such non-compliances, we have adopted enhanced internal control measures and provided relevant training to employees to avoid recurrence of such noncompliance incident. See “Business – Non-Compliance – Internal Control Measures”.</p>
			<p>Based on the above, our Directors are of the view that such non-compliance incidents, individually or in the aggregate, do not have and will not have in the future, a material financial or operational impact on our Group as a whole and as a result no provision has been made in our consolidated financial statements.</p>	

Internal Control Measures

We implemented the following measures to prevent the future occurrence of non-compliance incidents such as those disclosed in the above tables. Having considered the implementation of the enhanced internal control measures below, the business nature and operation scale of our Group, our Directors are of the opinion, and the Sole Sponsor concurs that, as of the Latest Practicable Date, our internal control measures below were adequate and effective, in all material respects, to prevent the re-occurrence of non-compliance incidents:

1. to ensure that our Company's internal controls are adequate and effective, our Audit Committee is assisted by various independent professional service providers, including the external auditor of our Company, a reputable accounting firm with international practice, which enable the Audit Committee to carry out assessments of the effectiveness of key internal controls of our Group. Based on the internal controls established and maintained by our Group, work performed by the internal auditors and external auditors, reviews performed and representations made by the management of our Company, and the documentation on our Group's key risks, no material defects or failures in the internal control systems of our Company have been identified by the management of our Company;
2. all new projects can be undertaken by our Group only after being approved by all members of the executive board committee (comprising all of our executive directors of our Group);
3. the heads of the members of our Group, currently led by Mr. Li Zengfu (an executive director of our Group), are primarily responsible for maintaining effective communication with the local governmental authorities to facilitate the application for various certificates, permits and approvals;
4. the core management team of the relevant members of our Group are responsible for collecting all certificates, permits and approvals required for operation and construction as well as monitoring the status regarding the application for relevant certificates, permits and approvals;
5. the legal departments of the relevant members of our Group are responsible for inspecting various certificates and permits required for the business operations of our Group and urging the project companies without the necessary certificates, permits and approvals to apply for the same;
6. we have engaged external PRC legal advisers to provide assistance in respect of any legal and compliance matters relating to our operations;
7. we have established a Risk and Investment Management Committee to oversee our Group's overall risk management framework and to advise the Board on our Group's risk-related matters; the Risk Management Committee reports directly to the Board;

BUSINESS

8. with respect to the new projects to be undertaken, our Group will use its best endeavors to specify in the service concession arrangement to be entered into with the local Government Grantor that (a) the relevant members of our Group are authorized and have the legal right to operate the relevant projects; (b) the failure to obtain the relevant certificates, permits or approvals (if any) are not due to the fault of our Group; and (c) our Group will not be subject to any penalties for the failure to obtain the relevant certificates, permits or approvals;
9. with respect to new projects to be acquired by our Group, our Company will use its best endeavors to negotiate with its counterparties to, where necessary and practical, obtain the long-term title certificates prior to completion of the proposed acquisitions or, alternatively, require additional indemnities for losses that may result from defective property titles;
10. the Risk and Investment Management Committee will be in charge of monitoring the relevant members of our Group to ensure completion of all necessary formalities and obtaining all necessary certificates, permits and approvals in a timely manner; and
11. the directors of our Group will ensure the Hong Kong subsidiaries of our Group will comply with the relevant regulatory requirements by instructing its company secretary to (a) monitor the regulatory requirements in respect of the Hong Kong subsidiaries; (b) work closely with the external professional advisers engaged by our Group; and (c) keep abreast of the relevant regulatory requirements.

In order to monitor the implementation of our enhanced internal controls, the Risk and Investment Management Committee will implement the following measures:

1. with regards to our Group's internal control policies and procedures, the Committee will (a) review and update our Group's internal control policies and procedures on a regular basis, (b) ensure that the latest applicable internal control policies and procedures are distributed to all members of our Group on a timely basis, (c) oversee and inspect on the implementation of our Group's internal control policies and procedures by each member of our Group, and (d) enhance and rectify any deficiencies identified in our Group's internal control policies and procedures;
2. monitor the relevant members of our Group to ensure compliance with applicable laws and regulations, including completion of all necessary formalities and obtaining all necessary certificates, permits and approvals for all new projects undertaken by our Group as well as making sufficient contributions to social security funds and housing provident fund for all our eligible PRC employees;
3. work closely with our external PRC legal advisers to provide on-going assistance in respect of any legal and compliance matters relating to our operations;
4. hold compliance meetings to conduct overall assessment in response to existing and new legal and regulatory requirements on a regular and timely basis;
5. establish and recommend our Group's risk appetite, including assessing the appropriateness of the corporate plan in the context of risk appetite;

BUSINESS

6. review the adequacy and effectiveness of our risk management and internal control systems with respect to operational, compliance and information technology controls of our Group;
7. advise the Board on our Group's overall risk tolerance and strategy, and oversee the management in the design, implementation and monitoring of our risk management and internal control systems;
8. oversee and advise the Board on current risk exposures and risk strategy in light of the macro-economic environment; and
9. review disclosures in the annual report relating to the adequacy and effectiveness of our risk and investment management and internal control systems within the agreed strategy and risk appetite.

Deed of Indemnity

On March 8, 2018, SIIC entered into a Deed of Indemnity with our Company in relation to certain indemnities and covenants given by SIIC in favor of our Company (for itself and as trustee for the benefit of each subsidiaries from time to time) relating to any penalties and other financial losses (including but no limited to cost relocation and losses incurred as a result of any disruption to business operation) incurred by any of our subsidiaries or project companies resulting from any non-compliance with PRC laws and regulation. For details, see "Business – Properties – Deed of Indemnity".

Views of Our Directors, Company and Sole Sponsor

Considering (i) the facts and circumstances surrounding the above historical non-compliances incidents; (ii) the various written and verbal confirmations from the competent government authorities; (iii) the Deed of Indemnity we have obtained; (iv) the enhanced internal control measures we have implemented; and (v) the training sessions attended by our Directors in relation to their obligations and duties as directors of a listed company from a Hong Kong law perspective, in particular with respect to the Hong Kong Listing Rules and other securities laws and regulations; and in relation to applicable PRC laws and regulations regarding corporate governance, mergers and acquisitions, major regulatory approval requirements for construction and operation of wastewater treatment and our other projects, our Directors are of the view, and the Sole Sponsor concurs, that such non-compliance incidents would not affect the suitability of our Directors to act as directors of our Company under Rules 3.08 and 3.09 of the Hong Kong Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Hong Kong Listing Rules on the following grounds:

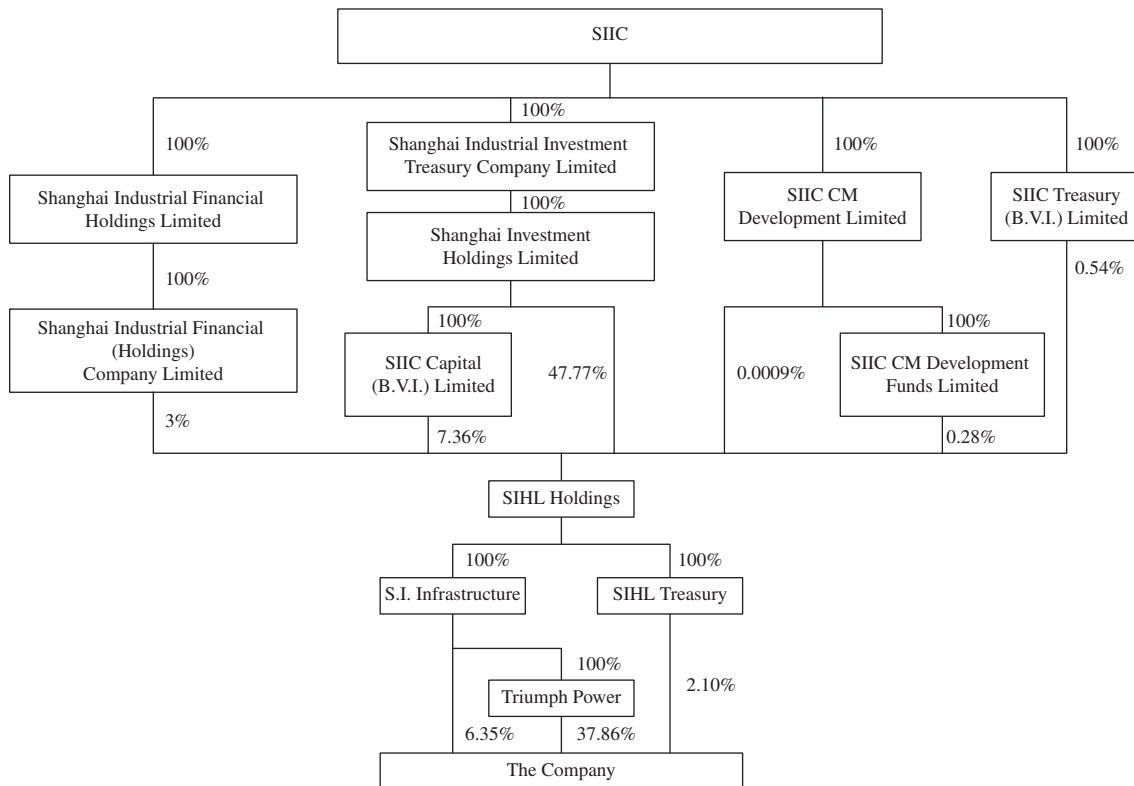
- (i) the historical non-compliance incidents disclosed above were in most case due to reason beyond our control and in other cases inadvertent oversight of our staff;
- (ii) the occurrence of the historical non-compliance incidents disclosed above was not due to the dishonesty or fraudulence of our Directors nor did any of these incidents raise any concern on the integrity of our Directors; and
- (iii) none of the historical non-compliance incidents disclosed above has any material impact on the results of our business operations or financial position.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date and immediately following completion of the Introduction (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the ESOS 2012), Triumph Power, S.I. Infrastructure and SIHL Treasury (through certain nominee arrangements) were and will be interested in 986,929,551 Shares, 165,418,475 Shares and 54,677,900 Shares, representing approximately 37.86%, 6.35% and 2.10% of our issued share capital, respectively. SIHL Holdings, through being the sole shareholder of each of Triumph Power, S.I. Infrastructure and SIHL Treasury, is indirectly interested in 1,207,025,926 Shares, representing approximately 46.31% of our issued share capital.

In addition, as of the Latest Practicable Date and immediately following completion of the Introduction, SIIC, through its subsidiaries, was and will be indirectly interested in 641,410,748 shares in SIHL Holdings, representing approximately 59.00% of the issued share capital of SIHL Holdings. The chart below sets forth the shareholding relationships among our Controlling Shareholders and our Company as of the Latest Practicable Date and immediately following completion of the Introduction:



RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Accordingly, SIIC, SIHL Holdings, Triumph Power, S.I. Infrastructure, SIHL Treasury, SIIC Capital (B.V.I.) Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, Shanghai Industrial Financial Holdings Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited, as a group of persons being close associates of each other, is and will be together entitled to exercise in general meetings voting rights attached to ordinary Shares representing approximately 46.31% of our issued share capital and, therefore, constitute our Controlling Shareholders under the Hong Kong Listing Rules.

DELINEATION OF BUSINESS FROM THE RETAINED SIHL HOLDINGS GROUP

The Retained SIHL Holdings Group will, following completion of the Introduction, be principally engaged in infrastructure facilities, such as toll roads, real estate, consumer products, such as tobacco and printing, and certain new energy businesses (the “**Retained Businesses**”). By contrast, our Group will continue to engage primarily in wastewater treatment, water supply, waste incineration and other ancillary services relating to wastewater treatment, water supply and waste incineration (the “**Group Businesses**”). Save for its minority equity interests in General Water, Longjiang and Canvest (the “**Minority Equity Investments**”), which engage in businesses that partially overlap with the Group Businesses, the Retained SIHL Holdings Group has no other wastewater treatment, water supply, waste incineration or other ancillary services relating to wastewater treatment, water supply and waste incineration. Furthermore, members of the Retained SIHL Holdings Group do not have any intention to engage in the Group Businesses.

The following sets forth the details of the Minority Equity Investments:

- (1) **General Water.** SIHL Holdings, through S.I. Infrastructure, indirectly holds a 45% equity interest in General Water, a company principally engaged in water supply, water treatment and reservoir projects. General Water is accounted for as a joint venture of SIHL Holdings and a non-wholly owned subsidiary of CECEP, a PRC state-owned enterprise holding the remaining 55% of the equity interest in General Water. As of the Latest Practicable Date, CECEP also held an indirect interest in approximately 8.58% of the total issued share capital of our Company.
- (2) **Longjiang.** Longjiang, a non-wholly owned subsidiary of our Company, is principally engaged in the business of developing and operating environmental protection-related projects and the construction and operation of water supply networks. As of the Latest Practicable Date, (i) our Company, through a number of wholly-owned subsidiaries, indirectly held approximately 58.0% of the equity interest in Longjiang; (ii) SIHL Holdings, through a number of wholly-owned subsidiaries (other than our Group), indirectly holds a total of approximately 40.78% of the equity interest in Longjiang; and (iii) 1.25% equity interest in Longjiang is held by Harbin Xin Min Yuan Investment Development Co., Ltd., in

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

which Mr. Piao Yongjian, a director and president of Longjiang, has a 50% equity interest and the five management members of Longjiang (together with Mr. Piao Yongjian, the “**Longjiang Management Shareholders**”) hold the remaining interest.

- (3) **Canvest.** Canvest, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1381), is a leading pure play waste-to-energy (“**WTE**”) provider focused solely on the development, management and operation of WTE plants. As of the Latest Practicable Date, SIHL Holdings (through a member of the Retained SIHL Holdings Group) held approximately 14.5% of the total issued share capital of Canvest.

For more details of the shareholding relationships among the abovementioned entities, please see “History and Development – Our Corporate Development and Principal Subsidiaries” in this listing document.

The Minority Equity Investment in General Water

Our Directors are of the view that the Minority Equity Investment in General Water does not, and will not, give rise to (1) any direct or indirect competition between our Group and the Retained SIHL Holdings Group in any material respect; or (2) any actual or potential conflict of interest between our Group and the Retained SIHL Holdings Group in any material respect.

Limited Active Involvement of the Retained SIHL Holdings Group

Anticipating the market potential of the water industry and to capitalize on the fast urbanization and the increasing water demand in the PRC, the Retained SIHL Holdings Group, together with CECEP, established General Water as a 50:50 joint venture in November 2003, seven years prior to SIHL Holdings’ acquisition of the controlling stake of our Company in 2010. Upon subsequent capital increases by CECEP in 2011 and 2013, the equity interest in General Water held by the Retained SIHL Holdings Group decreased from 50% in 2010 to approximately 45% in 2013, since when General Water has become a subsidiary of CECEP.

As of the Latest Practicable Date, SIHL Holdings held a minority equity interest in General Water and did not have any management control over General Water. Although SIHL Holdings has appointed three out of seven directors of General Water (namely Mr. Xu Xiaobing, Ms. Chang Jinyu and Mr. Wang Peigang), none of these individuals are involved in the day-to-day management of the General Water Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Although Mr. Xu Xiaobing (our Executive Director) and Mr. Wang Peigang (a deputy general manager of our Company) are also directors of General Water, they are not involved in the day-to-day operation or management of the General Water Group. Save as disclosed above, our Company and General Water do not have any common directors or senior management. The table below sets forth the roles and responsibilities of Mr. Xu Xiaobing and Mr. Wang Peigang in General Water and our Company, respectively:

Name	General Water		Our Company	
	Position	Roles and responsibilities	Position	Roles and responsibilities
Mr. Xu Xiaobing . . .	Director and vice chairman of the board of directors	Providing strategic advice on corporate development and making recommendations on key affairs and decisions of the General Water Group	Executive Director	Assisting our Board to oversee our Company's operational and business expansion matters, and responsible for administrative and corporate matters of the Singapore head office of our Company and operational matters of the regional divisions of our Company
Mr. Wang Peigang . . .	Director	Providing strategic advice on corporate development and making recommendations on key affairs and decisions of the General Water Group	Deputy general manager	Responsible for liaisons with government bodies on regulatory matters of the Group

Furthermore, the management responsibilities of most day-to-day operational affairs of the General Water Group are vested with the general manager of General Water, who was nominated by CECEP and appointed by the board of directors of General Water. With respect to the matters that require approval of the board of directors of General Water (such as distribution of dividend, adoption of major investment or financing plans), as SIHL Holdings has only appointed three out of seven directors of General Water, it is not able to control the decision of the board of directors of General Water through its appointed directors and therefore has limited active involvement in the decision-making process of the board of directors of General Water.

Mr. Li Zengfu was nominated by CECEP as one of our executive Directors, and the appointment of Mr. Li Zengfu took effect on May 12, 2016. Our Directors are of the view that the nomination by CECEP (the parent company of General Water) of a member of our Board in its capacity as our Shareholder will not affect the independence of our Company's management, as Mr. Li Zengfu does not hold any position in the General Water Group and is not otherwise involved in the day-to-day management of the General Water Group. In addition, bearing in mind his fiduciary duty as a Director, in the event any conflict of interest between our Company and CECEP arises, whether relating to the General Water Group or other matters, Mr. Li Zengfu will abstain from voting on the relevant resolutions of the Board in accordance with applicable laws and the Constitution.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

For the measures implemented by us to address the potential competition and conflict of interests between the Retained SIHL Holdings Group and our Group in relation to General Water, please see “– Measures to Address Potential Competition and Conflict of Interests” below.

Independent Operations

The General Water Group and our Group operate independently. There were no business dealings between the General Water Group and our Group during the Track Record Period, and we do not share any information systems, business units, corporate functions or business resources with the General Water Group. Furthermore, the General Water Group and our Group obtain concession projects independently from each other through exclusive negotiations or competitive tender processes initiated by local governments in the PRC or by acquisition of other project companies. The Retained SIHL Holdings Group, while being a common shareholder of General Water and our Company, does not exert any influence over the independent operations of the General Water Group or our Group, except exercising its right as a shareholder in accordance with applicable laws and the constitutional documents of General Water and our Company.

Differences in Businesses

Notwithstanding that both our Group and the General Water Group are engaged in water supply and water treatment businesses, the Group Businesses and the businesses of the General Water Group differ from each other in the following ways, which help to minimize potential competition between our Group and the General Water Group.

(1) Different business focuses

We are more focused on wastewater treatment, which constituted approximately 78.8% of our total daily production capacity for projects in operation as of September 30, 2017, while the General Water Group is more focused on water supply and generation, which constituted approximately 65.6% of its total daily production capacity for projects in operation as of June 30, 2017 as disclosed in the 2017 interim report of SIHL Holdings. In addition, we have also been engaged in waste incineration, a business that the General Water Group has not engaged in.

(2) Industry-specific practice

In line with industry practice, our Group and the General Water Group enter into concession agreements with local governments in respect of their water-related projects, which clearly specify the coverage of the relevant projects. As an industry-wide practice, such concession agreements are typically granted to only one operator (either a member of our Group or the General Water Group) and usually have a concession period of 20 to 30 years. During the applicable concession period, the operator is typically granted an exclusive right to operate the specified projects or facilities, such as water treatment plants and drainage pipe

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

networks. Furthermore, there is generally only one water-related services provider in the area in which a specific water-related project is located and operated (namely the concessionaire under the relevant concession agreement). Such industry practice minimizes potential competition among companies providing water-related services once concessions have been granted.

In the PRC, there is generally only one water-related service provider in a particular area in which a specific water-related project is located and operated. Such arrangement, which is in line with industry practice, means that there is no competition among the existing projects operated by our Group and the General Water Group, leaving only the pursuit of future projects as an area of potential competition, which is addressed below.

In addition, water treatment operations in the PRC typically involve the provision of services within a defined area through an established wastewater collection pipeline network connecting to a specified water treatment facility located in the same area. Wastewater discharges located within the area of a specified water treatment facility do not have the option of choosing another service provider. Accordingly, water treatment facilities are geographic monopolies and it is highly unlikely that there will be more than one service provider within the same area. As a result, the competition between the General Water Group and our Group in relation to the water treatment projects to be undertaken in future is largely limited.

(3) Different geographical coverage

Our Group and the General Water Group generally operate in different geographical areas in China, which minimizes the prospect of competition and conflicts of interest. As of the Latest Practicable Date, there was no overlap in the areas in which our Group and the General Water Group operate similar projects, save that Shenzhen is the only city in which both our Group and the General Water Group have operations. However, their projects are located in different districts of Shenzhen pursuant to the terms of their respective concession agreements.

Reasons for Not Injecting the Minority Equity Investment in General Water into the our Group

The Retained SIHL Holdings Group currently does not have any intention to inject its Minority Equity Investment in General Water into our Group for the following reasons:

- (1) pursuant to the General Water JV Agreement, (i) any transfer of equity interests by either of the shareholders requires the consent of the other shareholder; and (ii) any such transfer is subject to a right of first refusal by the other shareholder. Accordingly, SIHL Holdings needs to obtain CECEP's consent before it can transfer its interests in General Water. There can be no assurance that CECEP would consent to the transfer of the equity interests held by the Retained SIHL Holdings Group in General Water to our Group, and, even if such consent would be granted by CECEP, CECEP may only be able to do so after going through its internal approval procedures, which may be lengthy and complex. Accordingly, any such proposed transfer is not commercially practicable at this stage;

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- (2) the General Water Group is a water-related services provider carrying on substantial operations and businesses. If our Group were to acquire SIHL Holdings' minority equity interest in General Water, it would need to obtain loans or other financing to do so. As a result, the gearing ratio of our Group would substantially increase and our Group would also incur considerable finance costs, which is not in the best interest of our Group. Accordingly, any such proposed acquisition at this stage could jeopardize the financial condition and prospects of our Group; and
- (3) it is neither commercially beneficial nor in line with our Group's overall strategy to acquire the equity interest in General Water from the Retained SIHL Holdings Group at the current stage in light of the historical return and profitability of the General Water Group, which are generally lower as compared with those of our Group. The revenue and net profit of the General Water Group were HK\$2,154.9 million and HK\$182.5 million, respectively, for the year ended December 31, 2016 and the net assets and total assets of the General Water Group amounted to HK\$4,665.2 million and HK\$8,820.9 million, respectively, as of December 31, 2016 with reference to the joint venture financial statements prepared by SIHL Holdings in accordance with the Hong Kong Financial Reporting Standards as disclosed in the 2016 annual report of SIHL Holdings.

Accordingly, our Directors are of the view that any proposed acquisition of the minority equity interest in General Water held by the Retained SIHL Holdings Group may not confer material benefits on our Group, as the additional costs incurred by our Group (including but not limited to management and financial resources) would outweigh the marginal benefit of the acquisition.

The Minority Equity Investment in Longjiang

Our Directors are of the view that the Minority Equity Investment in Longjiang does not, and will not, give rise to (1) any direct or indirect competition between our Group and the Retained SIHL Holdings Group; or (2) any actual or potential conflict of interest between our Group and the Retained SIHL Holdings Group in any material respect.

Limited Control by the Retained SIHL Holdings Group

Our Company manages the Longjiang Group, which constitutes a material part of the Group Businesses. In addition, our Group benefits from the growth and development of the Longjiang Group, the financial results of which are consolidated into the financial statements of our Company.

The Retained SIHL Holdings Group has no involvement in the day-to-day business operations of the Longjiang Group and does not have management control over Longjiang. As of the Latest Practicable Date, the Retained SIHL Holdings Group had not appointed any director of Longjiang. Furthermore, pursuant to the Longjiang Custodial and Management Services Agreement, the Retained SIHL Holdings Group will entrust our Group to exercise its rights as a shareholder of Longjiang on a discretionary basis, including but not limited to its voting rights as a shareholder of Longjiang.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Marginal Additional Benefits to the Retained SIHL Holdings Group

As of the Latest Practicable Date, our Company and SIHL Holdings held approximately 58.0% and 40.78% of the equity interest in Longjiang, respectively. However, despite the aforementioned direct shareholdings by the Retained SIHL Holdings Group in Longjiang, the potential conflict of interest between the Retained SIHL Holdings Group and our Group in respect of the Longjiang Group is limited for the following reasons:

- (1) the financial results of our Group are consolidated with the financial statements of the SIHL Holdings Group, which in turn benefits from the growth and development of the Longjiang Group; and
- (2) if more profitable projects are allocated to Longjiang and less profitable projects are allocated to other wholly-owned subsidiaries of our Company, the increase in the profitability of Longjiang may bring certain additional returns to the Retained SIHL Holdings Group as a result of its direct interest in Longjiang. However, the financial results of our Group as a whole will be adversely affected by the less profitable projects, which will also in turn adversely affect the financial results of SIHL Holdings. Therefore, it is expected that such suggested allocation of projects would result in only marginal additional benefits, if any, to the Retained SIHL Holdings Group.

Reasons for Not Injecting the Minority Equity Investment in Longjiang into our Group

There is no material strategic value for the Retained SIHL Holdings Group to transfer its Minority Equity Investment in Longjiang to our Group at this stage for the following reasons:

- (1) the financial results of Longjiang, which is already a subsidiary of our Company, are consolidated into the financial statements of our Company and our Company benefits fully from the growth and development of the Longjiang Group. The injection of the Minority Equity Investment in Longjiang into our Group would not confer a material additional benefit on our Group; and
- (2) Longjiang is a material part of our Group taken as a whole. When comparing the size of the Longjiang Group to our Group, (i) the audited revenue and net profit before taxation of the Longjiang Group represented approximately 16.8%⁽¹⁾ and 11.3%⁽²⁾,

Notes:

- (1) Longjiang was accounted for and consolidated as a subsidiary in the audited consolidated accounts of our Group in November 2016 and as such, only the revenue of Longjiang for the two months ended December 31, 2016 were consolidated into our Group's accounts for the financial year ended December 31, 2016 and were accounted for when deriving such percentages.
- (2) Prior to the consolidation of Longjiang into our Group as a subsidiary in November 2016, Longjiang was an associate of our Group. Accordingly, both of the profit of Longjiang for the two months ended December 31, 2016 and a share of the profit of Longjiang in proportion to the shareholding of our Company in Longjiang for the ten months ended October 31, 2016 were accounted for when deriving such percentage.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

respectively, when compared to that of our Group for the financial year ended December 31, 2016 (for the year ended December 31, 2016, the revenue and net profit before taxation of the Longjiang Group contributable to our Group were RMB445.4⁽¹⁾ million and RMB75.2⁽³⁾ million, respectively, with reference to the audited financial statements of Longjiang); and (ii) the total assets of the Longjiang Group represented approximately 29.5% of our Group's total assets as of September 30, 2017 (as of September 30, 2017, the net assets and total assets of the Longjiang Group amounted to RMB1,327.8 million and RMB7,493.0 million, respectively, as disclosed in Note 48 to the Accountants' Report in Appendix I to this listing document). If our Group were to acquire the minority equity interest held by the Retained SIHL Holdings Group in Longjiang, it would need to obtain loans or other financings to do so. As a result, the gearing ratio of our Group would substantially increase and our Group would incur considerable finance costs, which is not in the best interest of our Group. Accordingly, any such proposed acquisition could jeopardize the financial condition and/or prospects of our Group at this stage.

For the measures implemented by us to address the potential competition and conflict of interests between the Retained SIHL Holdings Group and our Group in relation to Longjiang, please see “– Measures to Address Potential Competition and Conflict of Interests” below.

The Minority Equity Investment in Canvest

Our Directors are of the view that Canvest and our Company do not compete with each other directly or indirectly in any material respect.

Different business focuses

Although our Group and the Canvest Group are both engaged in waste incineration, our business focus is very different from that of the Canvest Group. The Canvest Group is a leading pure play WTE provider focused solely on the development, management and operation of WTE plants, while waste incineration only accounts for a small portion of the Group Businesses. Based on the audited consolidated financial statements of our Company for the three financial years ended December 31, 2016 and the nine months ended September 30, 2017, revenue generated from the waste incineration business amounted to RMB45,358,000, RMB44,017,000, RMB93,881,000 and RMB126,892,000, respectively, representing only 3.0%, 2.5%, 3.6% and 3.8% of the total revenue of our Group, respectively (the revenue and net profit of the Canvest Group were HK\$1,653.5 million and HK\$400.0 million, respectively, for the year ended December 31, 2016 and the net assets and total assets of the Canvest Group amounted to HK\$4,441.1 million and HK\$8,481.5 million as of June 30, 2017, respectively, as disclosed in the 2017 interim report of Canvest). Furthermore, the Canvest Group does not engage in any water-related business, which is the main business of our Group.

(3) *The figure comprises the profit of Longjiang for the two months ended December 31, 2016 and a share of the profit of Longjiang in proportion to the shareholding of our Company in Longjiang for the ten months ended October 31, 2016.*

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Independent management

As of the Latest Practicable Date, the Retained SIHL Holdings Group held only a minority equity interest in Canvest and is a passive investor. The Retained SIHL Holdings Group does not have any involvement in the day-to-day business operations of Canvest or management control over Canvest. While Mr. Feng Jun, our executive Director, currently serves as a non-executive director of Canvest as nominated by the Retained SIHL Holdings Group, he is not involved in the day-to-day management of the Canvest Group. Other than Mr. Feng Jun, the Retained SIHL Holdings Group does not have any representation on Canvest's board of directors.

Independent operations

The Canvest Group and our Group operate independently. There were no business dealings between the Canvest Group and our Group during the Track Record Period, nor do we share any information systems, business units, corporate functions or business resources with the Canvest Group.

No Strategic Value to Our Group by Holding the Minority Equity Interest in Canvest

As stated above, the Retained SIHL Holdings Group does not have management control over Canvest but only holds a minority equity interest in Canvest. Accordingly, our Company would likewise become a minority investor with no management control if we were to acquire the minority equity interest in Canvest held by the Retained SIHL Holdings Group.

In terms of business focus, the waste incineration business of the Canvest Group is not central to our Group's strategy. Rather, our Group's strategy is to focus on water-related businesses, and the injection of the minority equity interest in Canvest held by the Retained SIHL Holdings Group would not enhance our Group's business operations. Furthermore, the expertise and resources required for the operation of waste incineration are different from those required for water-related businesses. The injection of the minority equity interest in Canvest could potentially create a distraction for our Group's management.

Save as disclosed above, as of the Latest Practicable Date and so far as our Directors are aware, (1) apart from the Group Businesses held through their interest in our Company, none of our Controlling Shareholders was engaged or had any interest in any business which, directly or indirectly, competes or may compete with the Group Businesses and which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules; and (2) none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Group Businesses.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of the Controlling Shareholders and their respective close associates after the Introduction.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management Independence

The Board comprises six executive Directors and three independent non-executive Directors. For more details, please see “Directors and Senior Management” in this listing document. None of our Director is a Controlling Shareholder.

Immediately following completion of the Introduction, certain members of the management of our Controlling Shareholders will also have management roles in our Group, and the following Directors will also hold directorships and/or senior management roles in our Controlling Shareholders (the “**Common Management Members**”):

Name	Our Company		Controlling Shareholders	
	Position	Roles and responsibilities	Position	Roles and responsibilities
Mr. Zhou Jun (周軍)	Non-executive Director and the Chairman	Responsible for overall corporate strategies, strategic planning and development of our Group	Executive director, vice chairman of the board of directors and chief executive officer of SIHL Holdings	Responsible for overall management, strategic planning and development of the Retained SIHL Holdings Group
			Executive director and President of SIIC	Responsible for the operations, business development and day-to-day management of SIIC
			Director of each of Shanghai Industrial Investment Treasury Company Limited, Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC CM Development Limited, SIIC CM Development Funds Limited, SIIC Treasury (B.V.I.) Limited, Triumph Power, S.I. Infrastructure and SIHL Treasury	N.A. These companies are special purpose vehicles for investment holding purposes only

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Name	Our Company		Controlling Shareholders	
	Position	Roles and responsibilities	Position	Roles and responsibilities
Mr. Feng Jun (馮駿)	Executive Director	Responsible for the human resources related matters of our Group	Senior management member of two of SIHL Holdings wholly-owned subsidiaries	Responsible for management, operation and coordination of business of the Retained SIHL Holdings Group in the PRC
Mr. Xu Zhan (許瞻)	Executive Director	Responsible for the financial related matters and capital market affairs of our Group	Executive director of SIHL Holdings	Responsible for infrastructure and environmental related business and internal audit of the Retained SIHL Holdings Group
			Assistant president of SIIC	Assist president in the management of infrastructure and environment protection business, and take charge of asset management and legal affairs
Mr. Xu Xiaobing (徐曉冰)	Executive Director	Assisting the Board to oversee our Group's operational and business expansion matters, and responsible for administrative and corporate matters of the Singapore head office of our Company and operational matters of the regional divisions of our Company	Deputy chief executive officer of SIHL Holdings	Responsible for the daily management, administration, investment and asset management in respect of affairs of the Retained SIHL Holdings Group in Hong Kong

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Despite the above, our Directors are of the view that the Board as a whole, together with our management team, is able to perform the managerial role in our Group independently for the following reasons:

- (1) prior to the Introduction, the Common Management Members have had dual roles purely because our Company is a member of SIIC. However, our Company has operated as an independent subsidiary of SIIC. To further enhance the management independence of our Group from our Controlling Shareholders, Mr. Zhou Jun was re-designated as a non-executive Director on March 12, 2018;
- (2) the remaining Common Management Members (namely Mr. Feng Jun, Mr. Xu Zhan and Mr. Xu Xiaobing who are also our executive Directors) have a track record of devoting sufficient time and energy to discharging their respective duties as executive Directors and/or management members of both our Group and our Controlling Shareholders. Specifically:
 - (i) Mr. Feng Jun, Mr. Xu Zhan and Mr. Xu Xiaobing have each held executive or management roles in both our Group and the Retained SIHL Holdings Group for sufficiently long periods of time to demonstrate that the dual roles have not negatively affected the integrity of our Board or the board of directors of the Retained SIHL Holdings Group. Mr. Feng Jun, Mr. Xu Zhan and Mr. Xu Xiaobing have each been able to attend board or management meetings held by our Group or the Retained SIHL Holdings Group regularly and they have each demonstrated ability to properly perform their duties as executive Directors and/or management members; and
 - (ii) Mr. Feng Jun, Mr. Xu Zhan and Mr. Xu Xiaobing have different responsibilities within our Group and the Retained SIHL Holdings Group, as described in the table above. Furthermore, their roles and responsibilities are limited to specific areas, as opposed to the overall management of the daily operations of our Group or the Retained SIHL Holdings Group, which has allowed them to allocate sufficient time in discharging their respective duties;
- (3) following completion of the Introduction, the daily operations of our Group will be supported by an independent senior management team comprising five members. Save for Mr. Yang Anyuan, who is the administrative director and supervisor of SIIC Management (Shanghai) Co., a subsidiary of SIIC, none of such five members of the senior management will hold any positions in or will otherwise be involved in the day-to-day management of our Controlling Shareholders;
- (4) none of our three independent non-executive Directors has any role in our Controlling Shareholders, and such Directors can exercise independent judgment free of any conflict of interest. With three independent non-executive Directors representing one-third of our Board, there will be a sufficiently robust and independent voice on our Board to address any actual or potential conflict of interest and protect the interest of our minority Shareholders; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (5) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any resolutions of our Board approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective close associates and will continue to do so after the Introduction.

Treatment Facilities

Our Controlling Shareholders and our Group each had its own independent treatment facilities and did not share any treatment facilities during the Track Record Period.

Offices

Our Controlling Shareholders and our Group each had its own independent offices and did not share any offices during the Track Record Period.


Research and Development Function

Our Controlling Shareholders and our Group each had their own independent research and development functions and did not share any research and development functions during the Track Record Period.

Marketing and Sales Function

Our Controlling Shareholders and our Group each had its own independent marketing and sales functions and did not share any marketing or sales functions during the Track Record Period.

Trademark, Patents and Technical Know-how

Our Controlling Shareholders and our Group each had its own patents, technical know-how and/or trademarks. Our Group did not share any trademarks, patents or technical know-how with our Controlling Shareholders, except both our Group had used the registered trademark “” owned by SIIC in a number of occasions such as on the covers of annual reports or business cards of certain employees. As of the Latest Practicable Date, our Company was in the process of registering a trademark under its own name and will cease to share trademarks with our Controlling Shareholders after completion of the registration of the same.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Administrative Capabilities

Following the Introduction, all essential administrative functions of our Group will be carried out by our Group independently of our Controlling Shareholders. In particular, our Group will have its own staff to perform all essential administrative functions, such as finance and reporting, administration and operations, information technology, compliance and human resources functions, separate and independent from our Controlling Shareholders, and will be capable of generating its own business channels.

In addition, our Group has also obtained its own business qualification certificates, including, among other things, sewage permits, sanitary certificates and water supply certificates, and may independently expand its businesses without reliance on our Controlling Shareholders.

Connected Transactions with our Controlling Shareholders

Save for the continuing connected transactions set out in “Connected Transactions” in this listing document, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders or their respective close associates upon or shortly upon completion of the Introduction.

Based on the above, our Directors are satisfied that we have been operating independently of our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to maintain such operational independence.

Financial Independence

Our Group has established its own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and the internal control function of our Group, independent from our Controlling Shareholders. Our Group is also able to make financial decisions independently and our Controlling Shareholders do not intervene with its use of funds. Our Group has also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, our Group has sufficient capital to operate its business independently, obtaining financing from independent third parties without reliance on our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Certain members of our Group have obtained loans from certain members of the Retained SIHL Holdings Group (the “**Intra-Group Loans**”) and the total amount of the outstanding Intra-Group Loans as of January 31, 2018 was RMB2.4140 billion, representing approximately 22.7% of the then total borrowings of our Group. The interest rates of the Intra-Group Loans were in the range of 3% to 5.07%. The table below sets out the details of the Intra-Group Loans, which were still subsisting as of January 31, 2018:

No.	Name of member of the Retained SIHL Holdings Group (as lender)	Name of member of our Group (as borrower)	Outstanding loan amount	Maturity of the Intra-Group Loan
1.	SIHL Finance Limited (“ SIHL Finance ”) ⁽¹⁾	Rise Thrive ⁽³⁾	(i) US\$110 million	(i) October 2017 ⁽⁵⁾
			(ii) HK\$370 million	(ii) October 2017 ⁽⁵⁾
			(iii) HK\$348 million	(iii) November/ December 2017 ⁽⁶⁾
2.	Shanghai Luqiao Development Co., Ltd. (“ Shanghai Luqiao ”) ⁽²⁾	Dazhou Jiajing Environment Renewable Resource Co., Ltd. (“ Dazhou Jiajing ”) ⁽³⁾	RMB126 million	February 2018 ⁽⁷⁾
3.	Shanghai Luqiao ⁽²⁾	SIIC Shenzhen ⁽³⁾	(i) RMB50 million	(i) October 2017 ⁽⁹⁾
			(ii) RMB10 million	(ii) July 2019
			(iii) RMB350 million	(iii) November 2018
4.	S.I. Infrastructure ⁽¹⁾	Thrive Key ⁽³⁾	RMB217.4 million	April 2017 ⁽⁸⁾
5.	Shanghai Luqiao ⁽²⁾	Nanfang Water	RMB200 million	May 2019
6.	Shanghai Shen-Yu Development Co., Ltd. (“ Shanghai Shen-Yu ”) ⁽²⁾	SIIC Shenzhen ⁽³⁾	RMB88 million	April 2020
7.	Shanghai Luqiao ⁽²⁾	Fudan Water	RMB50 million	June 2018
8.	Shanghai Luqiao ⁽²⁾	Fudan Water	RMB50 million	June 2018
Total ⁽⁴⁾			RMB2.4140 billion	

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Notes:

- (1) *Each of SIHL Finance and S.I. Infrastructure is a wholly owned subsidiary of SIHL Holdings and a member of the Retained SIHL Holdings Group, and loans were granted by SIHL Finance and S.I. Infrastructure directly to members of the Retained SIHL Holdings Group.*
- (2) *Each of Shanghai Luqiao and Shanghai Shen-Yu is a wholly owned subsidiary of SIHL Holdings and a member of the Retained SIHL Holdings Group, and loans from Shanghai Luqiao and Shanghai Shen-Yu were granted through either Bank of Ningbo or China Merchants Bank, each being an independent third-party commercial bank.*
- (3) *Each of Rise Thrive, Dazhou Jiaying, SIIC Shenzhen and Thrive Key is a wholly owned subsidiary of our Company.*
- (4) *Exchange rate: HK\$:RMB: 1: 0.8000; US\$:RMB: 1:6.3269.*
- (5) *As of January 31, 2018, the loans from SIHL Finance to Rise Thrive in the principal amount of US\$110 million and HK\$370 million had been further extended and will thus become mature in April 2018 and April 2018, respectively.*
- (6) *As of January 31, 2018, the loan from SIHL Finance to Rise Thrive had been further extended and will thus become mature in May 2018.*
- (7) *As of January 31, 2018, the loan from Shanghai Luqiao had been further extended and will thus become mature in June 2020.*
- (8) *As of January 31, 2018, the loan from S.I. Infrastructure to Thrive Key had been further extended and will thus become mature in April 2018.*
- (9) *As of January 31, 2018, the loan from SIIC Shenzhen had been further extended and will thus become mature in October 2018.*

We have no current plan to repay all the outstanding Intra-Group Loans prior to completion of the Introduction, as both SIHL Holdings and our Company believe that the Intra-Group Loans are in the best interests of our Group for the reasons described below. Nonetheless, our Group has obtained the firm offer of unutilized credit facilities from an independent third party financial institution, without any security or guarantee from the Retained SIHL Holdings Group, in an aggregate amount of HKD3.0 billion as of the Latest Practicable Date which would be sufficient for our Group to repay and release all the outstanding Intra-Group Loans upon maturity.

Our Directors are of the view that the Intra-Group Loans are commercially attractive, though not essential, for the following reasons:

Record of Fundraising without Contractual Credit Support

Our Group has a record of fundraising without contractual credit support (e.g., in the form of guarantees) from members of the Retained SIHL Holdings Group. The funds were borrowed from major banks in the PRC, principally to fund the development of the water-related business and waste treatment business. While these banks may have taken into account the Intra-Group Loans in making their credit decisions, the willingness of these lenders to provide funds to our Group without contractual credit support from members of the Retained SIHL Holdings Group demonstrates the lenders' confidence in the credit of our Group and the expected cash flows from our Group's concession agreements with local governments. As of September 30, 2017, our Group had total borrowings of RMB7.8 billion from independent third-party financial institutions without any guarantee or security provided by the Retained SIHL Holdings Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Strong Financial Position

Our Group is able to finance its operations through its internally generated working capital and through borrowings, loans and credit facilities from independent third parties without guarantees or other security provided by the Retained SIHL Holdings Group. The audited profit attributable to equity holders of our Company amounted to approximately RMB454.9 million for the financial year ended December 31, 2016 and RMB350.2 million for the nine months ended September 30, 2017, and the consolidated total assets and net assets of our Company as of September 30, 2017 were RMB25.4 billion and RMB10.1 billion, respectively. Furthermore, it is expected that the Introduction will enhance our Company's profile in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable our Company to gain access to Hong Kong's capital markets and benefit our Company by exposing it to a wide range of private and institutional investors, thereby further enhancing the financial position of our Group.

Commercial Justifications

SIHL Holdings is an investment holding company and the SIHL Holdings Group's businesses are mainly conducted through the subsidiaries of SIHL Holdings (including our Group). However, in light of its listing status and by leveraging and benefiting from its market standing, creditworthiness and industry reputation, SIHL Holdings is in a better position to obtain financing at lower costs than any of its subsidiaries through various means such as, inter alia, debt offerings, equity financings and commercial loans. By utilizing these financings obtained from various sources, SIHL Holdings (through itself and/or its wholly owned subsidiaries) could fund the business and operations of its operating subsidiaries, and its operating subsidiaries could in turn benefit from intra-group loans, which are on more favorable terms and at lower interest rates than the financings that each operating subsidiary of SIHL Holdings could directly obtain from independent third parties. Both SIHL Holdings and its operating subsidiaries (including members of our Group) could benefit from the economies of scale generated therefrom and the synergies achieved in respect of operation, business and cost control.

There is a strong commercial reason for retaining the Intra-Group Loans, as such borrowings were originally incurred by the Retained SIHL Holdings Group primarily to fund the capital requirements of our Group. If all Intra-Group Loans had to be repaid (along with the corresponding loans incurred by the Retained SIHL Holdings Group) at the time of the Introduction, it would force our Group to undertake a very costly and unnecessarily burdensome refinancing exercise.

As of January 31, 2018, save as disclosed above, our Group had no other loans, advances or balances due to the Retained SIHL Holdings Group that had not been fully settled, nor were there any pledges or guarantees provided by any member of the Retained SIHL Holdings Group on our Group's borrowings that had not been fully released or discharged.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

MEASURES TO ADDRESS POTENTIAL COMPETITION AND CONFLICT OF INTERESTS

Non-Competition Undertakings

To ensure that competition does not develop between our Controlling Shareholders and our Group, SIIC (for and on behalf of SIIC Capital (B.V.I.) Limited, Shanghai Investment Holdings Limited, Shanghai Industrial Investment Treasury Company Limited, Shanghai Industrial Financial (Holdings) Company Limited, Shanghai Industrial Financial Holdings Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited) and SIHL Holdings, Triumph Power, S.I. Infrastructure and SIHL Treasury (the “**Retained SIHL Holdings Shareholders Group**” and together with SIIC, the “**Covenantors**” and each a “**Covenantor**”) entered into the Deeds of Non-Competition Undertakings in favor of our Company on March 8, 2018 to the effect that, from the date of the Introduction and ending on the earlier of (1) the date on which the Covenantors and, as the case may be, any of its affiliates, cease to be interested in, directly or indirectly, beneficially in aggregate, 30% or more of the issued share capital of our Company (or such other percentage of shareholding as stipulated in the Hong Kong Listing Rules to constitute a controlling shareholder); and (2) the date on which our Shares cease to be listed on the Hong Kong Stock Exchange, the Covenantors will not carry on, or engage, invest or participate in, any business or investment activities which are the same as, similar to or in competition with the Group Businesses from time to time (the “**Restricted Businesses**” and each a “**Restricted Business**”), provided that the Retained SIHL Holdings Group will be permitted to retain the Minority Equity Investments.

Notwithstanding the foregoing, the Deeds of Non-Competition Undertakings do not prevent the Covenantors from (1) acquiring or holding not more than 10% of any class of shares or securities of any company engaged in any of the Restricted Business, provided that such investment or interest does not grant, nor does the relevant party or its affiliates otherwise hold, any right to control the composition of the board of directors or managers of such company nor any right to participate, directly or indirectly, in such company; (2) holding any securities of any company which conducts or is engaged in any Restricted Business through its interests in our Group from time to time; (3) undertaking project(s) or otherwise be involved in any Restricted Business provided that (i) the project or business opportunity has been first offered to our Group and our Group has not taken it up; (ii) the Covenantors shall not undertake project(s) or business(es) awarded by or otherwise entered into with any past or present customer(s) of our Group; and (iii) the Covenantors shall not undertake any project(s) or business(es) in which our Group has previously sought to take part; and (4) any New Business Opportunity (as defined below) declined by our Company as further described below.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of the Covenantors undertakes to our Company (for itself and as trustee for the benefit of each of its Subsidiaries from time to time) that it will refer, or procure the referral of, any investment or commercial opportunities relating to any Restricted Business (collectively, the “**New Business Opportunities**” and each, a “**New Business Opportunity**”) to our Company (taking priority over any other third party including members of the General Water Group) in the following manner:

- (1) as soon as practicable following it (the “**Offeror**”) becoming aware of the New Business Opportunity, the Offeror shall give written notice (the “**Offer Notice**”) to our Company identifying the target company (if relevant) and the nature of the New Business Opportunity, detailing all information available to it for our Company to consider whether to pursue, either solely or jointly with the Offeror, such New Business Opportunity;
- (2) our Company shall, as soon as practicable and in any case within 20 Business Days from the receipt of the Offer Notice (the “**Offer Notice Period**”), notify the Offeror in writing of any decision taken to pursue (either solely or jointly with the Offeror) or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party who has offered, proposed or presented the New Business Opportunity and the Offeror shall use its commercially reasonable endeavors to assist our Company in obtaining such New Business Opportunity on the same or more favorable terms;
- (3) our Company is required to, among other things, seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial adviser to advise on the terms of the transaction in the subject matter of the New Business Opportunity may be required;
- (4) the Offeror may, in its absolute discretion, consider extending the Offer Notice Period as appropriate;
- (5) the Offeror will be entitled to, but will not be obliged to, carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:
 - (i) it has received a written notice from our Company declining the New Business Opportunity; or

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- (ii) it has not received any written notice from our Company of its decision to pursue or decline the New Business Opportunity within 20 Business Days from the receipt of the Offer Notice by our Company, or if the Offer Notice Period has been extended, within such other period as agreed by the Offeror, in which case our Company will be deemed to have declined the New Business Opportunity; and
- (6) if there is a change in the nature or proposal of the New Business Opportunity pursued by the Offeror, it will refer the New Business Opportunity as revised and will provide to our Company details of all available information for our Company to consider whether to pursue such New Business Opportunity as revised.

Each member of the Retained SIHL Holdings Shareholders Group further undertakes to our Company that, in the event that it intends to dispose of all or any part of the Minority Equity Investments in General Water, Longjiang and/or Canvest (the “**Subject Interests**”), subject to compliance with applicable contractual, legal or regulatory requirements by SIHL Holdings, its subsidiaries and/or our Group, it will first offer to our Group the right to acquire the Subject Interests that it intends to dispose of. Such member of the Retained SIHL Holdings Shareholders Group may only proceed with such disposal, on terms not more favorable than those offered to our Group, following the rejection of such offer by our Group or our Group fails to respond within the Offer Notice Period. Each member of the Retained SIHL Holdings Shareholders Group undertakes that, in the event that CECEP or any of the Longjiang Management Shareholders intends to dispose of its/his interests in General Water or Longjiang (as the case may be) to it, it will use its commercially reasonable endeavors to negotiate with the relevant disposing parties to direct such proposed sale to our Group.

Measures in Relation to the Minority Equity Investment in General Water

General Water Custodial and Management Services Agreement

To further minimize potential competition between the General Water Group and our Company and to safeguard the interests of our Company, SIHL Holdings and their respective shareholders, SIHL Holdings, S.I. Infrastructure and our Company entered into the General Water Custodial and Management Services Agreement on March 8, 2018, pursuant to which our Group will provide S.I. Infrastructure and SIHL Holdings with certain custodial services and exercise the rights in relation to the management and operation of General Water.

The General Water Custodial and Management Services Agreement will be valid for a term commencing from the date of the Introduction until Director 31, 2020 and will be conditional upon the proposed change of directors being approved by the board of directors of General Water. For more details, please see “Connected Transactions – Fully Exempt Continuing Connected Transactions – General Water Custodial and Management Services Agreement” in this listing document.

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Measures In Relation to the Minority Equity Investment in Longjiang

Geographical Restrictions and the Longjiang Business Plan

Having taken into account (1) the overall business plan and expansion strategy of our Group; and (2) the current development pipeline and foreseeable business opportunities available to the Longjiang Group, our Company has formulated a business plan, which sets out the projects expected to be undertaken and/or under negotiation by the Longjiang Group for the period ending December 31, 2019 (the “**Longjiang Business Plan**”). Pursuant to the Longjiang Business Plan, for the three financial years ending December 31, 2019, the Longjiang Group will undertake 63 projects with a total daily production capacity of 3,751,990 tons located in the Inner Mongolia Autonomous Region, Heilongjiang Province, Jilin Province and Liaoning Province (collectively, the “**Restricted Regions**”). As of the Latest Practicable Date, members of our Group (other than the Longjiang Group) did not have any business operations in the Restricted Regions other than five projects located in Liaoning Province with a total daily production capacity of 235,000 tons. For more details, please see “Business – Overview List” in this listing document.

Our Company and Longjiang have agreed that (1) for the period ending December 31, 2019, the Longjiang Group will only undertake projects contemplated by the Longjiang Business Plan; and (2) in the event that Longjiang remains a subsidiary of our Company and the Retained SIHL Holdings Group continues to hold the Minority Equity Investment in Longjiang at the end of 2019, the Longjiang Group will not undertake any additional new projects until the Minority Equity Investment in Longjiang held by the Retained SIHL Holdings Group is acquired by our Company or transferred to any independent third parties of our Company.

To ensure implementation of the Longjiang Business Plan, our Company and the Longjiang Group will implement the following internal control measures before the Introduction:

- (1) before the Longjiang Group places any bids or enters into any concession agreement for any potential project, the prior approval of the Board will be required. The Board shall consider and assess various criteria including, among others, project experience, client familiarity, capital sufficiency, expected costs, expected project completion date and capacity of the operating subsidiary (the “**Assessment Criteria**”), before it decides on whether it should be the Longjiang Group or other members of our Group to undertake the relevant project. If any of the potential projects are located outside the Restricted Regions, our Company shall refer the relevant opportunities and/or projects to other members of our Group, or if it is considered by our Board that a member of the Longjiang Group shall be the most suitable entity within our Group to undertake such project after taking into consideration the Assessment Criteria, such project may be allocated to such member of the Longjiang Group with the prior approval of all the independent non-executive Directors. The Directors who are also directors of SIHL Holdings shall abstain from voting on the relevant matters;

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- (2) each quarter, our independent non-executive Directors will review the compliance by Longjiang with these undertakings and the implementation of the abovementioned internal control procedures;
- (3) the management of both the Longjiang Group and our Group will provide all information necessary, including the relevant operational, financial, market information, project details, meeting minutes and any other necessary information as required by our independent non-executive Directors or their periodic review; and
- (4) our independent non-executive Directors will also be entitled to seek independent professional advice from external parties at our Company's cost when they consider necessary.

Entrustment Agreement and Longjiang Custodial and Management Services Agreement

To further minimize potential conflicts of interest between the Retained SIHL Holdings Group and our Group in respect of the Longjiang Group and to safeguard the interests of our Group, SIHL Holdings and their respective shareholders, (1) SIHL Holdings, Shun Yuen and Topper Gain entered into the Entrustment Agreement with our Company and Gold Orient on March 8, 2018 pursuant to which Gold Orient has been entrusted to exercise the rights (including the right to appoint the directors of Longjiang) of Shun Yuen and Topper Gain as shareholders of Longjiang; and (2) SIHL Holdings, Shun Yuen, Topper Gain and our Company entered into the Longjiang Custodial and Management Services Agreement on March 8, 2018, pursuant to which our Group will provide certain custodial services in relation to the exercise of certain rights in relation to the management and operation of Longjiang.

By virtue of the Longjiang Custodial and Management Services Agreement, all shareholder rights of Topper Gain, Shun Yuen, SIHL Holdings and our Group over the Longjiang Group will be exercised by our Group. The Longjiang Custodial and Management Services Agreement will be valid for a term commencing from the date of the Introduction until December 31, 2020. For more details, please see "Connected Transactions – Fully Exempt Continuing Connected Transactions – Longjiang Custodial and Management Services Agreement" in this listing document.

Longjiang Call Option Deed

To provide the flexibility to our Company to acquire the Minority Equity Investment in Longjiang when the Board considers appropriate and in the best interest of our Company and our Shareholders as a whole to do so, SIHL Holdings, Shun Yuen, Topper Gain and our Company entered into the Longjiang call option deed on March 8, 2018, pursuant to which SIHL Holdings, Shun Yuen and Topper Gain have granted our Company an exclusive and irrevocable option to acquire or direct any of its subsidiaries to acquire, at the sole and absolute discretion of our Company, any or all of the minority equity interests in Longjiang held by Shun Yuen and Topper Gain at a consideration to be arrived at after arm's length negotiation and on a fair and reasonable basis as agreed between SIHL Holdings and our Company,

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provided that the consideration shall not be lower than the market value of such minority equity interest in Longjiang at the time of the exercise of the call option (which shall be determined with reference to the then valuation of such minority equity interest, which may include the valuation to be prepared by an independent valuer to be appointed by our Company) (the “**Market Value**”). In the event that after consideration by the independent non-executive Directors that it is not in the interests of the Group and the Shareholders as a whole to acquire such minority equity interest in Longjiang at the Market Value, the Group will not proceed with the acquisition and SIHL Holdings, Shun Yuen, Topper Gain may dispose of such minority equity in Longjiang to other third party/parties at a price not lower than the Market Value. The call option deed will be terminated if (i) SIHL Holdings and, as the case may be, any of its close associates, cease to be controlling shareholders of our Company, (ii) our Company ceases to be accounted for and consolidated as a subsidiary in the audited consolidated accounts of SIHL Holdings, (iii) the Shares cease to be listed on the Hong Kong Stock Exchange; or (iv) the date of completion of the transfer of such minority equity interest upon the exercise of the call option by our Company, whichever is the earliest.

CORPORATE GOVERNANCE MEASURES

In addition to the measures to address potential competition and conflict of interests as stated above, our Directors believe that there are also adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- (1) our independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deeds of Non-Competition Undertakings;
- (2) our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deeds of Non-Competition Undertakings;
- (3) our Company will disclose decisions and related basis on matters reviewed by our independent non-executive Directors (including all rejections by our Company of new opportunities in the Restricted Businesses that have been referred from our Controlling Shareholders) relating to compliance and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deeds of Non-Competition Undertakings in the annual reports of our Company or by way of public announcement; and
- (4) our Controlling Shareholders will make annual statements on compliance with the Deeds of Non-Competition Undertakings in our annual reports, which is consistent with the principle of making disclosure in the corporate governance report of the annual report.

CONNECTED TRANSACTIONS

We have entered into certain transactions with certain persons who will become our connected persons upon Listing under the Hong Kong Listing Rules, the details of which are set out below. The transactions disclosed in this section will continue after Listing and hence, upon Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED PERSONS

We have entered into transactions with the following parties which will become connected persons of our Company upon Listing:

- (1) SIHL Holdings, a Controlling Shareholder;
- (2) SIHL Finance Limited (“**SIHL Finance**”), a wholly-owned subsidiary of SIHL Holdings;
- (3) Shanghai Luqiao Development Co., Ltd. (“**Shanghai Luqiao**”), a wholly-owned subsidiary of SIHL Holdings;
- (4) S.I. Infrastructure, a wholly-owned subsidiary of SIHL Holdings and a Controlling Shareholder;
- (5) Shanghai Shen-Yu Development Co., Ltd. (“**Shanghai Shen-Yu**”), a wholly-owned subsidiary of SIHL Holdings;
- (6) Shun Yuen, a wholly-owned subsidiary of SIHL Holdings; and
- (7) Topper Gain, a wholly-owned subsidiary of SIHL Holdings.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Set out below is a summary of the continuing connected transactions for our Group, which are, under Rule 14A.76 of the Hong Kong Listing Rules, exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

Intra-Group Loans

Certain members of our Group have obtained loans from certain members of the Retained SIHL Holdings Group (the “**Intra-Group Loans**”) and the total amount of the outstanding Intra-Group Loans as of January 31, 2018 was RMB2.4140 billion, representing approximately 22.7% of the then total borrowings of our Group. The table below sets out the details of the Intra-Group Loans, which were still subsisting as of January 31, 2018 and will continue after Listing:

No.	Name of member of the Retained SIHL Holdings Group (as lender)	Name of member of our Group (as borrower)	Outstanding loan amount	Maturity of the Intra-Group Loan
1.	SIHL Finance ⁽¹⁾	Rise Thrive ⁽³⁾	(a) US\$110 million (b) HK\$370 million (c) HK\$348 million	(a) October 2017 ⁽⁵⁾ (b) October 2017 ⁽⁵⁾ (c) November/ December 2017 ⁽⁶⁾
2.	Shanghai Luqiao ⁽²⁾	Dazhou Jiajing Environment Renewable Resource Co., Ltd. (“ Dazhou Jiajing ”)	RMB126 million	February 2018 ⁽⁷⁾
3.	Shanghai Luqiao ⁽²⁾	SIIC Shenzhen ⁽³⁾	(a) RMB50 million (b) RMB10 million (c) RMB350 million	(a) October 2017 ⁽⁹⁾ (b) July 2019 (c) November 2018
4.	S.I. Infrastructure ⁽¹⁾	Thrive Key ⁽³⁾	RMB217.4 million	April 2017 ⁽⁸⁾
5.	Shanghai Luqiao ⁽²⁾	Nanfang Water	RMB200 million	May 2019
6.	Shanghai Shen-Yu ⁽²⁾	SIIC Shenzhen ⁽³⁾	RMB88 million	April 2020
7.	Shanghai Luqiao ⁽²⁾	Fudan Water	RMB50 million	June 2018
8.	Shanghai Luqiao ⁽²⁾	Fudan Water	RMB50 million	June 2018
Total⁽⁴⁾			RMB2.4140 billion	

CONNECTED TRANSACTIONS

Notes:

- (1) *Each of SIHL Finance and S.I. Infrastructure is a wholly owned subsidiary of SIHL Holdings and a member of the Retained SIHL Holdings Group, and loans were granted by SIHL Finance and S.I. Infrastructure directly to members of the Retained SIHL Holdings Group.*
- (2) *Each of Shanghai Luqiao and Shanghai Shen-Yu is an indirectly wholly owned subsidiary of SIHL Holdings and a member of the Retained SIHL Holdings Group, and loans from Shanghai Luqiao and Shanghai Shen-Yu were granted through either Bank of Ningbo or China Merchants Bank, each being an Independent Third-Party commercial bank.*
- (3) *Each of Rise Thrive, Dazhou Jiajing, SIIC Shenzhen and Thrive Key is a wholly owned subsidiary of our Company.*
- (4) *Exchange rate: HK\$:RMB: 1: 0.8000; US\$:RMB: 1:6.3269.*
- (5) *As of January 31, 2018, the loans from SIHL Finance to Rise Thrive in the principal amount of US\$110 million and HK\$370 million have been further extended and will thus become mature in April 2018 and April 2018 respectively.*
- (6) *As of January 31, 2018, the loan from SIHL Finance to Rise Thrive has been further extended and will thus become mature in May 2018.*
- (7) *As of January 31, 2018, the loan from Shanghai Luqiao has been further extended and will thus become mature in June 2020.*
- (8) *As of January 31, 2018, the loan from S.I. Infrastructure to Thrive Key has been further extended and will thus become mature in April 2018.*
- (9) *As of January 31, 2018, the loan from SIIC Shenzhen has been further extended and will thus become mature in October 2018.*

We have no current plan to repay all the outstanding Intra-Group Loans prior to completion of the Introduction, as both SIHL Holdings and our Company believe that the Intra-Group Loans are in the best interests of our Group for the reasons described below. For more details of the reasons for and benefit of the Intra-Group Loans, please see “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – Financial Independence” of this listing document.

Implications under the Hong Kong Listing Rules

As SIHL Holdings is a Controlling Shareholders, each of the members of the Retained SIHL Holdings Group is a connected person of our Company, and the Intra-Group Loans constitute financial assistance received by our Group from our connected persons. Since the Intra-Group Loans are on normal commercial terms or better to our Group and are not secured by the assets of our Group, the Intra-Group Loans are fully exempt from the announcement and independent shareholders’ approval requirements under Rule 14A.90 of the Hong Kong Listing Rules.

CONNECTED TRANSACTIONS

General Water Custodial and Management Services Agreement

On March 8, 2018, SIHL Holdings entered into the General Water Custodial and Management Services Agreement with our Company, pursuant to which our Group will provide SIHL Holdings and S.I. Infrastructure with certain custodial services and exercise the rights in relation to the management and operation of General Water.

Parties : (1) SIHL Holdings and S.I. Infrastructure (as services recipients); and
(2) our Company (for itself and on behalf of its subsidiaries)(as services provider).

Term and Effectiveness : The General Water Custodial and Management Services Agreement will be effective for a term commencing from the date of the Introduction and ending on December 31, 2020 and will be conditional upon the proposed change of directors being approved by the board of directors of General Water. It will be terminated if (i) SIHL Holdings (together with its subsidiaries (other than the Group)) ceases to be interested in, directly or indirectly, 30% or more of the equity interest of General Water, (ii) the Company ceases to be accounted for and consolidated as a subsidiary in the audited consolidated accounts of SIHL Holdings, or (iii) the Shares cease to be listed on the Hong Kong Stock Exchange, whichever is the earliest.

Scope of Services : Our Group shall provide to SIHL Holdings and S.I. Infrastructure under the General Water Custodial and Management Services Agreement certain custodial and management services in relation to the management and operation of General Water and, through the directors nominated by our Company exercise all management rights as directors over General Water, within the authorities of directors as provided by, inter alia, the General Water JV Agreement, the articles of association and internal procedures of General Water and other applicable laws, regulations and rules which include but not limited to (collectively the “**Authorized Rights**”):

- (1) amending the articles of association of General Water;
- (2) approving corporate restructurings, changes in registered capital and major financings and guarantees;

CONNECTED TRANSACTIONS

- (3) approving profit distribution plans and annual financial budgets;
- (4) determining important investment plans and management strategies;
- (5) approving important internal procedures;
- (6) approving changes of directors and senior management; and
- (7) attending internal decision-making meetings in relation to the key operations, participating in discussions and providing opinions.

For the avoidance of doubt, the entrustment to our Group of the management and operational rights of SIHL Holdings and S.I. Infrastructure in General Water under the General Water Custodial and Management Services Agreement shall not affect the rights of SIHL Holdings and S.I. Infrastructure in General Waters in relation to the entitlement of dividends or distribution as shareholders in respect of the equity interest owned by them in General Water.

Pricing Policy : SIHL Holdings shall pay to our Company an annual service fee of RMB870,000 per annum, which was arrived at after arm's length negotiation between the parties having taken into account, amongst other things, the estimated labor costs and management expenses to be incurred by our Group per year.

Reasons for and Benefits of the Transaction

The entering into of the General Water Custodial and Management Services Agreement will further minimize potential competition between the General Water Group and our Company and safeguard the interests of our Company, SIHL Holdings and their respective shareholders. In addition, our Group has been granted under the Deeds of Non-Competition the right of first offer over the minority equity interest in General Water held by the Retained SIHL Holdings Group (the “**General Water Minority Equity Investment**”) to better safeguard the interest of our Group. Therefore, our Directors are of the view that the General Water Custodial and Management Services Agreement would provide our Group with a sound opportunity to integrate the businesses of General Water and our Group and facilitate a smooth transfer of the General Water Minority Equity Investment to our Group when and as appropriate.

For more details, please see “Relationship with Our Controlling Shareholders” in this listing document.

CONNECTED TRANSACTIONS

Historical Transaction Amount

During the Track Record Period and up to the Latest Practicable Date, no custodial and management services in respect of the General Water Group had been provided by our Group to SIHL Holdings and/or S.I. Infrastructure and therefore, no services fees were incurred.

Proposed Annual Caps and Basis of Determination

The following table sets forth the proposed annual caps in respect of the General Water Custodial and Management Services Agreement (i.e., the maximum annual services fees payable by SIHL Holdings and S.I. Infrastructure to our Group) for the three financial years ending December 31, 2020:

	For the financial year ending December 31,		
	2018	2019	2020
	RMB'000		
The maximum annual services fees payable to our Group	870	870	870

The abovementioned proposed annual caps were determined after arm's length negotiation between SIHL Holdings and our Company with reference to the expected labor costs and management expenses to be incurred by our Group in providing such services, following arm's length negotiation between our Group and the SIHL Holdings.

Longjiang Custodial and Management Services Agreement

On March 8, 2018, SIHL Holdings, Shun Yuen and Topper Gain entered into the Longjiang Custodial and Management Services Agreement with our Company, pursuant to which the parties have undertaken that they shall act in concert with, in relation to all matters that require the decisions of the shareholders of Longjiang and that all shareholder rights of Topper Gain, Shun Yuen, SIHL Holdings and our Group over Longjiang Group will be exercised by our Group.

- Parties** : (1) SIHL Holdings, Shun Yuen and Topper Gain (as services recipients); and
- (2) our Company (for itself and on behalf of its subsidiaries) (as services recipient).

CONNECTED TRANSACTIONS

Term and Effectiveness : The Longjiang Custodial and Management Services Agreement will be valid for a term commencing from the date of the Introduction and ending on December 31, 2020. It will be terminated if (i) SIHL Holdings (together with its subsidiaries (other than the Group)) ceases to be interested in, directly or indirectly, 30% or more of the equity interest of Longjiang, (ii) the Company ceases to be accounted for and consolidated as a subsidiary in the audited consolidated accounts of SIHL Holdings, or (iii) the Shares cease to be listed on the Hong Kong Stock Exchange, whichever is the earliest.

Scope of Services : Our Group shall provide to SIHL Holdings, Shun Yuen and Topper Gain certain custodial and management services in relation to the exercise of the rights of SIHL Holdings, Shun Yuen and Topper Gain as shareholders of Longjiang which include but not limited to:

- (1) attending the shareholders' meetings of Longjiang and exercising the voting rights attaching to the equity interests of Longjiang held by the SIHL Holdings, Shun Yuen and Topper Gain;
- (2) amending the articles of association of Longjiang;
- (3) approving corporate restructurings, changes in registered capital and major financings and guarantees;
- (4) approving profit distribution plans and annual financial budgets; and
- (5) appointing the directors of Longjiang and approving changes of directors and senior management.

For the avoidance of doubt, the entrustment to our Group of the management and operational rights of SIHL Holdings, Shun Yuen and Topper Gain in Longjiang under the Longjiang Custodial and Management Services Agreement shall not affect the rights of SIHL Holdings, Shun Yuen and Topper Gain in Longjiang in relation to (i) the transfer, charge, pledge, entrustment or disposal of the equity interests in Longjiang held by SIHL Holdings, Shun Yuen and Topper Gain; and (ii) the entitlement of dividends or distribution as shareholders in respect of the equity interest owned by them in Longjiang.

CONNECTED TRANSACTIONS

Pricing Policy : SIHL Holdings shall pay to our company an annual fee of RMB50,000 per annum, which was arrived at after arm's length negotiation between the parties having taken into account, amongst other things, the estimated labor costs and management expenses to be incurred by our Group per year.

Reasons for and Benefits of the Transaction

The entering into of the Longjiang Custodial and Management Services Agreement will further minimize potential competition between the Retained SIHL Holdings Group and our Company and safeguard the interests of our Company and its shareholders, as further explained in the section headed "Relationship with Our Controlling Shareholders" in this listing document. In addition, our Group has been granted under the Deed of Non-Competition Undertakings the right of first offer over the minority equity interest in Longjiang held by SIHL Holdings, Shun Yuen and Topper Gain (the "**Longjiang Minority Equity Investment**") to better safeguard the interest of our Group. Therefore, our Directors are of the view that the Longjiang Custodial and Management Services Agreement would facilitate a smooth transfer of the Longjiang Minority Equity Investment to our Group when and as appropriate.

Historical Transaction Amount

During the Track Record Period and up to the Latest Practicable Date, no custodial and management services in respect of Longjiang had been provided by our Group to SIHL Holdings, Shun Yuen and/or Topper Gain and therefore, no services fees were incurred.

Proposed Annual Caps and Basis of Determination

The following table sets forth the proposed annual caps in respect of the Longjiang Custodial and Management Services Agreement (i.e., the maximum annual services fees payable by SIHL Holdings, Shun Yuen and Topper Gain to our Group for the three financial years ending December 31, 2020):

	For the financial year ending December 31,		
	2018	2019	2020
	RMB'000		
The maximum annual services fees payable by SIHL Holdings, Shun Yuen and Topper Gain to our Group	50	50	50

The abovementioned proposed annual caps were determined after arm's length negotiation between SIHL Holdings and our Company with reference to the expected labor costs and management expenses to be incurred by our Group in providing such services, following arm's length negotiation between our Group and SIHL Holdings.

CONNECTED TRANSACTIONS

The fees payable under the Longjiang Custodial and Management Services Agreement are significantly lower than those payable under the General Water Custodial and Management Service Agreement because Longjiang is already a subsidiary of our Company and managed by us, while the Retained SIHL Holdings Group has not been involved in the day-to-day management of Longjiang, thus, the additional labor costs and management expenses to be incurred by our Group in providing the services thereunder are expected to be minimal.

Implications under the Hong Kong Listing Rules

As all the applicable percentage ratios (other than the profits ratio) of the proposed annual caps in respect of the Custodial and Management Services Agreements, on an aggregated basis, are less than 0.1%, the custodial and management services under the Custodial and Management Services Agreements and the proposed annual caps for each of the three years ending December 31, 2020 constitute de minimis transactions under Rule 14A.76(1) of the Hong Kong Listing Rules, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.74.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the continuing connected transactions described in this section, which have been and shall be entered into in the ordinary and usual course business of our Group, are on normal commercial terms or better to our Group and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Our Directors (including our independent non-executive Directors) are of the view that the proposed annual caps for the continuing connected transactions described under the section headed "Fully Exempt Continuing Connected Transactions" above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Mr. Zhou Jun, Mr. Xu Zhan, Mr. Feng Jun and Mr. Xu Xiaobing, each being a Director, with conflicted interest in the continuing connected transactions described in this section, shall be required to abstain from voting on relevant resolutions of our Board in relation to such continuing connected transactions.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board consists of nine members, including five executive Directors, one non-executive Director and three independent non-executive Directors.

Our Board oversees our overall policies, strategies and objectives, key operational initiatives, performance and measurement, internal controls and risk management, major funding and investment proposals, financial performance reviews and corporate governance practices. Approval of our Board is required for such matters including but not limited to corporate restructuring, mergers and acquisition, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, share issuance, dividend and other returns to shareholders, acceptances of bank facilities, annual budget and release of our Group's financial results.

The following table sets out certain information regarding our Directors:

Name	Age	Position	Date of Appointment as Director	Date of joining our Group	Principal duties	Relationship with other Directors or other senior management members
Mr. Zhou Jun (周軍) . . .	48	Non-executive Director, chairman of our Board	April 7, 2010 (redesignated as a non-executive Director on March 12, 2018)	April 7, 2010	Managing the overall corporate strategies, strategic planning and development of our Group	None
Mr. Feng Jun (馮駿) . . .	54	Executive Director	December 15, 2009	December 15, 2009	Overseeing the human resources related matters of our Group	None
Mr. Yang Changmin (楊長民) . .	55	Executive Director	February 17, 2012	February 17, 2012	Overseeing the project operations and engineering technology matters of our Group	None
Mr. Li Zengfu (李增福) . .	53	Executive Director	May 12, 2016	May 12, 2016	Coordinating the relationships of our Group with government authorities	None
Mr. Xu Xiaobing (徐曉冰) . .	51	Executive Director	November 5, 2014	October 26, 2010	Overseeing the merger and acquisition related matters of the Group	None
Mr. Xu Zhan (許瞻) . . .	47	Executive Director	November 5, 2014	November 5, 2014	Overseeing the financial related matters and capital market affairs of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment as Director	Date of joining our Group	Principal duties	Relationship with other Directors or other senior management members
Mr. Yeo Guat Kwang (楊木光) . .	57	Independent non-executive Director	September 23, 2009	September 23, 2009	Providing independent advice on the operation and management of our Group	None
Mr. An Hongjun (安紅軍) . .	48	Independent non-executive Director	March 1, 2018	March 1, 2018	Providing independent advice on the operation and management of our Group	None
Mr. Zhong Ming (鍾銘) . . .	31	Independent non-executive Director	March 1, 2018	March 1, 2018	Providing independent advice on the operation and management of our Group	None

Chairman of our Board and non-executive Director

Mr. Zhou Jun (周軍), aged 48, is our non-executive Director and the chairman of our Board. He is mainly responsible for the overall corporate strategies, strategic planning and development of our Group. Mr. Zhou was first appointed as our non-executive Director on April 7, 2010, was re-designated as our executive Director on March 5, 2012 and was last re-elected on April 27, 2015. Mr. Zhou was re-designated as a non-executive Director on March 12, 2018. He has been the chairman of our Company since May 2012.

Mr. Zhou has over 20 years of professional experience in securities, merger and acquisition, finance, real estate, project planning and corporate management. He is currently the chairman of the board and a non-executive director of the Shanghai Pharmaceuticals Holding Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2607) and the Shanghai Stock Exchange (stock code: 601607). He has been a president and an executive director of SIIC since November 2007. He has also been the vice chairman and the chief executive officer since August 2016, and the executive director of SIHL Holdings, a company listed on the Hong Kong Exchange (stock code: 363), since April 2009, respectively. He has been the independent non-executive director of Zhejiang Expressway Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 576), since June 2012. He had been the executive director of Shanghai Industrial Urban Development Group Limited formerly known as Neo-China Land Group (Holdings) Ltd. a company listed on the Hong Kong Stock Exchange (stock code: 563) from July 2010 to June 2017. He is the chairman of Shanghai Shen-Yu Development Co., Ltd., the chairman of Shanghai Galaxy Investments Co., Ltd., the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Luqiao Development Co., Ltd., respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou is a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai. Mr. Zhou had held the positions of a deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd. from April 1996 to March 2000, deputy general manager of Shanghai United Industrial Co., Ltd. from July 1997 to December 1997, managing director of Shanghai Galaxy Investments Co., Ltd from March 2000 to December 2006, and general manager of investment planning department of SIIC from December 2003 to December 2005, respectively.

Mr. Zhou obtained a Bachelor of Arts from Nanjing University in July 1991. He also obtained a Master of Economics in International Finance from Fudan University in July 1994.

Executive Directors

Mr. Feng Jun (馮駿), aged 54, is our executive Director. He is mainly responsible for overseeing the human resources related matters of our Group. Mr. Feng was first appointed to our Board on December 15, 2009 and was last re-elected on April 27, 2016.

Mr. Feng joined our Group in December 2009 as a non-executive Director and was subsequently appointed as an executive Director in April 2010. Mr. Feng is the director and general manager of SIIC Management (Shanghai) Limited. He has taken on senior positions with major investment companies such as being a director and deputy general manager in SIIC Investment (Shanghai) Co., Ltd from July 2002 to August 2004. Mr. Feng had previously served as a board member of SIIC Investment Co., Ltd. from August 2004 to December 2008, Tien Chu (Hong Kong) Co., Ltd. from August 2004 to December 2008, SIIC Management (Shanghai) Limited from December 2008 to June 2013. Mr. Feng had been the assistant chief executive officer and chief investment officer of SIHL Holdings, a company listed on the Hong Kong Stock Exchange (stock code: 363), from June 2013 to December 2016. Mr. Feng has been an non-executive director of Canvest, a company listed on the Hong Kong Stock Exchange (stock code: 1381) since March 31, 2017.

Mr. Feng obtained a master's degree in economics from Wuhan University in the PRC in August 1987.

Mr. Yang Changmin (楊長民), aged 55, is our executive Director. He is mainly responsible for overseeing the project operations and engineering technology related matters of our Group. Mr. Yang was first appointed to our Board on February 17, 2012 and was last re-elected on April 27, 2016.

Mr. Yang joined our Group in February 2012 as an executive Director. Mr. Yang had served as the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd from May 1998 to September 2002. Mr. Yang founded SIIC Environment Holdings (Weifang) Co., Ltd (previously known as United Environment Co., Ltd.) in January 2003 and has been its chairman and general manager since January 2003. He has over 20 years of experience in the operation and management of water and environmental protection investment as well as project and administrative management.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang graduated from Tongji University in the PRC in July 1987 with a bachelor's degree in environmental engineering and obtained a Master of Business Administration from Tsinghua University in the PRC in January 2011.

Mr. Li Zengfu (李增福), aged 53, is our executive Director. He is mainly responsible for coordinating the relationships of our Group with government authorities. Mr. Li was first appointed to our Board on May 12, 2016, and was last re-elected on April 25, 2017.

Mr. Li joined our Group in May 2016 as an executive Director. Mr. Li is the director of the Capital Operations Department of CECEP. Mr. Li started his career with the Management Office of State Infrastructure Materials Supply Bureau as a staff member in July 1986. In 1999, he joined CECEP Group and was appointed as deputy director of the Capital Operation Department of CECEP in May 2003 and a director of the Infrastructure Management Department of CECEP in August 2008. He was also appointed as the chief economist of China National Environmental Protection Group under CECEP Group in September 2004.

Mr. Li obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in the PRC in July 1986, and a master's degree in business administration from the Open University of Hong Kong in June 2011, respectively.

Mr. Xu Xiaobing (徐曉冰), aged 51, is our executive Director. He is mainly responsible for overseeing the merger and acquisition related matters of our Group. Mr. Xu was first appointed to our Board on November 5, 2014 and was last re-elected on April 25, 2017.

Mr. Xu joined our Group in October 2010 as a director of SIIC Environment Holdings (Weifang). Mr. Xu started his career as a manager of the business development department in Shenzhen Hong Hua Co., Beijing Subsidiary in January 1992 before he joined Beijing New Horizon Computer Image Ltd as a manager in December 1992. He had been an investment and financial analyst in Beijing Jingfang Investment Management & Consultant Co. Ltd. from October 1996 to June 1999. From February 2000 to December 2016, he had held various senior positions in SIIC Management (Shanghai) Limited such as deputy head of investment planning department from February 2000 to January 2002, the head of integrated management department from January 2002 to June 2004, the assistant general manager and head of integrated management department from June 2004 to March 2006, deputy general manager from March 2006 to December 2008 and the general manager from December 2008 to December 2016. He is currently the deputy chief executive officer of SIHL Holdings, a company listed on the Hong Kong Exchange (stock code: 363).

Mr. Xu graduated from Peking University in the PRC in July 1989 with a bachelor's degree in economics and a master's degree in business administration in July 1998, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Zhan (許瞻), aged 47, is our executive Director. He is mainly responsible for the financial related matters and capital market affairs of our Group. Mr. Xu was first appointed to our Board on November 5, 2014 and was last re-elected on April 25, 2017.

Mr. Xu joined our Group in November 2014 as an executive Director. Mr. Xu has worked in SIIC for over 20 years. He has extensive experience in financial investment. Mr. Xu served as the assistant manager for the Investment Department of SIIC Real Estate Holdings (Shanghai) Co., Ltd from March 1997 to April 2000. He had served as the manager for Finance Department and the assistant general manager from April 2000 to April 2006 for Shanghai Cyber Galaxy Investment Co., Ltd. From April 2006 to November 2009, he had served as the assistant general manager of the finance planning department of SIIC. He has been an executive director of SIHL Holdings, a company listed on the Hong Kong Stock Exchange (stock code: 363), since November 17, 2016. He had been the director and general manager of Shanghai Cyber Galaxy Investment Co., Ltd from December 2006 to February 2017.

Mr. Xu graduated from the Shanghai Jiao Tong University in the PRC in July 1992 with a bachelor's degree in engineering and the Norwegian School of Management in Norway in January 2000 with a master's degree in management, respectively. He is also a fellow of the Association of the Chartered Certified Accountants in the United Kingdom.

Independent Non-executive Directors

Mr. Yeo Guat Kwang (楊木光), aged 57, is our independent non-executive Director. He is mainly responsible for providing independent advice on the operation and management of our Group. Mr. Yeo was first appointed to our Board on September 23, 2009 and was last re-elected on April 27, 2016.

Mr. Yeo was appointed the non-executive chairman of our Company in September 2009 and has been our independent non-executive Director since April 2010. He has been an independent non-executive director of Koyo International Ltd., a company listed on the SGX-ST (stock code: 50C), since July 2009. He was an independent non-executive director of HLH Group Limited, a company listed on the SGX-ST (stock code: H27), since September 2010 to April 2012. Mr. Yeo had also served as an independent director of several companies listed on SGX-ST, namely United Envirotech Ltd. (stock code: CEE) from August 2009 to November 2011, Neo Group Limited (stock code: 5UJ) from June 2012 to May 2014, and China Gaoxian Fibre Fabric Holdings Ltd. (stock code: AZZ) from September 2013 to April 2014, respectively.

Mr. Yeo had been a Member of the Parliament of Singapore from January 1997 to August 2015. He is also the president of the Consumers Association of Singapore and a member of the Workplace Safety and Health Council.

Mr. Yeo obtained a bachelor's degree in arts from the National University of Singapore in June 1986 and a Master degree in Public Administration and Management in Lee Kuan Yew School of Public Policy of NUS in Feb 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. An Hongjun (安紅軍), aged 48, is our independent non-executive Director. He is mainly responsible for providing independent advice on the operation and management of our Group. Mr. An was first appointed to our Board on March 1, 2018.

Mr. An has around 10 years of working experience in the environmental industry, where he served different roles at Shanghai Chengtou Holding Co., Ltd. (“**Shanghai Chengtou**”), a company listed on the Shanghai Stock Exchange (stock code: 600649) and a member of the SSE Corporate Governance Index, from April 2007 to September 2016. Mr. An was a general manager of the company from April 2007 to June 2008 and a president from June 2008 to September 2016. He was a director from June 2007 to September 2016 and was the chairman of the company, the chairman of the strategy committee as well as a member of the remuneration committee from June 2014 to September 2016. Shanghai Chengtou is principally engaged in the businesses of real estate, environmental and venture capital services. Environmental services which Shanghai Chengtou provides include municipal waste transfer, landfill and waste-to-energy services.

As the president/general manager of Shanghai Chengtou for nearly 10 years, Mr. An was responsible for, among others, overseeing and managing the financial affairs of Shanghai Chengtou. He was also the person-in-charge for the accounting related matters of Shanghai Chengtou between 2007 and 2013, during which he was responsible for reviewing and approving the financial statements of Shanghai Chengtou.

Mr. An obtained a bachelor’s degree in Finance from Nankai University in July 1992. He graduated from Fudan University with a master’s degree in World Economics in July 2001 and a doctor’s degree in World Economics in January 2005. He received a doctor’s degree in Global Finance Business Administration from Shanghai Advanced Institute of Finance of Shanghai Jiaotong University in 2016. He was ranked 30th among the Best CEOs of China’s Listed Companies by Jiemian News and Jinri Toutiao in 2017. Mr. An is a member of the private equity professional committee of the Asset Management Association of China.

Mr. Zhong Ming (鍾銘), aged 31, is our independent non-executive Director. He is mainly responsible for providing independent advice on the operation and management of our Group. Mr. Zhong was first appointed to our Board on March 1, 2018.

Mr. Zhong has been an executive director of Yanlord Land Group Limited, a real estate development company listed on the SGX-ST (stock code: Z25) since October 2016 and is responsible for the investment and project operation of the company.

DIRECTORS AND SENIOR MANAGEMENT

In addition, Mr. Zhong Ming has held directorships in various subsidiaries of Yanlord Land Group Limited, including Shanghai Renan Property Development Co., Ltd. since July 2016, Tianjin Yanlord Beiyang Real Estate Co., Ltd. since July 2016, Tianjin Yanlord Hehai Real Estate Co., Ltd. since April 2016 and Tianjin Shenglin Property Development Co., Ltd. since July 2016. He served as an assistant manager of Shanghai Yanlord Property Management Co., Ltd. from August 2013 to December 2013 and an assistant to general manager of Shanghai Renpin Property Development Co., Ltd. from January 2014 to September 2016.

Mr. Zhong graduated from The University of Melbourne with a bachelor's degree in Commerce in December 2012.

Other disclosure pursuant to Rule 13.51(2) of the Hong Kong Listing Rules

Save as disclosed above, each of our Directors confirms that he (1) did not hold other positions in our Company or members of our Group as of the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; (3) had not held any other directorships in the three years immediately preceding the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Hong Kong Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules. As of the Latest Practicable Date, save as the interests of our Directors in our Shares which are disclosed in "Appendix VI – Statutory and General Information – C. Further Information about Directors and Substantial Shareholders" in this listing document, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out certain information regarding the senior management members of our Company:

Name	Age	Position	Date of appointment to current position	Date of joining our Group	Principal duties	Relationship with Directors or other senior management members
Mr. Tan Kai Teck (陳開德) . . .	48	Chief financial officer	February 3, 2017	February 2017	Responsible for the overall financial and accounting related matters of our Group	None
Mr. Huang Hanguang (黃漢光) . . .	55	General manager	July 2010	July 2010	Responsible for the project operations of our Group	None
Mr. Wang Peigang (王培剛) . . .	55	Deputy general manager	July 2010	July 2010	Responsible for liaisons with government bodies on the regulatory matters of our Group	None
Mr. Wu Bin (吳斌)	44	Deputy general manager and general manager (solid waste division)	October 2017	January 2013	Responsible for the management and operation of waste incineration business of our Group	None
Mr. Yang Anyuan (楊安源) . . .	42	Deputy general manager	October 2017	December 2010	Responsible for the legal and compliance management of our Group	None

Mr. Tan Kai Teck (陳開德), aged 48, has been the chief financial officer of our Company since February 3, 2017. He is mainly responsible for the overall financial and accounting related matters of our Group.

Prior to joining our Group, Mr. Tan had been the chief financial officer of China Medical (International) Group Limited from May 2016 to January 2017, Auric Pacific Group Limited from November 2013 to January 2016, Midas Holdings Limited from March 2003 to August 2013 and financial controller of Raffles Education Corporation Ltd from October 1999 to March 2003, respectively. Mr. Tan has over 20 years of experience in finance and accounting. He is a fellow member of The Institute of Singapore Chartered Accountants. Mr. Tan obtained a bachelor's degree in accountancy (Second Upper Class Honours) from the Nanyang Technological University in Singapore in May 1993.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Hanguang (黃漢光), aged 55, has been the general manager of our Company since July 2010. He is mainly responsible for the project operations of our Group.

From April 2003, he has been the chairman of SIIC Environment Holdings (Wuhan) Co., Ltd. He has also been the managing director of SIIC Environment Holdings (Wuhan) Co., Ltd. since July 2010. He was the chief executive officer and executive Director of our Company when it was previously known as Asia Water Technology Limited and listed on the SGX-ST Catalist in 2005. From May 2011, he has been the director and chairman of board in Wuhan Huangpi Kaidi Water Co. Ltd., Wu Han Xin Waste Water Treatment, Huang Shi Kaidi Water Co., Ltd., and Tian Men Kaidi Water Co., Ltd.. He has also been the director and chairman of the board of Yinchuan SIIC Sewage Treatment Co. Ltd. from November 2014. He has been a chairman of board of directors of Ranhill since November 2016.

Mr. Huang has more than 20 years of experience in the water treatment industry. From August 1984 to December 1988, Mr. Huang had been employed by the Ministry of Water Resources and Electric Power of the PRC as a specialist engineer in chemistry and environmental protection. From January 1989 to December 1992, he had worked in the China Electricity Council as a specialist engineer in chemistry and environmental protection. He served as the vice chairman of Wuhan Kaidi Electric Power Co., Ltd. since October 1998 and he stepped down from this position in November 2004. For the period between January 1993 and September 2002, Mr. Huang had also worked as a director and general manager of several other companies in the power generation industry. From February 2003 to September 2009, he had been our executive Director and the chief executive officer of our Company.

Mr. Huang obtained a bachelor's degree in power plant chemistry engineering from Wuhan University in the PRC in July 1984.

Mr. Wang Peigang (王培剛), aged 55, has been the deputy general manager of the Company since July 2010. He is mainly responsible for liaising with government bodies on regulatory matters of our Group. He has sat on the boards of the various subsidiaries of our Company. He has been the director of SIIC Environment Holdings (Wuhan) Co., Ltd. since July 2010 and the director of the board of Wuhan Hanxi Sewage Treatment Co. Ltd. since October 2011.

Mr. Wang started his career in the Ministry of Water Resources and Electric Power of the PRC in August 1984. From January 1993 to May 2007, he had taken on managerial roles at several energy resource 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 director for the reorganisation of our Company from May 2007 to February 2010 when it was previously known as Asia Water Technology Limited and listed on the SGX-ST Catalist in 2005.

Mr. Wang obtained a bachelor's degree in technology from Wuhan University in the PRC in July 1984 and a master's degree in management science from Renmin University of China in January 2001. He also obtained a senior engineer certification issued by China Development Bank in December 1997.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Bin (吳斌), aged 44, has been the deputy general manager of our Company since October 2017 and general manager (solid waste division) since January 2013. He is responsible for the management and operation of waste incineration business of our Group.

Mr. Wu started his career in September 1994 as a civil engineer and project manager at China Shenzhen Construction Group. He joined China Shenzhen Special Zone Security Company as the operation manager in the integrated department in August 1997. He was the deputy general manager for Te Zheng Estate Management Company Ltd.. Mr. Wu entered into the environmental protection industry in June 2001 as the deputy president of Shenzhen Hanyang Investment Holdings Ltd. He also cofounded Wenling in September 2006 and served as a director and the general manager of Wenling until December 2012.

Mr. Wu obtained a bachelor's degree in engineering from Nanjing Dongnan University in the PRC in June 1994 and master's degree in business and administration from Guang Hua Economic and Management College of Peking University in the PRC in June 2005.

Mr. Yang Anyuan (楊安源), aged 42, has been the deputy general manager of our Company since October 2017. He is responsible for the legal and compliance management of our Group. He joined our Group as a director of SIIC Environment Holdings (Weifang) Co., Ltd. in December 2010 and has held the position since then. In addition, he has served as a board member of Nanfang Water since July 2012, SIIC Environment Holding (Shenzhen) Co., Ltd., and Yiyang City Tap Water Co., Ltd. since December 2015. He has also been a general manager of SIIC Environment Holding (Shenzhen) Co., Ltd. since September 2016.

Mr. Yang joined the SIIC Group in July 2004, since when he had held several management positions in SIIC Management (Shanghai) Co., Ltd. from July 2004 to May 2016. He has held the positions of administrative director and supervisor of SIIC Management (Shanghai) Co., Ltd. since May 2016.

Mr. Yang obtained a master's degree in laws (economic law) from Hunan University in the PRC in June 2003, and a master's degree in professional accountancy from The Chinese University of Hong Kong in November 2014. Mr. Yang obtained a lawyer's practicing certificate issued by the Ministry of Justice of the PRC in August 1996 and a legal professional certificate issued by the Ministry of Justice of the PRC in September 2002.

JOINT COMPANY SECRETARIES

Ms. Shirley Tan Sey Liy and Mr. Man Yun Wah are the joint company secretaries of our Company.

Ms. Shirley Tan Sey Liy (陳雪莉) was appointed as one of our joint company secretaries since May 15, 2015. She is an associate director, and has been an employee of RHT Corporate Advisory Pte. Ltd., a company providing corporate secretarial services, since June 2011. She has been responsible for our Company's proper compliance with all relevant statutory and regulatory requirements since her appointment. Ms. Tan has been one of the joint company

DIRECTORS AND SENIOR MANAGEMENT

secretaries of Weiye Holdings Limited (stock code: 1570), a company listed on the Hong Kong Stock Exchange since July 2012. She joined RHT Corporate Advisory Pte. Ltd. in June 2011 and has professional experience in the corporate secretarial practice.

Ms. Tan has held a practicing certificate from the Singapore Association of Institute of Chartered Secretaries and Administration (“SAICSA”) and has been an associate of the SAICSA since September 2009. Ms. Tan obtained a master’s degree of science in management from the National University of Ireland, Dublin in September 2012.

Ms. Tan has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

Mr. Man Yun Wah (文潤華), was appointed as one of our joint company secretaries on September 30, 2017. He is a director of RHT Corporate Advisory (HK) Limited, a company providing company secretarial services, and his major responsibility is to assist listed companies in professional company secretarial work. Before joining RHT Corporate Advisory (HK) Limited, he worked in Dominic K.F. Chan & Co. from August 2008 to July 2015 where he was responsible for providing company secretarial services. Mr. Man has been one of the joint company secretaries of Weiye Holdings Limited (stock code: 1570), a company listed on the Hong Kong Stock Exchange since March 2016.

Mr. Man is an associate member of The Hong Kong Institute of Chartered Secretaries. He holds a Bachelor’s of Arts degree in business administration and management from the University of Huddersfield in the United Kingdom. He also holds a degree of Master of Corporate Governance from the Open University of Hong Kong.

Mr. Man has not been a director of any publicly listed company in the three years immediately preceding the Latest Practicable Date.

BOARD COMMITTEES

Audit Committee

Our Company has established an Audit Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules and the Singapore’s Code of Corporate Governance. The primary duties of our Audit Committee mainly include making recommendations to our Board on the appointment or reappointment and removal of external auditors, reviewing financial statements and material advice in respect of financial reporting, and overseeing the risk management and internal control systems of our Company.

Our Audit Committee consists of three members, being Mr. An Hongjun, Mr. Yeo Guat Kwang, and Mr. Zhong Ming, all of whom are our independent non-executive Directors. Mr. An Hongjun currently serves as the chairman of our Audit Committee.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

Our Company has established a Remuneration Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of our Remuneration Committee include making recommendations to our Board on the overall remuneration policy and structure relating to all our Directors and senior management members, determining the terms of the specific remuneration package of our Directors and senior management members, and reviewing the remuneration packages and terms of employment of our Directors and senior management members.

Our Remuneration Committee consists of four members, being Mr. Zhong Ming, Mr. Yeo Guat Kwang and Mr. An Hongjun, who are our independent non-executive Directors and Mr. Zhou Jun, who is our non-executive Director. Mr. Zhong Ming currently serves as the chairman of our Remuneration Committee.

Nomination Committee

Our Company has established a Nomination Committee with written terms of reference in compliance with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules and the Singapore's Code of Corporate Governance. The primary duties of our Nomination Committee include reviewing the structure, size and composition of our Board on a regular basis, identifying individuals suitably qualified to become our Board members, assessing the independence of our independent non-executive Directors, and making recommendations to our Board on relevant matters relating to the appointment or reappointment of our Directors.

Our Nomination Committee consists of three members, being Mr. Yeo Guat Kwang, Mr. Zhong Ming and Mr. An Hongjun, who are our independent non-executive Directors. Mr. Yeo Guat Kwang currently serves as the chairman of our Nomination Committee.

Executive Committee

Our Company has established an Executive Committee with written terms of reference in compliance with the Singapore's Code of Corporate Governance. The primary duties of our Executive Committee include assisting our Board in managing and overseeing our Group's operational and business expansion matters in accordance with the authority granted to the Executive Committee by our Board.

Our Executive Committee consists of five members, being Mr. Zhou Jun, who is our non-executive Director, and Mr. Feng Jun, Mr. Yang Changmin, Mr. Xu Xiaobing and Mr. Xu Zhan, who are our executive Directors. Mr. Zhou Jun currently serves as the chairman of our Executive Committee.

DIRECTORS AND SENIOR MANAGEMENT

Risk and Investment Management Committee

Our Company has established a Risk and Investment Management Committee. The primary duties of the Risk Management Committee are to review our risk management policies and standards, and monitor our investment plans and the related risks that we are exposed to.

Our Risk Management Committee consists of six members, being Mr. Feng Jun, Mr. Xu Zhan and Mr. Xu Xiaobing, who are our executive Directors, and Mr. Huang Hanguang, and Mr. Yang Anyuan, who are members of our senior management, and Wu Qiang, who is a general manager of Fudan Water.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration packages of our executive Directors comprise directors' fees, salary, bonuses and benefits. The remuneration packages of the senior management comprise salary and bonuses and benefits. The independent non-executive Directors are paid directors' fees.

In determining remuneration packages, our Company takes into consideration the remuneration packages and employment conditions within the industry as well as our Group's performance and the performance of each individual Director and senior management member. Our Board reviews the remuneration and compensation packages of our Directors and senior management and receives recommendations from our Remuneration Committee.

Our Company has adopted ESOS 2012 and ESAS. Our executive Directors, independent 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. A summary of the principal terms of the ESOS 2012 and ESAS is set out in the paragraph headed "Statutory and General Information – D. Other Information – 1. Share Option Scheme and Share Award Scheme" in Appendix VI to this listing document.

The aggregate amount of remuneration our Directors have received (including fees, salaries, discretionary bonuses, allowances and other benefits in kind, and retirement scheme contributions) for the three financial years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2017 were approximately RMB4,858,000, RMB4,335,000, RMB3,621,000 and RMB2,897,000 respectively. The aggregate amount of salaries and other emoluments (including retirement scheme contributions) to the five highest paid individuals of our Group (including one Director in 2014) for the three financial years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2017 were approximately RMB4,448,000, RMB4,503,000, RMB8,052,000 and RMB4,954,000, respectively. For details, please see Notes 13-14 to the Accountants' Report as set out in Appendix I to this listing document.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five largest-paid individuals (1) as an inducement to join or upon joining our Group or (2) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors has waived any emoluments. Save as disclosed above, no other payments had been paid or are payable by our Group to our Directors and the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate emoluments (including fees, salaries, allowances and other benefits in kind, and retirement scheme contributions, but excluding discretionary bonus) payable by our Group to and other benefits receivable by our Directors for the financial year ended December 31, 2017 are expected to be approximately RMB1,807,219 for our executive Directors and approximately RMB1,783,974 for our independent non-executive Directors, including Mr. Tan Chong Huat, Mr. Tay An Kong, Bernard and Mr. Tan Gim Soo who resigned and ceased to be an independent non-executive Director as of December 22, 2017, March 8, 2018 and March 8, 2018, respectively.

CORPORATE GOVERNANCE CODE

Our Company shall comply with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules in full upon the Introduction. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports after the Introduction.

MANAGEMENT PRESENCE IN HONG KONG

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from the strict compliance with the requirement under Rule 8.12 of the Hong Kong Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, please see “Waivers from Strict Compliance with the Hong Kong Listing Rules – 1. Management Presence in Hong Kong” in this listing document.

COMPLIANCE ADVISER

Our Company has engaged Haitong International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser (when consulted) will advise our Company on the following matters:

- (1) the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which may be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Company’s business activities, developments or results deviate from any forecast, estimate, or other information in this listing document; and

DIRECTORS AND SENIOR MANAGEMENT

- (4) where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in its securities, or any other matters the Hong Kong Stock Exchange makes an enquiry of our Company under Rule 13.10 of the Hong Kong Listing Rules.

The term of the appointment of our compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as of the Latest Practicable Date and immediately following completion of the Introduction, the following persons has/will have or is/be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial Shareholder	Nature of interest	As of the Latest Practicable Date		Immediately following completion of the Introduction	
		Number and class of securities	Percentage interest in our Company	Number and class of securities	Percentage interest in our Company
Triumph Power	Beneficial interest	986,929,551 (L)	37.86%	986,929,551 (L)	37.86%
S.I. Infrastructure ⁽¹⁾	Beneficial interest/ Interests in controlled corporation	1,152,348,026 (L)	44.21%	1,152,348,026 (L)	44.21%
SIHL Holdings ⁽¹⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%	1,207,025,926 (L)	46.31%
Value Partners Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%	310,966,035 (L)	11.93%
Value Partners Hong Kong Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%	310,966,035 (L)	11.93%
Value Partners Group Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%	310,966,035 (L)	11.93%
Shanghai Investment Holdings Limited ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%	1,207,025,926 (L)	46.31%
Shanghai Industrial Investment Treasury Company Limited ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%	1,207,025,926 (L)	46.31%
SIIC ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%	1,207,025,926 (L)	46.31%
Value Partners Classic Fund ⁽⁴⁾	Beneficial interest	224,658,980 (L)	8.61%	224,658,980 (L)	8.61%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited	Beneficial interest	223,712,917 (L)	8.58%	223,712,917 (L)	8.58%
CECEP ⁽⁵⁾	Interests in controlled corporation	223,712,917 (L)	8.58%	223,712,917 (L)	8.58%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) *Triumph Power directly holds 986,929,551 Shares, representing approximately 37.86% of the total issued share capital of our Company. S.I. Infrastructure (the sole shareholder of Triumph Power), directly holds 165,418,475 Shares and is also deemed to be interested in 986,929,551 Shares directly held by Triumph Power. SIHL Treasury, a wholly-owned subsidiary of SIHL Holdings, is interested in 54,677,900 Shares through certain nominee arrangements. SIHL Holdings is also the sole shareholder of S.I. Infrastructure. As such, SIHL Holdings is deemed to be interested in a total of 1,207,025,926 Shares, representing approximately 46.31% of the total issued share capital of our Company as of the Latest Practicable Date and immediately upon the Introduction.*
- (2) *Value Partners Limited is a fund manager deemed to be interested in the Shares by virtue of the shareholding of our Shares by 13 funds (including Value Partners Classic Fund) under its management. 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 Value Partners Limited. Value Partners Hong Kong Limited is deemed to be interested in the Shares via its 100% ownership in Value Partners Limited. The said information was based on the information provided by Value Partners Limited to our Company in June 2017.*
- (3) *Shanghai Investment Holdings Limited is directly interested in approximately 47.77% of the total issued share capital of SIHL Holdings and is indirectly interested in approximately 7.36% of the total issued share capital of SIHL Holdings through its wholly-owned subsidiary SIIC Capital (B.V.I.) Limited. Shanghai Industrial Investment Treasury Company Limited is directly interested in 100% of the total issued share capital of Shanghai Investment Holdings Limited. In addition, SIIC is interested in approximately 59.00% of the total issued share capital of SIHL Holdings through its directly and indirectly wholly-owned subsidiaries. Therefore, each of SIIC, Shanghai Industrial Investment Treasury Company Limited and Shanghai Investment Holdings Limited is deemed to be interested in a total of 1,207,025,926 Shares by virtue of their interests in SIHL Holdings, representing approximately 46.31% of the total issued share capital of our Company as of the Latest Practicable Date and immediately upon the Introduction.*
- (4) *The said information was based on the information provided by Value Partners Limited to our Company in May 2017.*
- (5) *CECEP is deemed to be interested in the shares held by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited as CECEP owns the entire issued share capital of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited.*

Save as disclosed above and in the section “Statutory and General Information – C. Further Information about Directors and Substantial Shareholders” in Appendix VI to this listing document, our Directors are not aware of any person who will, immediately following completion of the Introduction, have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

SHARE CAPITAL

All of the issued Shares of our Company comprise fully paid ordinary shares. Pursuant to the Singapore Companies (Amendment) Act 2005, companies incorporated in Singapore no longer have an authorized share capital and there is no concept of par value in respect of issued shares.

On March 8, 2018, the 56,400 treasury shares of our Company were cancelled pursuant to section 76k(d) of the Companies Act. No application has been made to the Listing Committee for the listing of, and permission to deal in, these cancelled treasury shares. All documents of title in respect of these cancelled treasury shares have been destroyed. There will be no change in our share capital as of the Latest Practicable Date and immediately upon the Introduction. Details of our share capital immediately after the Introduction are set out below:

	<u>Number of Shares</u>
Issued and fully paid ordinary Shares	2,606,588,726

ASSUMPTION

The above figure does not take into account of any Share which may be allotted and issued by our Company pursuant to the general mandate for the allotment and issue of Shares granted to our Directors as described below.

RANKING

The Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this listing document.

THE SHARE OPTION SCHEME

We have adopted a share option scheme in 2012, namely the ESOS 2012. The principal terms of the ESOS 2012 are summarized in Appendix VI to this listing document.

SHARE CAPITAL

AUTHORITY TO ALLOT AND ISSUE SHARES IN THE CAPITAL OF OUR COMPANY

Pursuant to the Companies Act and the terms of the Constitution and subject to the Listing Manual, our Company may from time to time by ordinary Shareholders' resolution (1) increase its capital; (2) consolidate and divide its capital into Shares of larger amount; (3) divide its Shares into classes; (4) subdivide its Shares into Shares of smaller amount; and (5) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by Shareholders' special resolution. For more details, please see "Summary of the Constitution of Our Company and Salient Provisions of the Laws of Singapore – Constitution of the Company – (c) Alterations of capital, (d) Issue of Shares, and (e) Variation of rights of existing shares or classes of shares" in Appendix IV to this listing document.

Pursuant to the Companies Act and the terms of the Constitution, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the total number of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see "Summary of the Constitution of Our Company and Salient Provisions of the Laws of Singapore – Constitution of the Company – Variation of rights of existing shares or classes of shares" in Appendix IV to this listing document.

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of our Company held on April 25, 2017, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given to the Directors pursuant to Section 161 of the Singapore Companies Act and Rule 806 of the Listing Manual:

- (a) (i) to issue Shares whether by way of rights, bonus or otherwise; and/or
- (ii) to make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of our Company may in their absolute discretion deem fit; and
- (b) (Notwithstanding the authority conferred by such resolution may have ceased to be in force) to issue shares in pursuance of any Instruments made or granted by the Directors of our Company while this resolution was in force.

SHARE CAPITAL

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 our Company (“**Renounceable Rights Issues**”) shall not exceed 100 per centum (100%) of the total number of issued shares excluding treasury shares; 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, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of our Company shall not exceed 20 per centum (20%) of the total number of issued shares excluding treasury shares;

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.

The authority conferred by such resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier, unless revoked or varied by our Company in a general meeting.

For further details of this general mandate, please see “Statutory and General Information – Resolution of our Shareholders passed at the general meetings of our Company held on April 25, 2017” in Appendix VI to this listing document.

Notwithstanding the above, the Hong Kong Listing Rules provide that a general mandate obtained from shareholders of a listed issuer in general meeting shall be subject to a restriction that the aggregate number of shares allotted or agreed to be allotted under the general mandate must not exceed the aggregate of (i) 20% of the number of issued shares of the listed issuer on the date of the resolution granting the general mandate and (ii) the number of securities repurchased by the listed issuer since the granting of the general mandate (up to 10% of the shares of the listed issuer in issue on the date of passing the resolution to grant the general mandate) provided that the shareholders of the listed issuer have separately granted a general mandate to the directors of the listed issuer to add the repurchased securities to the 20% limit. As such, our Company shall comply with the requirements of the Hong Kong Listing Rules in relation to the issue of general mandate upon Listing as the Hong Kong Listing Rules generally pose a more onerous requirement than the Listing Manual in this aspect.

SHARE REPURCHASE MANDATE

At an annual general meeting of our Company held on April 25, 2017, approval was given to the Directors, for the purposes of Section 76C and 76E of the Companies Act, to make purchase of or otherwise acquire issued shares in the capital of our Company from time to time (whether by way of on-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 our Company (as ascertained as of the date of the annual general meeting of our Company) at the price determined by the Directors.

SHARE CAPITAL

This general mandate to repurchase Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see “Statutory and General Information – Resolution of our Shareholders passed at the general meetings of our Company held on April 25, 2017” in Appendix VI to this listing document.

Notwithstanding the above, it must be noted that the share repurchase mandate was made in accordance with the Listing Manual. In the event that our Company shall purchase our own Shares after Listing, we are required to also comply with the more onerous requirements under the Hong Kong Listing Rules.

RULE 9.09 OF THE HONG KONG LISTING RULES

Our Company has applied for and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 9.09 of the Hong Kong Listing Rules. Please see “Waivers from Strict Compliance with the Hong Kong Listing Rules – 3. Dealing in Securities by Core Connected Persons” in this listing document for details of the waiver.

RULES 10.07(1)(A) AND 10.08 OF THE HONG KONG LISTING RULES

Our Company has applied for and the Hong Kong Stock Exchange has granted waivers from strict compliance with Rules 10.07(1)(a) and 10.08 of the Hong Kong Listing Rules. Please see “Waivers from Strict Compliance with the Hong Kong Listing Rules – 4. Issue of further securities and restriction on disposal of shares by a controlling shareholder after a new listing upon issue of further securities” and “Waivers from Strict Compliance with the Hong Kong Listing Rules – 5. Restriction on disposal of shares by a controlling shareholder after a new listing in respect of the bridging arrangements” in this listing document for details of the waivers.

SHARE CAPITAL

HISTORICAL TRADING PRICES AND VOLUME OF OUR SHARES ON SGX-ST

For the reported highs, lows, month ends and monthly averages of the closing trading prices and average daily trading volume of our Shares on SGX-ST during the Track Record Period until the Latest Practicable Date, please see “Listings, Registration, Dealings and Settlement – Historical Trading Information in respect of our Shares on the SGX-ST” in this listing document. Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Introduction. Please see “Risk Factors – Risks relating to the introduction and our shares – Difference in characteristics between the Singapore and Hong Kong stock markets” in this listing document in relation to the relevant risks.

RATIO OF MARKET CAPITALISATION TO NET ASSET VALUE

Based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date of Price and the total Shares in issue of 2,607 million, the market capitalisation of our Company was approximately SGD1.3 billion on the Latest Practicable Date. As of September 30, 2017, the net asset value of our Company was approximately SGD1.2 billion. The ratio of market capitalisation (based on the closing price of our Shares on the SGX-ST on the Latest Practicable Date) to net asset value as of September 30, 2017 was approximately 1.0 times.

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You should read the following discussion and analysis in conjunction with our Company's audited consolidated financial statements as of and for each of the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2017, together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this listing document. You should also read the following discussion and analysis in conjunction with our preliminary financial information for the year ended December 31, 2017 and the accompanying notes in Appendix IA, as well as "Appendix IA – Preliminary Financial Information of the Group for the Year ended 31 December 2017 – Management Discussion and Analysis." For our unaudited financial statements for the financial year ended December 31, 2017 which was announced on SGX-ST on February 28, 2018, see "Appendix III" to this listing document (which is an extract of the announcement released on the February 28, 2018 and published on the website of SGX-ST). As the preliminary financial information for the year ended December 31, 2017 as set out in Appendix IA and the 2017 Results are prepared under IFRS, there are no material GAAP differences identified between these two statements. The audited consolidated financial statements of the Company have been prepared in accordance with IFRS issued by the IASB. Any discrepancies in any table or elsewhere in this listing document between the totals shown and the sums of amounts are due to rounding.

The following discussion and analysis contain certain forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those suggested in the forward looking statements in evaluating our business. You should consider the information provided in the sections headed "Risk Factors" and "Forward-looking Statements" in this listing document.

OVERVIEW

We are a leading integrated operator in China's environmental industry, with an established high quality nationwide project network. Our projects span across the industry value chain in the wastewater treatment, reclaimed water treatment, water supply, waste incineration and sludge treatment sectors. As of Latest Practicable Date, we had a scalable portfolio of 120 wastewater treatment projects, six reclaimed water treatment projects, nine sludge treatment projects, 19 water supply projects and two waste incineration projects. According to Frost & Sullivan, in terms of total operation treatment capacity in 2016, we were the third largest municipal wastewater treatment operator in China.

During the Track Record Period, substantially all of our projects were undertaken under service concession arrangements. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, approximately 83.9%, 93.0%, 93.7%, 96.4% and 96.8%, respectively, of our revenue was derived from service concession arrangements. For most of our service concession arrangements, we adopted either BOT, TOT or BOO project models according to the relevant service concession arrangements. As of September 30, 2017, of our 118 projects in operation, 81 were BOT projects, 35 were TOT projects, and two were BOO projects. For further details, see "Business – Project Models".

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Our total revenue was RMB1,504.4 million, RMB1,803.8 million, RMB2,648.1 million, RMB1,514.2 million and RMB3,353.6 million for the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively. Our gross profit was RMB585.6 million, RMB712.1 million, RMB812.3 million, RMB549.2 million and RMB1,055.6 million for the same periods. For the same periods, our wastewater business line accounted for 57.4%, 73.6%, 74.7%, 75.7% and 79.7% of our revenue and 77.0%, 77.7%, 75.5%, 75.4% and 75.0% of our gross profit, respectively.

BASIS OF PRESENTATION

Our Company was incorporated on November 19, 2002 in Singapore under the Companies Act as a private limited company, and was converted into a public limited company on January 31, 2005. Our Shares were listed on the SGX-ST Catalist Board in 2005 under the company name Asia Water Technology Ltd. In 2010, SIHL Holdings acquired a controlling stake in our Company and restructured our debt obligations. The listing of our Shares was transferred to the SGX-ST Main Board in November 2012, at which time we changed our name to SIIC Environment Holdings Ltd.

We prepare our historical financial information in accordance with IFRS issued by the IASB.

Our historical financial information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. When 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.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including the following:

The demand for our services and our ability to expand our business in the PRC

Our financial performance is affected by the demand in the PRC for our services in the following sectors: wastewater, sludge and reclaimed water treatment, water supply and waste incineration. We intend to further expand our capacity as the demand for our services is expected to grow in the PRC with the advent of urbanization, industrialization, economic growth, infrastructure development, and increasing policy emphasis on environmental protection. We believe that these factors will continue to support demand for our business, which in turn will affect our financial condition, results of operations and prospects.

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Because of the rising importance of environmental protection as a policy matter in the PRC, investment in controlling environmental pollution in China has witnessed sustained growth. According to Frost & Sullivan, total investment in environmental protection in China increased from 2012 to 2016 at a CAGR of 10.7%, reaching RMB1.2 trillion in 2016. According to estimates by Frost & Sullivan, investment in controlling environmental pollution in China is expected to reach RMB2.2 trillion in 2021, representing a CAGR of 13.3% from 2016 to 2021.

We anticipate the increase in spending by the PRC Government will continue and lead to additional growth opportunities. We will focus our resources on expanding and strengthening our services in response to greater demand brought about by the increase in spending by the PRC Government. We believe an increase in demand for our services will lead to an increase in our revenue. However, we cannot assure you that the PRC Government will not change its current policies relating to the water industry, which may in turn affect the outlook of our business and results of operations. See “Risk Factors – Risks Relating to our Business and Industry – We are exposed to risks associated with entering into contracts with local governments in the PRC, who have strong bargaining power. Our business and financial performance may be adversely affected by local governments’ spending on infrastructure and other projects.”

Expansion of our business by acquisition

Our ability to expand our business, either by acquisition or organic development of concession projects, affects our business growth and results of operations. During the Track Record Period, our scale of business grew through, among other ways, the consolidation of the results of operations of (i) Gold Wisdom Holdings Limited (“**Gold Wisdom**”), which owns 100% of the equity interest in Dazhou Jiajing and Shanghai Qingpu in February 2014, (ii) Dongguan Fenggang and Dongguan Shijie in September 2014, (iii) Global Envirotech Investment Ltd., which owns 92.15% of the equity interest in Fudan Water, in May 2015, (iv) Yiyang in February 2016, (v) Wulian in August 2016, (vi) Zhonghui in September 2016, (vii) Longjiang in November 2016, (viii) Ranhill in December 2016, (ix) Hegang in January 2017, (x) Pinghu Dushan in July 2017, and (xi) Jiaohe Jiaxin in August 2017.

From December 31, 2014 to September 30, 2017, our designed capacity for wastewater treatment (excluding sludge and reclaimed water treatment) increased from 2,682,500 to 6,738,500 tons per day and for water supply increased from 855,000 to 1,785,000 tons per day. For more information on our acquisitions, please see “Business – Our projects under service concession arrangements and O&M projects” and “History and Development – Major Acquisitions.” For more details about our acquisition of Longjiang, see “– Acquisition of Longjiang.”

In the future, we will continue to expand our business either through acquisitions or organic development, which could impact our business, financial condition, results of operations and prospects. See “Risk Factors – Risks Relating to our Business and Industry – Our further expansion may place strains on our resources.”

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Access to capital and finance costs

The investment in and construction and operation of wastewater treatment, reclaimed water treatment, sludge treatment, water supply and waste incineration plants and other related public infrastructure facilities are capital intensive. We need a substantial amount of capital for our acquisitions and organic growth. As a result, our performance is affected by our access to capital, the balance of our borrowings and the total amount of capital we are able to raise through other financing methods, as well as interest rate fluctuations. We actively seek to finance the development of our projects and other capital expenditures through our internal resources, as supplemented by bank borrowings, other borrowings from affiliates, government loans and the issuance of equity and debt securities. Our borrowings and finance costs also impact our financial performance. As of December 31, 2014, 2015 and 2016, September 30, 2017, and January 31, 2018, our total outstanding borrowings were RMB2.6 billion, RMB3.7 billion, RMB10.1 billion, RMB10.5 billion, and RMB10.7 billion, respectively.

During the Track Record Period, a substantial portion of our borrowings were floating rate instruments. Any change in the variable interest rates of our borrowings or the amount of our borrowings will affect our interest payments and finance costs, which in turn could affect our cash flows, financial condition and results of operations. As our bank loans are principally denominated in Renminbi, the interest rates on our loans are primarily affected by the benchmark interest rates set by the PBoC. For details about the weighted average interest rates for our fix rate and variable rate borrowings, see “– Indebtedness.” Furthermore, increases in the benchmark lending rates and bank reserve requirement ratios by the PBoC may negatively impact the amount of funds available to commercial banks in the PRC to lend to businesses, including our Company. We cannot assure you that the PBoC will not further raise the lending rates or reserve requirement ratios in the future, and any such increases may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects. See “Risk Factors – Risks Relating to Our Business and Industry – Our business requires a large amount of capital to finance our ongoing operations and expansion. Failure to manage our liquidity and cash flows or inability to obtain additional financing in the future may materially and adversely affect our business, financial condition and results of operations.”

Cost of sales and government pricing policies regarding our services

We are exposed to increases in our cost of sales. The operation of our wastewater treatment and water supply service concession projects and O&M projects requires us to incur electricity costs, payroll and related labor costs and treatment chemical costs. The construction of our BOT or BOO concession projects requires us to incur contractor, procurement and equipment installation. Rising costs could adversely affect our financial performance if we are unable to pass on such increases to our customers.

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Our ability to pass on increases in the cost of treatment chemicals, electricity, labor and other operating costs may be limited by certain government pricing policies. For our wastewater treatment projects, the fees we receive typically include a guaranteed tariff based on a guaranteed minimum volume, together with an additional tariff for wastewater treated in excess of the guaranteed minimum volume. Such tariff rates are pre-determined at the time we enter into a concession agreement with the local government. For our water supply projects, the tariff we charge is calculated according to the volume of water consumed multiplied by the unit price set in accordance with the relevant laws and regulations. Accordingly, our revenue and profitability are affected by tariff rates determined by local governments based on certain factors, including the economic indicators for the regions in which our plants are operating, the supply of and demand for wastewater treatment and water supply services and the cost of providing such services in the relevant areas.

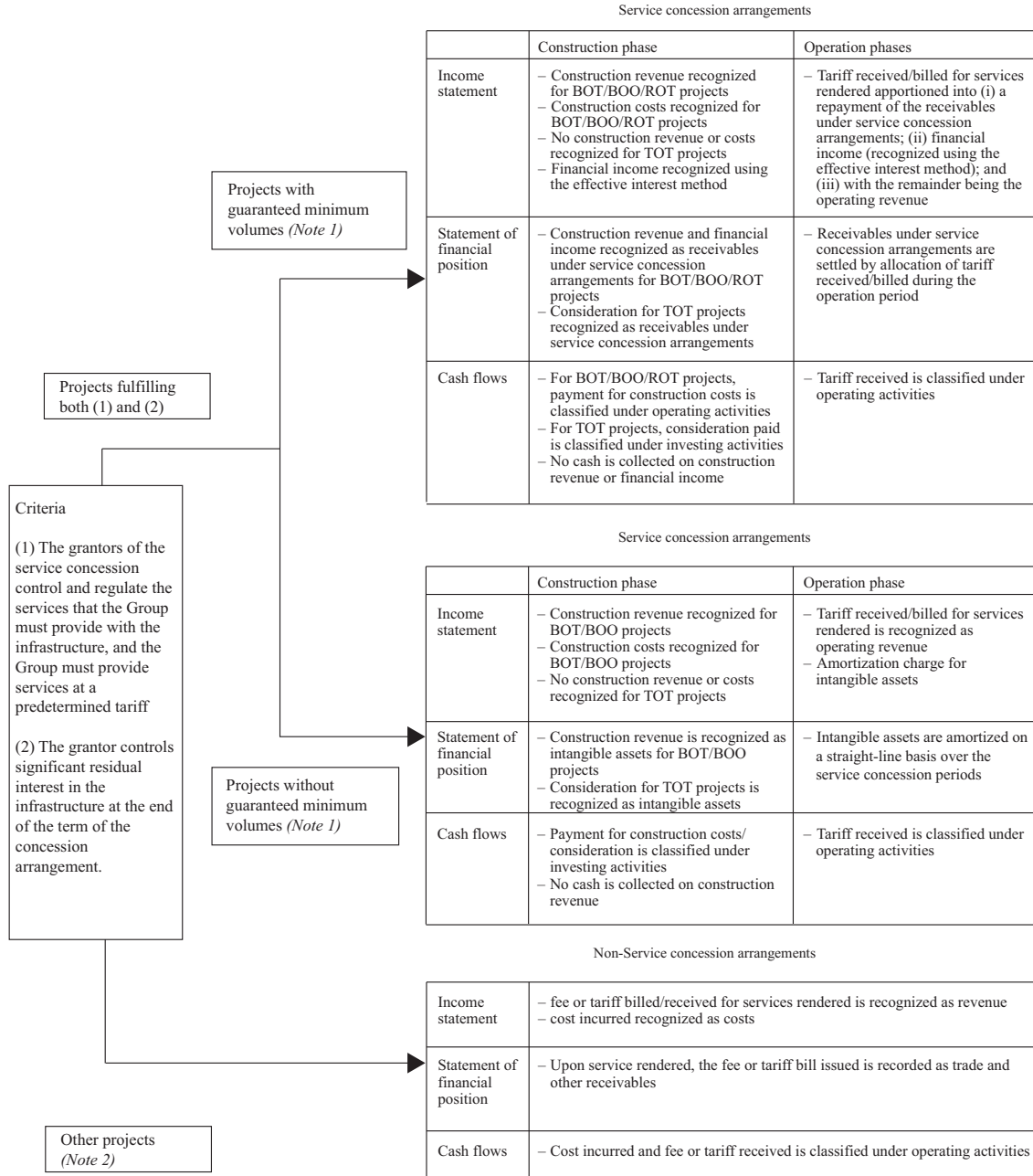
For our wastewater treatment and water supply projects, the concession agreements usually contain provisions specifying the circumstances in which the parties can adjust the unit prices, generally with reference to inflation or changes in benchmark interest rates on loans or utilities charges. The waste treatment fees and on-grid electricity tariffs we charge in our waste incineration business line are also set by the government. When tariffs adjustments are subject to the government's consent, they may be time consuming to obtain and insufficient to offset cost increases. Any time lag between increases in our input costs and tariff rates we charge may impact our profit margins. If the government's consent cannot be obtained, our profit will be affected by such increases in costs without a corresponding increase in tariffs. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to adjust the tariffs charged for our services in a timely manner to fully reflect any increase in the actual costs of our concession projects."

Impact of the accounting treatment for service concession arrangements

During the Track Record Period, substantially all of our projects were undertaken under service concession arrangements, which have accounted for an increasing proportion of our revenue. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we derived 83.9%, 93.0%, 93.7%, 96.4% and 96.8%, respectively, of our revenue from service concession arrangements. The number of projects under service concession arrangements in our project portfolio grew from eight under construction and 48 in operation as of December 31, 2014, to 22 under construction and 118 in operation as of September 30, 2017. The accounting treatment of service concession arrangements varies with the type of project, involves judgment, and affects the presentation of our results of operation. Several key aspects of this accounting treatment are summarized below. For more information about service concession arrangements and our projects, see "Business – Service Concession Arrangements." For more information about the accounting treatment of service concession arrangements, see "– Critical Accounting Policies, Estimates and Judgments – Service concession arrangements."

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The following chart sets forth a summary of the accounting treatment of service concession arrangements and non-service concession arrangements.



Note 1: For projects that involve two kinds of services, we recognize both financial assets and intangible assets. For example, waste incineration projects involve waste processing and electricity generation. Waste processing services in these projects are subject to guaranteed minimum volumes, leading to the recognition of financial assets (receivables under service concession arrangements) and financial income. Electricity generation services in these projects are not subject to guaranteed minimum volumes, and intangible assets are recognized for such services. For projects whose construction revenue, in the case of BOT projects, or consideration paid to the grantor, in the case of TOT projects, exceeds the financial assets recognized from the discounted present value of the revenue stream from the guaranteed minimum volumes, the difference is recognized as intangible assets. For projects acquired in a business combination, intangible assets are recognized for the rights under the service concession arrangements that allow us to receive and treat wastewater or waste above the minimum guaranteed volume at a predetermined tariff rate during the concessionary period and to operate and manage wastewater treatment and waste incineration plants.

Note 2: For non-service concession arrangements, including O&M and EPC construction project models, the service fee/tariff for consulting work and other services is generally invoiced in the period in which the service is rendered and no non-current assets (receivables under service concession arrangements and intangible assets) are recognized.

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During the construction phase of projects under service concession arrangements, we recognize construction revenue in our results of operation but generally do not receive payment from the project's grantor or payment obligor until the project has entered into operation when we begin collecting service tariff. Thus there is a mismatch between the recognition of construction revenue and cash flows during the construction phase of BOT and BOO projects. The amount of the non-cash construction revenue is recorded as an asset on our statement of financial position and after the project commences operation, is amortized over the term of the service concession.

For service concession projects without a guaranteed stream of future payments based on minimum treatment volumes (mainly BOO water supply projects), construction revenue is recorded on our statement of financial position as an intangible asset, which is amortized on a straight-line basis over the term of the service concession. During the operation phase of the project, the entire sum of service tariffs we receive is recorded as operating revenue.

For service concession projects with a guaranteed future revenue stream (mainly BOT wastewater treatment and waste incineration projects), we treat construction revenue as a financial asset, which is recorded as "receivables under service concession arrangements" on our statement of financial position. During the construction phase, we also accrue interest on the construction revenue at a pre-set interest equal to the PBoC's basic lending rate for loans over five years starting from the day when construction commences. Such interest is recognized as financial income during the construction phase of the relevant project. When the project enters into operation, the accrued interest is added to the accumulated receivables under service concession arrangements for the project and the sum is amortized at the pre-set interest rate, using the effective interest method, over the term of the concession. In the operation phase of the project, when we collect the service tariff, we allocate the tariff billed as follows (i) a portion to pay down the balance of receivables under service concession arrangements, (ii) amortized interest on the receivables under service concession arrangements, and (iii) the remainder, which we recognize as operating revenue. For each project, the sum of the repayment on the receivables under service concession arrangements and the amortized interest is a fixed amount for each accounting period. Based on the effective interest method, the balance of service concession receivables will be completely paid down at the end of the concession period. Thus, financial income in the operation phase will decrease in line with the reduction of the outstanding balance of receivables under service concession arrangements.

For TOT projects, the consideration we pay to the grantor to obtain the right to operate the service concession is recorded as an asset, either as receivables under service concession arrangements, in the case of concessions with guaranteed revenue stream, or as intangible assets, in the case of concessions without a guaranteed revenue stream.

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We consider the construction revenue plus any interest thereon, in the case of BOT projects, and consideration paid to the grantor, in the case of TOT projects, to be our upfront investment. If our upfront investment in a project exceeds the guaranteed future revenue stream of a project discounted using a pre-set interest rate to the time at which we commence operation, we record the excess amount as intangible assets and the discounted guaranteed revenue stream amount as receivables under service concession arrangements. For accounting policies related to revenue recognition, see “– Critical Accounting Policies, Estimates and Judgments – revenue recognition.”

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Operating Results by Business Line

The following table sets forth our revenue by business line and the project phase in which the revenue was recognized for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,									
	2014		2015		2016		2016		2017		2017					
	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase				
Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%	Revenue	%			
(RMB in millions, except percentages)																
(unaudited)																
Wastewater treatment																
Construction revenue	136.4	9.1%	-	-	440.4	24.4%	-	-	497.4	32.9%	-	1,434.1	42.8%	-		
Operating revenue	-	-	517.1	34.4%	-	-	634.0	23.9%	-	-	411.1	27.1%	-	730.4		
Financial income	13.4	0.9%	195.3	13.0%	34.5	1.9%	293.0	16.2%	69.9	2.6%	316.4	12.0%	40.7	2.7%	196.4	13.0%
Subtotal	149.8	10.0%	712.4	47.4%	474.9	26.3%	854.2	47.3%	1,029.3	38.8%	950.4	35.9%	538.1	35.6%	607.5	40.1%
Water supply																
Construction revenue	95.5	6.3%	-	-	32.4	1.8%	-	-	10.0	0.4%	-	9.8	0.7%	-	5.3	0.2%
Operating revenue	-	-	259.1	17.2%	-	-	272.6	15.1%	-	-	396.4	15.0%	-	-	267.2	17.6%
Subtotal	95.5	6.3%	259.1	17.2%	32.4	1.8%	272.6	15.1%	10.0	0.4%	396.4	15.0%	9.8	0.7%	267.2	17.6%
Waste incineration																
Construction revenue	-	-	-	-	-	-	-	-	44.0	1.7%	-	-	-	-	66.7	2.0%
Operating revenue	-	-	37.4	2.5%	-	-	35.4	2.0%	-	-	41.1	1.6%	-	-	30.5	2.0%
Financial income	-	-	7.9	0.5%	-	-	8.6	0.5%	0.4	-	8.5	0.3%	-	-	6.4	0.4%
Subtotal	-	-	45.3	3.0%	-	-	44.0	2.5%	44.4	1.7%	49.6	1.9%	-	-	36.9	2.4%
Others																
Consultancy work and other services	-	-	32.6	2.2%	-	-	75.1	4.2%	-	-	150.8	5.7%	-	-	49.2	3.2%
EPC construction	-	-	209.7	13.9%	-	-	50.6	2.8%	-	-	17.2	0.6%	-	-	5.5	0.4%
Subtotal	-	-	242.3	16.1%	-	-	125.7	7.0%	-	-	168.0	6.3%	-	-	54.7	3.6%
Total	245.3	16.3%	1,259.1	83.7%	507.3	28.1%	1,296.5	71.9%	1,083.7	40.9%	1,564.4	59.1%	547.9	36.3%	966.3	63.7%
Total revenue	1,504.4	100%	1,803.8	100%	1,803.8	100%	1,803.8	100%	2,648.1	100%	2,648.1	100%	1,514.2	100%	3,353.6	100%

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The following table sets forth our gross profits by business line and the project phase in which the revenue was recognized for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,															
	2014		2015		2016		2016		2017		2017											
	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase	Construction Phase	Operation Phase										
Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %	Gross Profit %										
(unaudited)																						
(RMB in millions, except percentages)																						
Wastewater treatment																						
Construction revenue	16.4	2.8%	-	-	52.9	7.4%	-	-	122.7	15.1%	-	-	78.8	14.3%	-	-	223.0	21.1%	-	-		
Operating revenue	-	-	226.1	38.6%	-	-	172.7	24.3%	-	104.3	12.8%	-	-	98.4	17.9%	-	-	-	-	60.3	5.7%	
Financial income	13.4	2.3%	195.3	33.4%	34.5	4.8%	293.0	41.2%	69.9	8.6%	316.4	39.0%	40.7	7.4%	196.4	35.8%	104.3	9.9%	104.3	9.9%	403.7	38.2%
Subtotal	29.8	5.1%	421.4	72.0%	87.4	12.2%	465.7	65.5%	192.6	23.7%	420.7	51.8%	119.5	21.7%	294.8	53.7%	327.3	31.0%	464.0	43.9%		
Water supply																						
Construction revenue	11.5	2.0%	-	-	3.9	0.5%	-	-	1.2	0.1%	-	-	-	1.0	0.2%	-	-	0.7	0.1%	-	-	-
Operating revenue	-	-	88.8	15.2%	-	-	96.5	13.6%	-	-	142.3	17.5%	-	-	-	87.4	15.9%	-	-	165.0	15.6%	
Subtotal	11.5	2.0%	88.8	15.2%	3.9	0.5%	96.5	13.6%	1.2	0.1%	142.3	17.5%	1.0	0.2%	87.4	15.9%	0.7	0.1%	165.0	15.6%		
Waste incineration																						
Construction revenue	-	-	-	-	-	-	-	-	5.4	0.7%	-	-	-	-	-	-	-	8.0	0.8%	-	-	-
Operating revenue	-	-	19.8	3.4%	-	-	15.6	2.2%	-	-	19.5	2.4%	-	-	-	14.9	2.7%	-	-	32.0	3.0%	
Financial income	-	-	7.9	1.3%	-	-	8.6	1.2%	0.4	0.1%	8.5	1.0%	-	-	-	6.4	1.2%	2.9	0.3%	6.2	0.6%	
Subtotal	-	-	27.7	4.7%	-	-	24.2	3.4%	5.8	0.8%	28.0	3.4%	-	-	21.3	3.9%	10.9	1.1%	38.2	3.6%		
Others																						
Consultancy work and other services	-	-	15.5	2.6%	-	-	25.7	3.6%	-	-	33.0	4.1%	-	-	-	27.2	5.1%	-	-	49.6	4.7%	
EPC construction	-	-	(9.1)	(1.6)%	-	-	8.7	1.2%	-	-	(11.3)	(1.4)%	-	-	(2.0)	(0.4)%	-	-	(0.1)	-	-	
Subtotal	-	-	6.4	1.0%	-	-	34.4	4.8%	-	-	21.7	2.7%	-	-	25.2	4.7%	-	-	49.5	4.7%		
Total	41.3	7.1%	544.3	92.9%	91.3	12.7%	620.8	87.3%	199.6	24.6%	612.7	75.4%	120.5	21.9%	428.7	79.1%	338.9	32.2%	716.7	67.8%		
Total gross profit	585.6	100%	-	-	712.1	100%	-	-	812.3	100%	-	-	549.2	100%	-	-	1,055.6	100%	-	-	100%	-

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The following roll forward table sets forth the movements in the balances of receivables under service concession arrangements and intangible assets during the Track Record Period.

	Intangible assets – Operating concessions	Receivables under service concession arrangements
	RMB'000	RMB'000
At January 1, 2014	1,052,188	2,715,086
Additions ⁽¹⁾	117,355	170,269
Acquisition of subsidiaries	453,574	520,335
Reclassification	944	–
Amortization	(64,681)	–
Disposals	(16,685)	–
Disposals of subsidiaries	(27,909)	(696)
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(79,277)
At December 31, 2014	1,514,786	3,325,717
Additions ⁽¹⁾	35,431	759,965
Acquisition of subsidiaries	1,773,456	828,775
Amortization	(104,779)	–
Reclassification	(213)	–
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(126,811)
At December 31, 2015	3,218,681	4,787,646
Additions ⁽¹⁾	49,963	1,325,600
Acquisition of subsidiaries	3,335,369	5,170,042
Amortization	(161,803)	–
Disposals	(7,412)	(37,986)
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(93,223)
At December 31, 2016	6,434,798	11,152,079
Additions ⁽¹⁾	192,859	1,593,569
Acquisition of subsidiaries	120,686	357,997
Amortization	(194,551)	–
Reclassification	60	–
Tariff received or billed for the repayment of receivables under service concession arrangements	–	(329,873)
At September 30, 2017	6,553,852	12,773,772

Note:

(1) Additions to intangible assets associated with operating concessions and receivables under service concession arrangements represent (a) construction revenue and financial income (for receivables under service concession arrangements) recognized during construction period for BOT/BOO/ROT projects; and (b) consideration paid for acquiring TOT projects or land use rights, less government grants, if any.

Construction revenue is generally recognized by reference to the progress of construction projects at the end of the reporting period as measured by the proportion of construction costs incurred for work performed to date relative to the estimate total contract cost for the project. The amount of construction revenue recognized is affected by the number of projects under construction, the estimated construction costs of those projects and the stage of completion. For accounting policies related to construction contracts, see “– Critical Accounting Policies, Estimates and Judgments – Construction contracts.”

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Construction revenue generally consists of construction costs plus a profit mark-up. We estimate the construction cost of service concession projects as part of our assessment of the upfront investment required to bid for new projects or to expand or upgrade existing projects. Among the factors considered are the location, capacity and technical standards of the project, amount of overall investment, possibility of future expansion, length of the concession period, and the duration of the construction period. The main cost components of project construction include building and site work, equipment installation, and design and consultancy services. The particular costs within each component vary with the type of plant being constructed and project location. We generally outsource plant construction to third-party contractors who manage their own labor, machinery, and other input costs. For more information about our construction subcontractors, see “Business – Suppliers.” Throughout the Track Record Period, for construction of projects under service concession arrangements completed by third parties, we assigned a profit mark-up of 12% to the construction service fee payable to such third-party subcontractors. We determine the profit mark-up by reference to publicly available information regarding the gross profit margins of comparable municipal public infrastructure projects and companies that provide such construction services.

The fair value of the construction service that we provide, either through third-party contractors or directly through our operating subsidiaries, is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. We use the PBoC’s basic lending rate for loans over five years which reflects the Government Grantor’s incremental borrowing rate. We 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 the PRC, we assessed that the use of this bench mark rate reflects the long term borrowing costs in the PRC and serves as a reasonable proxy of the Government Grantor’s incremental borrowing rate for our Group as a whole. For TOT projects with guaranteed minimum treatment volumes, the PBoC basic lending rate is used to discount the guaranteed revenue stream from the receivables under service concession arrangements of such projects. Where we record intangible assets in connection with service concession projects, the fair value of the intangible assets is determined based on discounted future cash flow, which we make estimates based on expected tariff rates, service demand, as well as the discount rate.

Our assessment of the potential economic return of a project is based on a variety of factors, depending on the type of project, which may include: plant capacity, potential for expansion, technical standards, plan for upgrade, concession length, length of construction period, tariff rates, availability of government support, upfront capital investment and interest rates. For more information about our project management practices, see “Business – Project Management.” Among our service concession arrangement projects under construction as of the Latest Practicable Date, the estimated investment payback period was approximately five to 15 years for wastewater treatment, six to ten years for sludge treatment, nine years for reclaimed water treatment, and twelve years for waste incineration. For details on estimated investment payback period of our significant service concession arrangement projects that were under construction as of the Latest Practicable Date, please see “Business – Our Projects Under Service Concession Arrangements and O&M Projects – Overview List – Projects Under Construction.” In addition, among our service concession arrangement projects under

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construction as of the Latest Practicable Date, the expected rate of return per annum was not less than 7% for wastewater treatment, 10% for sludge treatment, 11% for the reclaimed water treatment and 8% for waste incineration. As of the Latest Practicable Date, the expected rate of return for one water supply project under development was not less than 9%. The expected rates of return were calculated using estimated annual operating cash flow divided by estimated total investment costs.

We assess at each reporting date whether receivables under service concession arrangements and intangible assets may be impaired. For receivables under service concession arrangements, we conduct impairment testing of when there is objective evidence of impairment. Objective evidence of impairment include (a) significant financial difficulty of the counterparty; (b) breach of contract, such as default or delinquency in payments; (c) it becoming probable that the counterparty will enter bankruptcy or financial re-organization; or (d) the disappearance of an active market for an asset because of financial difficulties. During the Track Record Period, there was no objective evidence of impairment of receivables under service concession arrangements and no impairment test was performed with respect to such receivables. For intangible assets, we conduct impairment testing if there is an indication of impairment for an intangible asset, or when annual impairment assessment for an intangible asset is required. Possible indicators of asset impairment include physical damage to a project's plant facilities and significant changes with adverse effect on the projects in the market environment. During the Track Record Period, there was no indication that any intangible asset was impaired, and no impairment test was conducted for that reason. Impairment testing conducted on intangible assets under annual impairment assessment is described further below.

Impairment testing of requires estimation of an asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. 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. To determine the fair value of the intangible assets, we estimate the discounted future cash flow from the intangible assets, making certain assumptions about the future tax, inflation, VAT, and tariff growth rates, future demand for service, and the discount rate. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In testing intangible assets for impairment, we conduct sensitivity analyses by varying our assumptions about the future rate of tariff increase and the discount rate.

Our intangible assets relating to operating concessions not yet available for use were tested for impairment annually as of December 31, 2015 and 2016 and September 30, 2017. For the purposes of impairment testing, value in use was determined by discounting the future cash flows to be generated from continuing use of wastewater treatment plants over the service concession periods, using pre-tax discount rates of 14.5%, 13.0% and 13.0% for the years ended December 31, 2015, 2016 and the nine months ended September 30, 2017, respectively. We believe these forecast periods are 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

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recoverable amounts to be below the carrying values of the operating concessions not yet available for use. During the Track Record Period, no intangible assets relating to operating concessions were impaired as the recoverable amounts of the intangible assets exceeded their carrying amounts.

The components of the discount rates used in the impairment testing of intangible assets not yet in use are set forth below:

Components of discount rates	As of		
	December 31, 2015	December 31, 2016	September 30, 2017
Risk-free rate	2.82%	3.01%	3.61%
Cost of equity	13.92%	14.20%	14.09%
Cost of debt (pre-tax).	4.90%	4.90%	4.90%
Proportion of debt	37.32%	50.06%	46.00%
Proportion of equity	62.68%	49.94%	54.00%
Post tax discount rate (weighted average cost of capital, "WACC") per calculation	10.10%	8.93%	9.30%
Pre-tax discount rate	14.5%	13.00%	13.00%

The sensitivity analysis below was determined based on the exposure to discount rate and tariff growth rate, the key inputs to determine recoverable amount. If the discount rate had been 1% higher and all other variables were held constant, the aggregate recoverable amount of operating concessions not yet available for use at December 31, 2015 and 2016 and September 30, 2017 would have decreased by approximately RMB116 million, RMB133 million and RMB138 million. If the tariff growth rate had been 5% lower and all other variables were held constant, the aggregate recoverable amount of operating concessions not yet available for use as of December 31, 2015 and 2016 and September 30, 2017 would have decreased by approximately RMB25 million, RMB22 million and RMB24 million. As of December 31, 2015 and 2016 and September 30, 2017, the aggregate recoverable amount of operating concessions not yet available for use amounting to approximately RMB976 million, RMB1,195 million and RMB1,267 million exceeded its carrying value of approximately RMB878 million, RMB878 million and RMB878 million, respectively, representing a headroom of approximately RMB98 million, RMB317 million and RMB389 million, respectively. Increasing the discount rate from the original rate of 14.5%, 13.0% and 13.0% by percentage ranging from 0.1% to 1.4%, 1.4% to 8.7% and 2.2% to 11.3%, respectively, or decreasing the tariff growth rate by percentage ranging from 0.8% to 35.7%, 20.2% to 77.0% and 28.0% to 85.1%, respectively, of the original tariff rate, would remove the remaining headroom.

Our ability to realize future cash flows, as assessed under an impairment test, is affected by factors such as changes in economic conditions and changes in our operating performance. As we periodically reassess our assumptions, including estimated future cash flows, changes in our estimates and assumptions may cause us to record material impairment charges in the future.

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Taxation

Our results of operations and profitability are affected by changes in the tax rates in the PRC.

Enterprise Income Tax (EIT)

Our subsidiaries operating in the PRC are subject to the 25% enterprise income tax (“EIT”) on taxable income as adjusted in accordance with the relevant PRC income tax laws. Under preferential tax policies for public infrastructure projects in the PRC, certain of our subsidiaries were entitled to lower EIT rates. Certain subsidiaries were exempt from the enterprise income tax during the first two or three years after obtaining approval from the tax authority, and were entitled to a 50% reduction in the EIT for three more years after the initial tax exemption period. One subsidiary was subject to the preferential EIT rate of 15% under the West Area Development Scheme for eight years starting from the year of approval. Over time, as our subsidiaries’ preferential EIT treatment expires, their effective EIT rate will likely increase. Our effective EIT rate was 17.3%, 19.0%, 18.7%, 21.5% and 27.4% for 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, respectively. The increase in the effective corporate income tax rate from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 was mainly because (i) the preferential tax treatment at certain of our existing or newly-acquired subsidiaries expired, and (ii) certain of our investment holding companies have deductible temporary differences that have not been recognized.

Value Added Tax (VAT)

In addition to the enterprise income tax, our operating subsidiaries in the PRC are also subject to value-added tax. Effective from July 1, 2015, under the Circular on the Issuance of the Catalogue of Preferential Value-added Tax Policies for Products and Labor Services Generated from the Comprehensive Utilization of Resources, the previous exemption of wastewater treatment, sludge treatment, reclaimed water treatment and waste processing at waste incineration plants, from the VAT was replaced with partial VAT refund. Since then, our wastewater treatment revenue and waste treatment revenue from the operation of waste incineration projects have been subject to a 17% VAT with 70% of the tax paid refunded, and our reclaimed water treatment revenue have been subject to a 17% VAT with 50% of the tax paid refunded. Since we recognize revenue from the operation and maintenance of our plants net of relevant taxes such as the VAT, the imposition of the VAT has decreased our recognized revenue and, in turn, lowered our profit margin.

Competition

The overall Chinese municipal wastewater treatment market consists of three types of competitors, namely SOEs, privately owned domestic companies and foreign companies. This market is highly fragmented with hundreds of companies in operation, and, according to Frost & Sullivan, the top five participants together had a 17.3% share of total treatment capacity in

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2016. While most of the market share is held by SOEs, privately owned domestic companies are gradually emerging as an important force in the market. There are also a few foreign wastewater treatment companies, which usually establish joint venture entities with Chinese partners. We believe that factors critical to our competitiveness in this market include project execution abilities, technical abilities, relationships with local governments, quality and price of wastewater treatment and water supply services, brand reputation and marketing and customer service capabilities. Failure to effectively compete against other industry players could result in the loss of our market position and adversely impact our financial position and results of operations.

ACQUISITION OF LONGJIANG

In November 2016, the Group, through its wholly-owned subsidiary, Gold Orient and SIIC Environment Holdings (Shenzhen) Co., Ltd., entered into acquisition agreements with certain independent third parties, pursuant to which the Group acquired a total of approximately 32.7% of equity interests in Longjiang, a former associate of the Group, at an aggregate consideration of RMB836.0 million. Upon completion of the acquisitions in the same month, the Group held a total of approximately 58.0% equity interest in Longjiang (acquired for total aggregate consideration of RMB1,241.0 million), which then became a non wholly-owned subsidiary of the Group. For details about the acquisition of Longjiang, please see “History and Development – Major Acquisitions – Longjiang”.

The Longjiang acquisition added 30 wastewater treatment projects with aggregate designed capacity of 2,518,000 tons per day, two reclaimed water treatment projects with aggregate designed capacity of 90,000 tons per day, six sludge treatment projects with aggregate designed capacity of 1,330 tons per day, and five water supply projects with aggregate designed capacity of 610,000 tons per day to our project network. Longjiang’s projects are located predominantly in Heilongjiang Province in Northeast China. For details about Longjiang’s projects, see projects under the Longjiang Regional Headquarters in “Business – Our projects under service concession arrangements and O&M projects – Overview List.” The Longjiang acquisition significantly increased our revenue from Northeast China, as projects in that region accounted for nearly one-third of our revenue for the nine months ended September 30, 2017 compared to just 1.8% for the nine months ended September 30, 2016.

Before the acquisition in November 2016, our minority equity interest in Longjiang was accounted for as interests in associates. Our share of results of associates attributed to Longjiang was RMB9.1 million and RMB24.8 million for the years ended December 31, 2014 and 2015, respectively. After the acquisition in November 2016, Longjiang’s results were consolidated into the consolidated historical financial information of the Group. For details about the historical financial information of Longjiang from January 1, 2014 to December 31, 2016, please see “Note 51 – Pre-Acquisition Financial Information of the Acquired Subsidiary of the Accountants’ Report” attached as Appendix I to this listing document.

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In November and December 2016, Longjiang generated revenue of RMB445.4 million and gross profit of RMB26.8 million, which were consolidated into the results of the Group for the year ended December 31, 2016. Had the acquisition of Longjiang been completed on January 1, 2016, the total revenue of our Group would have been RMB3,697.1 million and the gross profit of our Group would have been RMB630.1 million for the year ended December 31, 2016. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

Partially due to the acquisition of Longjiang, our revenue increased significantly from RMB1,514.2 million for the nine months ended September 30, 2016 to RMB3,353.6 million for the nine months ended September 30, 2017, of which RMB988.1 million was contributed by Longjiang. Our gross profit increased significantly from RMB549.2 million for the nine months ended September 30, 2016 to RMB1,055.6 million for the nine months ended September 30, 2017, of which RMB355.6 million was contributed by Longjiang.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Critical accounting policies and estimates are those that require our management to exercise judgment and make estimates that would yield materially different results if our management were to apply different assumptions or make different estimates. Our financial information has been prepared in accordance with IFRS.

The preparation of the financial information in conformity with IFRS requires our management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of such estimates and assumptions form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revisions and future periods if the revisions affect both current and future periods. During the Track Record Period, we did not have any significant changes on our estimates or underlying assumptions. During the Track Record Period, our estimates and associated assumptions did not materially deviate from the actual results. Our Directors do not expect that our estimates or underlying assumptions will change in the foreseeable future.

Below is a summary of the accounting policies in accordance with IFRS that we believe are both important to the preparation and presentation of our financial results and require us to make judgments, estimates and assumptions about the effect of matters that are inherently uncertain. We also have other policies that we consider to be significant accounting policies which are set out in detail in Note 4 to “Appendix I – Accountants’ Report” of this listing document.

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Service concession arrangements

We have entered into service concession arrangements with Government Grantors under the BOT, TOT and BOO project models. See “Business – Service Concession Arrangements.” Under such arrangements, we act as an operator that constructs or upgrades infrastructure (construction services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. The consideration that we receive or will receive for such services may be recorded as a financial asset, an intangible asset or a combination of both.

A financial asset is recognized to the extent we have an unconditional right to receive cash or another financial asset from or at the direction of the Government Grantor. We would have such unconditional right to receive cash if the Government Grantor contractually guarantees to us specified or determinable amounts (based on guaranteed minimum treatment volumes). For financial assets, which we account for as receivables under service concession arrangements, we recognize interest thereon using the effective interest method. An intangible asset (operating concession) is recognized to the extent our right to charge users for the public service we provide is not unconditional based on minimum volume guarantees but based on the extent of the public’s use of the service. If we are paid for 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 recognized initially at the fair value of the consideration. When we perform more than one service under the concession arrangements, the consideration for the services we provide is allocated to the components by reference to their relative fair values.

The carrying amount of our receivables and intangible assets arising from service concession arrangements at the end of the reporting period is disclosed in Notes 24 and 20, respectively, of the Accountants’ Report set out in Appendix I to this listing document. For more information including the estimates and assumptions used to determine the fair values and to assess and test for impairment the assets relating to service concession arrangements, see “– Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment for service concession arrangements.”

During the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we also recognized operating and maintenance revenue from service concession arrangements amounting to RMB697.0 million, RMB751.2 million, RMB952.8 million, RMB622.6 million and RMB1,130.3 million, respectively.

Construction contracts

Our construction work under both service concession arrangements and non-concessionary EPC contracts require significant time period to complete and span several accounting periods. We review and revise our estimates of both contract revenue and contract costs in the budget prepared for each construction and service contract as the construction progress.

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When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognized by reference to the stage of completion 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 cost, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of the contract costs incurred that it is probable will be recoverable. Contract costs are recognized 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 recognized as an expense immediately.

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

Significant assumptions are required to determine 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, our management has relied on past experience and knowledge of project engineers.

We assess the stage of completion of each construction contract on a cumulative basis each accounting year. Changes in the 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 recognized 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 26 of the Accountants' Report set out in Appendix I to this listing document.

During the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, we have recognized revenue amounting to RMB441.6 million, RMB523.4 million, RMB1,030.7 million, RMB512.7 million and RMB1,508.1 million from construction contracts, respectively, of which RMB231.9 million, RMB472.7 million, RMB982.8 million, RMB400.1 million and RMB1,390.2 million, respectively, relates to revenue recognized for the third party constructed infrastructure in relation to service concession arrangements. For the years ended December 31, 2014, 2015 and 2016 and the nine months ended September 30, 2016 and 2017, the overall gross profit margin for construction contracts was 4.2%, 12.5%, 11.5%, 15.2% and 15.4% respectively, of which the gross profit margin recognized for third party constructed infrastructure in relation to service concession arrangements was 12.0%, 12.0%, 12.0%, 12.0% and 12.0% respectively.

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Revenue recognition

We measure our revenue at the fair value of the consideration received or receivable. We reduce revenue for estimated customers returns, rebates and other similar allowance.

We recognize our revenue when the amount of revenue can be reliably measured, or when it is probable that future economic benefits will flow to us, or when specific criteria have been met for each of our activities as described below.

- We recognize our revenue from sale of goods when the goods are delivered and titles have passed.
- We recognize our income from construction contracts as set out in the accounting policies for “construction contracts” and “service concession arrangements”.

Operating and maintenance income relates to the income derived from managing and operating 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. We recognize both operating and maintenance income and service income when services are rendered.

- We accrue our interest income on a time basis with reference to the principal outstanding and the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, applicable to that asset’s net carrying amount on initial recognition.
- We account for our other revenue on a straight-line basis over the service period as services are rendered.
- We recognize our revenue from the installation of water meters to the extent of the expenses that are recoverable or when the service is completed.

IFRS 15 Revenue from contracts with customers and related amendments

Our Group has applied IFRS 15 since the date of initial application (i.e. January 1, 2018). Based on the current accounting policies adopted by our Group, construction revenue is recognised with reference to the proportion of the contract costs incurred for work performed to date relative to the estimated total contract costs. In accordance with IFRS 15, input methods recognize construction revenue on the basis of the entity’s efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labor hours expended or costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation. Thus, as set out on page I-16 to the Accountants’ Report in Appendix I, our Directors do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognized in the consolidated financial statement in the foreseeable future.

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Deferred taxation

We review the carrying amount of deferred tax at the end of each reporting period. Deferred tax is recognized to the extent that it is probable that the temporary differences between the carrying amounts of our assets and liabilities and the corresponding tax bases used in the calculation of taxable profit can be utilized. Deferred tax includes taxable temporary differences arising on investments in subsidiaries, interests in associates and joint ventures, except where we are 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 except there is future taxable profit available against which the temporary differences can be utilized. This involves judgement regarding the future performance and tax laws. The carrying amounts of the deferred tax assets and liabilities are disclosed in Note 28 of the Accountants' Report set out in Appendix I to this listing document.

Purchase price allocation

We account for our business combinations 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 our 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, we report 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 recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized 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 40 of the Accountants' Report set out in Appendix I to this listing document.

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DESCRIPTION OF PRINCIPAL INCOME STATEMENT ITEMS

The following table sets forth selected items of our consolidated income statements for the periods indicated. This information should be read together with our consolidated financial information and related notes, which have been prepared in accordance with IFRS and set out in “Appendix I – Accountants’ Report” to this listing document. Our results of operations in any period are not necessarily indicative of results that may be expected for any future period.

Selected Items of Consolidated Income Statements

	For the year ended December 31,			Nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue	1,504,434	1,803,796	2,648,097	1,514,161	3,353,616
Cost of sales	(918,812)	(1,091,666)	(1,835,801)	(964,938)	(2,297,980)
Gross profit	585,622	712,130	812,296	549,223	1,055,636
Other income	81,567	109,665	161,251	125,783	173,650
Other gains and losses	54,271	(4,692)	162,901	9,768	9,625
Selling and distribution costs	(15,116)	(15,908)	(39,114)	(23,075)	(49,334)
Administrative expenses	(177,493)	(185,591)	(268,907)	(149,331)	(210,323)
Finance costs	(151,295)	(169,853)	(234,611)	(141,504)	(384,938)
Share of results of joint ventures	52,732	56,207	60,122	46,002	37,052
Share of results of associates	7,655	22,038	10,579	14,540	(2,758)
Profit before taxation	437,943	523,996	664,517	431,406	628,610
Income tax expense	(75,948)	(99,584)	(124,099)	(92,695)	(171,976)
Profit for the year/period	361,995	424,412	540,418	338,711	456,634
Profit for the year/period attributable to					
Owners of the Company	290,708	360,390	454,926	284,661	350,240
Non-controlling interests	71,287	64,022	85,492	54,050	106,394

Revenue

During the Track Record Period, we derived our revenue primarily from the following operating business lines:

Wastewater treatment business line: we engage in the investment, construction and operation of wastewater treatment, reclaimed water treatment and sludge treatment plants under the BOT project models, and investment and operation of such plants under the TOT project model. We also derive revenue from the management and operation of wastewater treatment plants outside service concession arrangements under the O&M project model. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, we derived 57.4%, 73.6%, 74.7%, 75.7%, and 79.7% of our revenue, respectively, from our wastewater treatment business line.

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Water supply business line: we engage in the investment, construction and operation of water supply plants under the BOT and BOO project models, and investment and operation of such plants under the TOT project model. We also derive revenue from the management and operation of water supply plants outside service concession arrangements under the O&M project model. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, we derived 23.5%, 16.9%, 15.4%, 18.3% and 13.3% of our revenue, respectively, from our water supply business line.

Waste incineration business line: we engage in the investment, construction and operation of waste incineration plants under the BOT and BOO project models. Our waste incineration projects in operation generate operating revenue from both waste processing and electric power generation. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, we derived 3.0%, 2.5%, 3.6%, 2.4% and 3.8% of our revenue, respectively, from our waste incineration business line.

Others: we also derive revenue from two other categories of business activities: consultancy work and other services and engineering, procurement and commissioning (EPC) construction.

- Under consultancy work and other services, we derive revenue from the provision of services in project design and consultancy for wastewater treatment and water supply projects, and installation work in relation to water supply such as the installation of tap water pipelines, water meters and pump systems, on an ad hoc or project-by-project basis. We recognize revenue when we render the service. For the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, we derived 2.2%, 4.2%, 5.7%, 3.2% and 3.1% of our revenue, respectively, from consultancy work and other services.
- Under EPC construction, we derive revenue from the design, assembly, construction, installation and commissioning of mainly wastewater and water supply treatment plants for industrial facilities and municipalities through engineering procurement construction project model outside of service concession arrangements. During the Track Record Period, we reduced our EPC construction activities by selling a subsidiary engaged in EPC construction and reducing the number of EPC construction projects we undertook. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, we derived 13.9%, 2.8%, 0.6%, 0.4% and 0.1% of our revenue, respectively, from the EPC construction.

Revenue from service concession arrangements

Our wastewater treatment, water supply and waste incineration business lines derive revenue from the operation and maintenance of infrastructure under service concessions (“concession operation revenue”) as well as the operation and maintenance of infrastructure outside of service concessions (“O&M revenue”).

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Revenue under BOT and BOO projects is apportioned into construction revenue, concession operation revenue and financial income (if the concession provides minimum volume guarantees). Revenue under our TOT projects is apportioned into concession operation revenue and financial income (if the concession provides minimum volume guarantee). Revenue from operation of infrastructure outside service concessions is categorized as O&M revenue.

- **Construction revenue:** During the construction phase of our BOT and BOO projects, we recognize construction revenue in our consolidated statements of comprehensive income based on the percentage of completion of the BOT and BOO projects. For our TOT concession projects, no construction revenue is recognized. We generally do not receive any payments or cash inflow during the construction phase of our concession projects, but we still incur significant costs, which could result in a mismatch between our cash inflows and outflows. See “Risk Factors – Risks Relating to our Business and Industry – The different accounting treatments applicable to the different project models we adopt may adversely affect our financial results.”
- **Operating revenue:** During the operation phase of our concession projects, we recognize concession operation revenue from our BOT, BOO and TOT projects when we render our services related to wastewater treatment, water supply, and waste incineration and electricity generation. When tariff payments are received, the total amount received is accounted for as cash inflow. The cash receipt is allocated to settle receivables under service concession arrangements and trade receivables in our consolidated balance sheet. Our concession operation revenue for each business line is tallied together with any O&M revenue for such business line and presented as the operating revenue for such business line as a whole.
- **Financial income:** Under BOT, BOO and TOT project service concession agreements that provide us unconditional right to receive tariff payments based on minimum volumes guarantees, we record outstanding receivables throughout the concession period as under service concession arrangements in our consolidated balance sheets. We recognize financial income when it is probable that the economic benefits from the outstanding receivable will flow to us and the amount of income can be measured reliably. Financial income is recognized as revenue in profit or loss using the effective interest method based on the accrued amount of receivables under service concession arrangements. The effective annualized interest rate we utilized ranged from 4.90% to 7.83% during the Track Record Period and was determined with reference to the borrowing rates across the various municipalities and cities in the PRC and the five-year basic lending rate set by the PBoC.

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The following table sets out a breakdown of our revenue by business line during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in millions, except percentages)									
Wastewater treatment										
Construction revenue	136.4	9.1%	440.4	24.4%	959.4	36.2%	497.4	32.9%	1,434.1	42.8%
Operating revenue	517.1	34.4%	561.2	31.1%	634.0	23.9%	411.1	27.1%	730.4	21.8%
Financial income	208.7	13.9%	327.5	18.1%	386.3	14.6%	237.1	15.7%	508.0	15.1%
subtotal	862.2	57.4%	1,329.1	73.6%	1,979.7	74.7%	1,145.6	75.7%	2,672.5	79.7%

(continued)

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in millions, except percentages)									
Water supply										
Construction revenue	95.5	6.3%	32.4	1.8%	10.0	0.4%	9.8	0.7%	5.3	0.2%
Operating revenue	259.1	17.2%	272.6	15.1%	396.4	15.0%	267.2	17.6%	440.2	13.1%
subtotal	354.6	23.5%	305.0	16.9%	406.4	15.4%	277.0	18.3%	445.5	13.3%
Waste incineration										
Construction revenue	–	–	–	–	44.0	1.7%	–	–	66.7	2.0%
Operating revenue	37.4	2.5%	35.4	2.0%	41.1	1.6%	30.5	2.0%	51.1	1.5%
Financial income	7.9	0.5%	8.6	0.5%	8.9	0.3%	6.4	0.4%	9.1	0.3%
subtotal	45.3	3.0%	44.0	2.5%	94.0	3.6%	36.9	2.4%	126.9	3.8%
Others										
Consultancy work and other services	32.6	2.2%	75.1	4.2%	150.8	5.7%	49.2	3.2%	106.7	3.1%
EPC construction	209.7	13.9%	50.6	2.8%	17.2	0.6%	5.5	0.4%	2.0	0.1%
subtotal	242.3	16.1%	125.7	7.0%	168.0	6.3%	54.7	3.6%	108.7	3.2%
Total	1,504.4	100.0%	1,803.8	100.0%	2,648.1	100.0%	1,514.2	100.0%	3,353.6	100.0%

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The following table sets out the breakdown of our revenue during the Track Record Period by the geographic region in which our project companies are located in China.

Region	For the years ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in millions, except percentages)									
Northeast China ⁽¹⁾	13.7	0.9%	19.9	1.1%	506.7	19.1%	27.9	1.8%	1,058.9	31.6%
East China ⁽²⁾	526.8	35.0%	736.7	40.8%	819.1	30.9%	548.1	36.2%	942.1	28.1%
Central China ⁽³⁾	577.8	38.4%	559.9	31.1%	892.2	33.7%	619.0	40.9%	723.7	21.6%
South China ⁽⁴⁾	274.1	18.3%	279.9	15.5%	257.9	9.7%	194.0	12.8%	299.3	8.9%
North China ⁽⁵⁾	36.3	2.4%	38.1	2.1%	46.8	1.8%	22.3	1.5%	111.9	3.3%
Northwest China ⁽⁶⁾	27.5	1.8%	125.3	6.9%	75.8	2.9%	66.1	4.4%	148.2	4.4%
Southwest China ⁽⁷⁾	48.2	3.2%	44.0	2.5%	49.6	1.9%	36.8	2.4%	57.4	1.7%
Hong Kong ⁽⁸⁾	–	–	–	–	–	–	–	–	12.1	0.4%
Total	1,504.4	100.0%	1,803.8	100.0%	2,648.1	100.0%	1,514.2	100.0%	3,353.6	100.0%

Notes:

- (1) We derived revenue from Liaoning Province, Jilin Province and Heilongjiang Province.
- (2) We derived revenue from Shanghai Municipality, Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province and Fujian Province.
- (3) We derived revenue from Hubei Province, Hunan Province and Henan Province.
- (4) We derived revenue from Guangdong Province and Guangxi Autonomous Region.
- (5) We derived revenue from Shanxi Province and Inner Mongolia Autonomous Region.
- (6) We derived revenue from Ningxia Autonomous Region and Xinjiang Autonomous Region, but as of September 30, 2017 had no projects in Xinjiang.
- (7) We derived revenue from Sichuan Province and Yunnan Province, but as of September 30, 2017 had no projects in Yunnan.
- (8) Revenue generated in Hong Kong was derived from consulting fee charged to a non-controlling shareholder of Ranhill.

Cost of sales

Cost of sales primarily includes construction costs, depreciation and amortization, electricity costs, payroll and related costs and treatment chemical costs, as applicable, for our business lines. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our cost of sales represented 61.1%, 60.5%, 69.3%, 63.7% and 68.5% of our revenue, respectively.

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The following table sets out a breakdown of our cost of sales by type of cost for the periods indicated:

Cost of sales	For the years ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in millions, except percentages)									
Construction cost	419.1	45.6%	457.0	41.9%	912.6	49.7%	434.9	45.1%	1,276.6	55.6%
Electricity costs	169.9	18.5%	190.9	17.5%	228.3	12.4%	154.9	16.1%	267.0	11.6%
Depreciation and amortization	70.4	7.7%	110.2	10.1%	168.0	9.2%	107.4	11.1%	200.9	8.7%
Payroll and related costs . .	82.6	9.0%	115.7	10.6%	156.9	8.5%	96.4	10.0%	163.8	7.1%
Treatment chemical costs . .	44.3	4.8%	54.2	5.0%	78.0	4.2%	49.9	5.2%	109.3	4.8%
Others	132.5	14.4%	163.7	15.0%	291.9	15.9%	121.4	12.5%	280.4	12.2%
Total	918.8	100%	1,091.7	100%	1,835.8	100%	964.9	100%	2,298.0	100%

Construction cost relates to the cost we incur in building our plants. Payroll and related costs consist primarily of salaries, welfare costs, medical insurance and pension and housing fund contributions to our employees at operating subsidiaries. Electricity costs and treatment chemical costs are the major inputs in the operation of our wastewater treatment plants. Depreciation and amortization mainly reflect the amortization of our intangible assets arising from our operating concessions. Others include water resource costs, plant repair and maintenance costs, sludge processing fee, and the VAT. Materials to be installed are usually delivered by our suppliers directly to our project sites for immediate consumption and only insignificant amount of inventory is kept at our project sites due to limitation of storage space, so our Group did not have significant amount of uninstalled materials as of December 31, 2014, 2015 and 2016 and September 30, 2017. In view of the insignificant amount of uninstalled materials, the uninstalled materials would not materially affect our Group's measurement of percentage of completion and the consolidated financial statement in the foreseeable future.

The following table sets out a breakdown of our cost of sales by business line during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in millions, except percentages)									
Wastewater treatment	411.0	44.8%	776.0	71.1%	1,366.4	74.4%	731.3	75.8%	1,881.3	81.8%
Water supply	254.3	27.6%	204.6	18.8%	262.9	14.3%	188.6	13.3%	279.8	19.5%
Waste incineration	17.6	1.9%	19.8	1.8%	60.2	3.3%	15.6	1.6%	77.7	3.4%
Others	235.9	25.7%	91.3	8.3%	146.3	8.0%	29.4	2.3%	59.2	2.5%
Total	918.8	100.0%	1,091.7	100.0%	1,835.8	100.0%	964.9	100.0%	2,298.0	100.0%

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Gross profit and gross profit margin

Our gross profit was RMB585.6 million, RMB712.1 million, RMB812.3 million, RMB549.2 million and RMB1,055.6 million, and our gross profit margin was 38.9%, 39.5%, 30.7%, 36.3% and 31.5% for each of the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, respectively.

The following table sets out a breakdown of gross profit and gross margin by business lines during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Gross Profit	GP Margin %	Gross Profit	GP Margin %	Gross Profit	GP Margin %	Gross Profit	GP Margin %	Gross Profit	GP Margin %
(unaudited)										
(RMB in millions, except percentages)										
Wastewater treatment										
Construction revenue	16.4	12.0%	52.9	12.0%	122.7	12.8%	78.8	15.8%	223.0	15.5%
Operating revenue	226.1	43.7%	172.7	30.8%	104.3	16.5%	98.4	23.9%	60.3	8.3%
Financial income	208.7	100.0%	327.5	100.0%	386.3	100.0%	237.1	100.0%	508.0	100.0%
subtotal	451.2	52.3%	553.1	41.6%	613.3	31.0%	414.3	36.2%	791.3	29.6%
Water supply										
Construction revenue	11.5	12.0%	3.9	12.0%	1.2	12.0%	1.0	10.2%	0.7	13.2%
Operating revenue	88.8	34.3%	96.5	35.4%	142.3	35.9%	87.4	32.7%	165.0	37.5%
subtotal	100.3	28.3%	100.4	32.9%	143.5	35.3%	88.4	31.9%	165.7	37.2%
Waste incineration										
Construction revenue	–	–	–	–	5.4	12.3%	–	–	8.0	12.0%
Operating revenue	19.8	52.9%	15.6	44.1%	19.5	47.4%	14.9	48.9%	32.0	62.6%
Financial income	7.9	100.0%	8.6	100.0%	8.9	100.0%	6.4	100.0%	9.1	100.0%
subtotal	27.7	61.1%	24.2	55.0%	33.8	36.0%	21.3	57.7%	49.1	38.7%
Others										
Consultancy work and other services	15.5	47.5%	25.7	34.2%	33.0	21.9%	27.2	55.3%	49.6	46.5%
EPC construction	(9.1)	(4.3%)	8.7	17.2%	(11.3)	(65.7%)	(2.0)	(36.4%)	(0.1)	(5.0%)
subtotal	6.4	2.6%	34.4	27.4%	21.7	12.9%	25.2	46.1%	49.5	45.5%
Total	585.6	38.9%	712.1	39.5%	812.3	30.7%	549.2	36.3%	1,055.6	31.5%

For a discussion of our gross profit and gross profit margin, see “– Period to Period Comparison of Result of Operations”.

Other income

Our other income includes government subsidies, such as VAT refunds and water tariff subsidies, and income from the installation of water meters. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our other income was RMB81.6 million, RMB109.7 million, RMB161.3 million, RMB125.8 million and RMB173.7 million, respectively.

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Other gains and losses

Our other gains and losses mainly include change in fair value of other liability, fair value gain on held for trading investments, foreign exchange gains and losses and gain from revaluation of previously held interests in an associate. We had other gains of RMB54.3 million, RMB162.9 million, RMB9.8 million and RMB9.6 million, respectively, for the years ended December 31, 2014 and 2016, and the nine months ended September 30, 2016 and 2017. For the year ended December 31, 2015, we had other losses of RMB4.7 million.

The following table sets out a breakdown of our other gains and losses for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Change in fair value of other liability	28,292	52.1%	(5,190)	(110.6%)	-	-	-	-	-	-
Fair value gain on held for trading investments	-	-	278	5.9%	1,015	0.6%	633	6.5%	5,892	61.2%
Gain from bargain purchase of investment in a subsidiary	4,469	8.2%	-	-	-	-	-	-	-	-
Gain on disposal of interests in subsidiaries	5,227	9.7%	-	-	-	-	-	-	-	-
Gain from revaluation of previously held interests in an associate	-	-	-	-	155,389	95.4%	-	-	-	-
Gain on disposal of available-for-sale investment	-	-	-	-	10,628	6.5%	10,628	108.8%	-	-
Net foreign exchange gain (loss)	16,283	30.0%	220	4.7%	(4,131)	(2.5%)	(1,493)	(15.3%)	3,733	38.8%
Total	54,271	100.0%	(4,692)	(100.0%)	162,901	100.0%	9,768	100.0%	9,625	100.0%

The change in fair value of other liability relates to the annual adjustment of the fair value of earn-out payment obligations arising from the acquisition of Rise Wealth in July 2012, and such earn-out obligations were accounted for as a financial liability until they were settled in 2015. The fair value gain on held for trading investments relates to investments we hold in publicly traded equity securities of companies such as the Suchuang Gas Corporation Limited and Giti Tire Corporation that offer us the opportunity for dividend income and fair value gains, which are calculated based on the market closing price of the last market day of the relevant financial reporting periods. The gain from bargain purchase of investment in a subsidiary reflects the difference in value between the consideration we paid and the net assets we received in the acquisition of Shanghai Qingpu in 2014. The gain on disposal of interests in subsidiaries relates the net gain derived when we sold our entire equity interests in former subsidiaries Kunming Nanfang Water Co., Ltd. and Wuhan Kaidi Water Services Co. Ltd. in 2014. The gain from revaluation of previously held interests in an associate relates to the revaluation gain derived from our minority equity interest in Longjiang due to our acquisition of the controlling equity stake in Longjiang at a higher valuation in 2016. The gain on disposal of available-for-sale investment relates to the gain on disposal of equity interest in Canvest in 2016. The net foreign exchange gains and losses primarily reflect the impact of fluctuations in the exchange rates of the SGD, RMB, HKD and USD which affected the value of certain

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intercompany balances within our Group, including the Intra-Group Loans that are denominated in RMB, HKD and USD, and proceeds from a share placement that was settled in HKD during the Track Record Period. For the details of the Intra-Group Loans, including the currency denomination of each loan, see “Relationship with Our Controlling Shareholders – Independence From Our Controlling Shareholders – Financial Independence”.

Selling and distribution costs

Selling and distribution costs were incurred primarily in our water supply business line in which treated tap water is sold to end-use customers. Our selling and distribution costs primarily include employee benefit costs, repair and maintenance expenses and depreciation and amortization. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our selling and distribution costs were RMB15.1 million, RMB15.9 million, RMB39.1 million, RMB23.1 million and RMB49.3 million, respectively. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our selling and distribution costs represented 1.0%, 0.9%, 1.5%, 1.5% and 1.5% of our revenue, respectively.

The following table sets out a breakdown of our selling and distribution costs for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Employee benefit costs	10,841	71.7%	11,720	73.7%	29,089	74.4%	17,517	75.9%	39,351	79.8%
Repair and maintenance expenses	1,867	12.3%	2,692	16.9%	6,336	16.2%	3,255	14.1%	3,570	7.2%
Depreciation and amortization . .	539	3.6%	540	3.4%	721	1.8%	405	1.8%	2,053	4.2%
Travel and office expenses	815	5.4%	733	4.6%	1,569	4.0%	1,375	6.0%	1,244	2.5%
Rental expenses	114	0.8%	119	0.7%	203	0.5%	175	0.8%	149	0.3%
Others	940	6.2%	104	0.7%	1,196	3.1%	348	1.4%	2,967	6.0%
Total	15,116	100.0%	15,908	100.0%	39,114	100.0%	23,075	100.0%	49,334	100.0%

Under selling and distribution costs, employee benefit costs consist primarily of salaries, welfare costs, medical insurance and pension and housing fund contributions to our staff engaged in customer service functions in the water supply business line including tariff collection and ad hoc repairs. Repair and maintenance expenses mainly relate to certain repair and maintenance expenses incurred in providing customer service to water supply customers. Depreciation and amortization relates to the depreciation and amortization of certain intangible assets (such as computer software) and fixed assets (such as computer hardware, office facilities and furniture) used by customer service function. Likewise, travel and office expenses and rental expenses also relate primarily to such expenses incurred by customer service function in the water supply business line.

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Administrative expenses

Our administrative expenses consist primarily of expenses in the management and administration of our company, which were incurred mainly at the management level of subsidiaries and at regional and company headquarters.

For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our administrative expenses were RMB177.5 million, RMB185.6 million, RMB268.9 million, RMB149.3 million and RMB210.3 million, respectively. For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, our administrative expenses represented approximately 11.8%, 10.3%, 10.2%, 9.9% and 6.3% of our revenue for the same periods respectively.

The following table sets out a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Employee benefit cost	90,200	50.8%	104,542	56.3%	146,520	54.5%	84,961	56.9%	118,018	56.1%
Travel and office expenses	40,031	22.6%	37,039	20.0%	44,952	16.7%	29,792	20.0%	40,073	19.1%
Legal and professional fees	20,485	11.5%	16,749	9.0%	23,477	8.7%	10,356	6.9%	20,341	9.7%
Depreciation and amortisation	5,652	3.2%	5,888	3.2%	7,108	2.6%	4,453	3.0%	8,665	4.1%
Rental expenses and building management fees	5,666	3.2%	5,587	3.0%	9,601	3.6%	6,889	4.6%	9,222	4.4%
Listing expenses	-	-	-	-	-	-	-	-	7,077	3.3%
Others	15,459	8.7%	15,786	8.5%	37,249	13.9%	12,880	8.6%	6,927	3.3%
Total	177,493	100.0%	185,591	100.0%	268,907	100.0%	149,331	100.0%	210,323	100.0%

Under administrative expenses, employee benefit costs consist primarily of salaries, welfare costs, medical insurance and pension and housing fund contributions to our managers and employees engaged in the management, administrative and support functions at operating subsidiaries, regional and company headquarters. Travel and office expenses relate to expenses incurred by management, administrative and support functions. Legal and professional fees were mainly fees paid to accountants, auditors and legal advisors retained by management at various company levels. Depreciation and amortization relates to the depreciation and amortization of certain fixed assets (such as computer hardware, office facilities and furniture) used by management, administrative and support functions. Rental expenses and building management fees primarily reflect the cost of renting offices for regional and company headquarters. Other expenses include certain stamp duties, land use taxes and other PRC taxes categorized in administrative expenses under PRC accounting rules, board fees, and expenses incurred in research and market development, public relations, and banking transactions. The expenses of this listing are also included under administrative expenses.

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Finance costs

Our finance costs consist primarily of bank and other borrowings, and were RMB151.3 million, RMB169.9 million, RMB234.6 million, RMB141.5 million and RMB384.9 million for the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017, respectively.

The following table sets out a breakdown of our finance costs for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Interest expenses on bank and other borrowings ⁽¹⁾	144,572	95.5%	166,826	98.2%	230,920	98.4%	138,775	98.2%	382,383	99.3%
Financial expense on amortization of retention monies	686	0.5%	-	-	493	0.2%	383	0.3%	334	0.1%
Financial expense on amortization of benefits to certain ex-employees	1,262	0.8%	1,662	1.0%	1,548	0.7%	1,161	0.8%	1,059	0.3%
Others	4,775	3.2%	1,365	0.8%	1,650	0.7%	1,185	0.7%	1,162	0.3%
Total	151,295	100.0%	169,853	100.0%	234,611	100.0%	141,504	100.0%	384,938	100.0%

Note:

(1) Net of amounts capitalized in the cost of qualifying assets.

Interest expenses on bank and other borrowings are the interest we pay to service our loans with banks and affiliates. The financial expense on amortization of retention monies relates to the time value of money on retention monies we paid to Government Grantors which are repayable back to us at the end of the concession period. A financial expense is recognized because we do not earn interest on the retention monies, a receivable for us, during the concession term. Financial expense on amortization of benefits to certain ex-employees arises from our obligation under certain acquisition agreements to pay severance benefits to certain employees of acquired subsidiaries should they be required to leave their positions within a certain period after the acquisition. We amortize such potential liability and incur financial expense on the time value of money for such contingent severance benefits. Others include certain banking transaction costs.

Share of results of joint ventures

Our share of results of joint ventures mainly represents contribution from Pucheng and Wenling. Our share of results of joint ventures was RMB52.7 million, RMB56.2 million, RMB60.1 million, RMB46.0 million and RMB37.1 million for the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017, respectively.

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Share of results of associates

Our share of results of associates mainly represents contribution from our associates such as Longjiang, which was our associate from 2014 until November 2016 when it became our subsidiary, Dongguan Changan Jinxia Sanzhou Water Purification Co. Ltd. (“**Dongguan Sanzhou**”), Sichuan SIIC Environment Investment Development Co., Ltd. (“**Sichuan SIIC**”), and Yiliuqing (Shanghai) Environment Technology Co. Ltd. (“**Yiliuqing**”). Our share of results of associates were gains of RMB7.7 million, RMB22.0 million, RMB10.6 million, RMB14.5 million and loss of RMB2.8 million, respectively, for the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017.

Income tax expenses

Our income tax expenses represent PRC corporate income tax expenses and deferred income tax. As of the Latest Practicable Date, certain of our subsidiaries were entitled to lower corporate income tax rates under preferential tax policies for public infrastructure projects. Certain subsidiaries were exempt from PRC income tax during the first two or three years after obtaining approval from the tax authority, and were entitled to 50% reduction on PRC income taxes for three more years after the initial tax exemption period. One subsidiary was subject to the preferential corporate income tax rate of 15% under the West Area Development Scheme for eight years starting from year of approval. As of the Latest Practicable Date, our remaining subsidiaries were subject to corporate income tax at the statutory rate of 25%.

The statutory corporate tax rate applicable to our subsidiaries in Singapore was 17% for each of the years ended December 31, 2014, 2015 and 2016, and nine months ended September 30, 2016 and 2017. No provision for Hong Kong profit tax was made as we did not have assessable profit in Hong Kong during the Track Record Period. For details regarding the corporate income tax rate, see Note 10 of the Accountants’ Report set out in Appendix I to this listing document.

Our income tax expenses for the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2016 and 2017 were RMB75.9 million, RMB99.6 million, RMB124.1 million, RMB92.7 million and RMB172.0 million, respectively. Our effective corporate income tax rate for the years ended December 31, 2014, 2015, 2016 and for the nine months ended September 30, 2016 and 2017 was 17.3%, 19.0%, 18.7%, 21.5% and 27.4%, respectively. The increase in the effective corporate income tax rate from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 was mainly because (i) the preferential tax treatment at certain of our existing or newly-acquired subsidiaries expired, and (ii) certain of our investment holding companies have deductible temporary differences that have not been recognized.

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As of the Latest Practicable Date, we had paid, or made provisions to pay, all relevant taxes, and we did not have any material disputes with the relevant tax authority.

Exchange differences arising from translation

Exchange gains or losses arising from the translation of functional currencies of our Company and subsidiaries outside the PRC, including HKD and SGD, to the presentation currency of our Group, RMB, are recognised in our other comprehensive income, and presented in the exchange translation reserve in equity. For the years ended December 31, 2014, 2015, and 2016, the exchange differences arising from translation were exchange losses of RMB70.1 million, RMB86.1 million and RMB20.0 million. For the nine months ended September 30, 2016 and 2017, the exchange differences arising from translation were exchange gains of RMB43.9 million and RMB79.1 million, respectively. In 2014 and 2015, the appreciation of the RMB against the SGD resulted in exchange loss of SGD-denominated assets. In the nine months ended 2017, the SGD's appreciation against the RMB also resulted in exchange gains of SGD-denominated assets. The exchange loss in 2016 was due to an increase in liabilities in the fourth quarter of 2016 from the increase in borrowings related to the acquisition of Longjiang and Ranhill along with a depreciation of the SGD against the RMB during that period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended September 30, 2016 Compared to Nine months ended September 30, 2017

Revenue

Our revenue increased from RMB1,514.2 million for the nine months ended September 30, 2016 to RMB3,353.6 million for the nine months ended September 30, 2017, reflecting increases in the wastewater treatment, water supply, waste incineration and others business lines. The revenue increase was primarily due to the increase in the number of service concession projects we had as a result of our acquisitions in the fourth quarter of 2016 and the first three quarters of 2017, such as Longjiang and Ranhill, which accounted for 53.7% and 6.3%, respectively, of the growth in revenue from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. For more information on our acquisitions, please see “Business – Our projects under service concession arrangements and O&M projects” and “History and Development – Major Acquisitions.” For more information on our acquisition of Longjiang in November 2016, please see “– Acquisition of Longjiang.”

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Wastewater treatment

Over the same periods, revenue from our wastewater treatment business line increased from RMB1,145.6 million to RMB2,672.5 million. Within this business line over the same periods, construction revenue increased from RMB497.4 million to RMB1,434.1 million; operating revenue increased from RMB411.1 million to RMB730.4 million; and financial income increased from RMB237.1 million to RMB508.0 million. Revenue of this business line increased primarily due to (i) contributions to construction revenue, operating revenue and financial income from the wastewater treatment projects of the acquired entities Longjiang and Ranhill and (ii) increased construction revenue from our existing service concession projects such as Fengxian West Wastewater Treatment Plant Upgrade and Expansion Project (奉賢西部污水廠提標改擴建項目), Qingpu Second Wastewater Treatment Plant Project 4th Stage Expansion (青浦第二污水處理廠項目擴建四期) and Yinchuan Fifth Wastewater Treatment Plant Project (銀川市第五污水處理廠一期項目). For more information on the recognition of construction revenue from construction of projects under service concession arrangements, please see “– Critical Accounting Policies, Estimates and Judgments – Construction contracts.”

Water supply

Revenue from our water supply business line increased from RMB277.0 million to RMB445.5 million. Over the same periods, construction revenue decreased from RMB9.8 million to RMB5.3 million as certain ad hoc construction projects in 2015 were completed in 2016; and operating revenue increased from RMB267.2 million to RMB440.2 million primarily due to our acquisition of water supply service concession projects under Longjiang.

Waste incineration

Over the same periods, revenue from our waste incineration business line increased from RMB36.9 million to RMB126.9 million. Construction revenue increased from nil to RMB66.7 million; operating revenue increased from RMB30.5 million to RMB51.1 million; and financial income increased from RMB6.4 million to RMB9.1 million. The increase in operating revenue was primarily due to the agreement by the local government in 2017 to pay for the higher cost of processing excavated landfill garbage which occurred in 2014 and 2015 at the Dazhou City Municipal Household Waste Incineration Power Generation Project 1st Stage (達州市城市生活垃圾焚燒發電項目一階段) (“**Dazhou Plant**”). Construction at Wulian, which was acquired in August 2016, contributed to the growth in construction revenue and financial income in 2017.

Others business line

Over the same periods, revenue from our others business line increased from RMB54.7 million to RMB108.7 million, primarily due to consolidation of results from acquisitions of the consultancy operations of Longjiang and Ranhill.

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Cost of sales

Our cost of sales increased from RMB964.9 million for the nine months ended September 30, 2016 to RMB2,298.0 million for the nine months ended September 30, 2017, reflecting increases in the business of the wastewater treatment, water supply, waste incineration and others business lines, primarily due to the consolidation of the results of operations from the subsidiaries we acquired in the fourth quarter of 2016 and the first three quarters of 2017, such as Longjiang and Ranhill, which accounted for, respectively, 47.4% and 4.4% of the growth in cost of sales. Construction at our existing service concession projects also contributed to the increase in cost of sales.

Wastewater treatment

Over the same periods, the cost of sales of our wastewater treatment business line increased from RMB731.3 million to RMB1,881.2 million. The increase was primarily due to the nine-month contribution to cost of sales from Longjiang and Ranhill, increased construction activity at our existing service concession projects, and the amortization of premium consideration from the Longjiang acquisition in cost of sales.

Water supply

Over the same periods, the cost of sales of our water supply business line increased from RMB188.6 million, to RMB279.8 million primarily due to the increase in the business of the water supply business line mainly from the acquisition of Longjiang completed in the fourth quarter of 2016.

Waste incineration

Over the same periods, the cost of sales of our waste incineration business line increased from RMB15.6 million to RMB77.8 million. The increase was primarily due to construction costs incurred in 2017 at Wulian, which was acquired in August 2016.

Others business line

Over the same periods, the cost of sales of our others business line increased from RMB29.5 million to RMB59.2 million. The increase was primarily due to the contributions from our acquired entities, Longjiang and Ranhill in the fourth quarter of 2016, the effect of which was partially offset by the decrease in cost of sales of EPC construction from RMB7.5 million to RMB2.1 million.

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Gross profit and gross profit margin

Our gross profit increased from RMB549.2 million for the nine months ended September 30, 2016 to RMB1,055.6 million for the nine months ended September 30, 2017. The increase in gross profit was primarily due to the consolidation of gross profits from the subsidiaries we acquired in the fourth quarter of 2016 and the first three quarters of 2017, such as Longjiang and Ranhill, which accounted for 70.2% and 11.1%, respectively, of the growth in gross profits from the nine months ended September 30, 2016 to the nine months ended September 30, 2017. In addition, construction at existing service concession projects also contributed to our profit growth. Over the same periods, our gross profit margin decreased from 36.3% to 31.5%, primarily reflecting, as detailed below, the decreases in the gross profit margins of the wastewater treatment and waste incineration business lines, which were partially offset by the increase in the gross profit margin of the water supply business line.

Wastewater treatment

Over the same periods, gross profit for our wastewater treatment business line increased from RMB414.3 million to RMB791.3 million, primarily due to the gross profit contribution from entities acquired in the fourth quarter of 2016 and the first three quarters of 2017 and from construction at existing service concession projects, which offset a decrease in gross profit from operating revenue due to higher cost of sales.

Over the same periods, the gross profit margin for our wastewater treatment business line decreased from 36.2% to 29.6% primarily reflecting the increase in revenue from construction services performed by third parties to which we attribute 12.0% margin, and a decrease in gross margin of operating revenue due to higher cost of sales.

Water supply

Over the same periods, gross profit for our water supply business line increased from RMB88.4 million to RMB165.7 million, primarily due to contribution from acquired entities. The gross profit margin for our water supply business line increased from 31.9% to 37.2%, primarily reflecting the acquisition of Longjiang whose water supply projects have higher gross profit margin.

Waste incineration

Over the same periods, gross profit for our waste incineration business line increased from RMB21.3 million to RMB49.1 million. The increase was primarily due to the one-off payment granted by the local government in the first half of 2017 to the Dazhou Plant to cover for the higher cost of excavating landfill garbage for incineration that was performed in 2014 and 2015. The grant of this payment boosted operating revenue relative to cost of sales. Gross profit from construction, which was recorded for this business line for the first time during the Track Record Period, also contributed to the increase in gross profit. Over the same periods, the gross profit margin for our waste incineration business line decreased from 57.7% to 38.7% as the gross profit from construction has lower margins.

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Others business line

Over the same periods, gross profit for our others business line increased from RMB25.2 million to RMB49.5 million, primarily due to the nine-month contributions from the consultancy operations of Longjiang and Ranhill, and the narrowing of losses from EPC construction. Over the Track Record Period, consultancy work and other services generally had higher gross profits and gross margins than EPC construction. Over the same periods, the gross profit margin for our others business line remained relatively stable, decreasing slightly from 46.1% to 45.5%.

Other income

Our other income increased from RMB125.8 million to RMB173.7 million. The increase was primarily due to a significant increase in government subsidies, mainly in the form of VAT refunds and water tariff subsidies, as a result of the expansion of our operations through acquisitions.

Other gains and losses

Our other gains and losses remained stable, from RMB9.8 million for the nine months ended September 30, 2016 to RMB9.6 million for the nine months ended September 30, 2017. Our gain on disposal of an available for sale investment in 2016 was largely matched in 2017 by the increase in fair value gain on held for trading investments, namely our shareholding in the Suchuang Gas Corporation Limited and a net foreign exchange gain on the balances of liabilities denominated in HKD and USD as the RMB strengthened against those currencies in the first nine months of 2017 after weakening against those currencies in the first nine months of 2016.

Selling and distribution costs

Our selling and distribution costs increased from RMB23.1 million for the nine months ended September 30, 2016 to RMB49.3 million for the nine months ended September 30, 2017, primarily due to an increase in employee benefit costs mainly caused by the staff headcount growth in water supply projects as a result of the acquisition of the water supply projects of Longjiang.

Administrative expenses

Administrative expenses increased from RMB149.3 million for the nine months ended September 30, 2016 to RMB210.3 million for the nine months ended September 30, 2017, primarily due to the nine-month impact of the increase in employee benefits costs, travel and office expenses, legal and professional expenses and other expenses, as a result of the acquisitions in the fourth quarter of 2016 and the first three quarters of 2017, particularly Longjiang and Ranhill whose travel and office expenses accounted for higher proportions of administrative expenses compared to the rest of our Group.

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Finance costs

Our finance costs increased from RMB141.5 million for the nine months ended September 30, 2016 to RMB384.9 million for the nine months ended September 30, 2017, primarily due to increases in interest expenses from (i) debt service of borrowings by subsidiaries which increased with the entities acquired in the fourth quarter of 2016 and the first three quarters of 2017 and (ii) increased borrowings to finance the 2016 acquisitions.

Share of results of joint ventures

Our share of results of joint ventures decreased from RMB46.0 million for the nine months ended September 30, 2016 to RMB37.1 million for the nine months ended September 30, 2017. The decrease was primarily the result of the recognition of a one-off government subsidy in the form of VAT refunds by a joint venture in the first half of 2016.

Share of results of associates

Our share of results of associates decreased from a gain of RMB14.5 million for the nine months ended September 30, 2016 to a loss of RMB2.8 million for the nine months ended September 30, 2017. The decrease was primarily due to (i) our acquisition of additional equity interests in Longjiang in November 2016 after which Longjiang became our subsidiary and was no longer our associate and (ii) losses at other associates including Dongguan Sanzhou, Yiliuqing and Sichuan SIIC.

Income tax expense

Our income tax expense increased from RMB92.7 million for the nine months ended September 30, 2016 to RMB172.0 million for the nine months ended September 30, 2017. The increase was primarily due to higher profit before taxation, from the increase in revenue over the same periods. Our effective income tax rate increased from 21.5% for the nine months ended September 30, 2016 to 27.4% for the nine months ended September 30, 2017. The increase was primarily because (i) the preferential tax treatment at certain of our existing or newly-acquired subsidiaries expired, and (ii) certain of our investment holding companies have deductible temporary differences that have not been recognized.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased from RMB338.7 million for the nine months ended September 30, 2016 to RMB456.6 million for the nine months ended September 30, 2017, and our net profit margin decreased from 22.4% for the nine months ended September 30, 2016 to 13.6% for the nine months ended September 30, 2017. The decrease in net profit margin was primarily due to an increase in finance costs incurred in the acquisitions of Longjiang and Ranhill and a higher effective income tax rate.

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Year ended December 31, 2015 compared to year ended December 31, 2016

Revenue

Our revenue increased from RMB1,803.8 million in 2015 to RMB2,648.1 million in 2016 as revenue increased in the wastewater treatment, water supply, waste incineration and others business lines. The revenue increase was primarily due to the increase in the number of service concession projects we had as a result of our acquisitions in 2016, such as Longjiang, Yiyang, Zhonghui, and Wulian, which accounted for 54.2%, 9.5%, 7.2%, and 5.2%, respectively, of the growth in revenue in 2016. For more information on our acquisitions in 2016, please see “Business – Our projects under service concession arrangements and O&M projects” and “History and Development – Major Acquisitions.” Increased construction activity at existing concession projects also contributed to the revenue increase. For more information on the recognition of construction revenue from construction of projects under service concession arrangements, please see “– Critical Accounting Policies, Estimates and Judgments – Construction contracts.”

Wastewater treatment

Revenue from our wastewater treatment business line increased from RMB1,329.1 million in 2015 to RMB1,979.7 million in 2016. Construction revenue increased from RMB440.4 million in 2015 to RMB959.4 million in 2016; operating revenue increased from RMB561.2 million in 2015 to RMB634.0 million in 2016; and financial income increased from RMB327.5 million in 2015 to RMB386.3 million in 2016. Revenue of this business line increased primarily because of (i) contributions to construction revenue, operating revenue and financial income from the service concession projects of the acquired entities Longjiang and Zhonghui and (ii) the increase in construction at our existing service concessions including Hubei Hanxi Wastewater Project (漢西污水處理廠項目) and Huizhou Meihu Phase III Project (惠州市梅湖水質淨化中心三期工程項目). Such increases were partially offset by the full year impact of the VAT on revenue from our wastewater business line. For more information on the impact of the VAT on our revenue, please see “– Significant Factors Affecting Our Results of Operations and Financial Condition – Taxation – Value Added Tax (VAT).”

Water supply

Revenue from our water supply business line increased from RMB305.0 million in 2015 to RMB406.4 million in 2016. Construction revenue decreased from RMB32.4 million in 2015 to RMB10.0 million in 2016 as certain ad hoc construction projects in 2015 were completed in 2016. Operating revenue increased from RMB272.6 million in 2015 to RMB396.4 million in 2016. Revenue of this business line increased primarily because of the number of water supply projects in operation increased with the acquisitions of Longjiang and Yiyang.

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Waste incineration

Revenue from our waste incineration business line increased from RMB44.0 million in 2015 to RMB94.0 million in 2016. Construction revenue increased from nil in 2015 to RMB44.0 million in 2016; operating revenue increased from RMB35.4 million in 2015 to RMB41.1 million in 2016. Financial income increased slightly from RMB8.6 million in 2015 to RMB8.9 million in 2016. Revenue increased primarily because of (i) construction revenue from the acquired entity Wulian and (ii) increased electric power generation at the Dazhou Plant, which helped offset the full year impact of the VAT on waste processing revenue of our waste incineration business line.

Others business line

Revenue from our others business line increased from RMB125.7 million in 2015 to RMB168.0 million in 2016. Revenue of this business line increased primarily due to contributions from the consultancy operations of acquired entities Longjiang and Yiyang, which exceeded the decline in EPC construction revenue as we reduced EPC construction activity.

Cost of sales

Our cost of sales increased from RMB1,091.7 million in 2015 to RMB1,835.8 million in 2016, reflecting increases in the business of the wastewater treatment, water supply, waste incineration and others business lines. The increase was primarily a result of increases in the cost of construction, payroll and related costs, electricity, treatment chemical, and amortization and other costs arising from the consolidation of the results of operations from the subsidiaries we acquired in 2016. The consolidation of the results of operations of Longjiang, Yiyang, Zhonghui and Wulian accounted for, respectively, 46.8%, 7.7%, 5.9% and 5.2% of the growth in cost of sales. Our construction costs in existing service concession projects in 2016 also contributed to the increase.

Wastewater treatment

The cost of sales of our wastewater treatment business line increased from RMB776.0 million in 2015 to RMB1,366.4 million in 2016. The increase was primarily due to the consolidation of cost of sales of the acquired entities Longjiang, Zhonghui and Ranhill, increased construction activity at our existing service concession projects, and the amortization of premium consideration from the Longjiang acquisition in our cost of sales.

Water supply

The cost of sales of our water supply business line increased from RMB204.6 million in 2015 to RMB262.9 million in 2016. The increase was primarily due to the acquisition of Longjiang and Yiyang.

Waste incineration

The cost of sales of our waste incineration business line increased from RMB19.8 million in 2015 to RMB60.2 million in 2016. The increase was primarily due to construction costs of Wulian.

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Others business line

The cost of sales of our others business line increased from RMB91.3 million in 2015 to RMB146.3 million in 2016. The increase was primarily due to contributions from our acquired entities, Longjiang and Yiyang, which exceeded the decline in cost of sales from EPC construction as we reduced EPC construction activity.

Gross profit and gross profit margin

As a result of greater increase in revenue relative to increase in cost of sales, our gross profit increased from RMB712.1 million in 2015 to RMB812.3 million in 2016 reflecting increases in the wastewater treatment, water supply, and waste incineration business lines. The increase in gross profit was primarily due to the consolidation of gross profits from the subsidiaries we acquired in 2016. Longjiang, Yiyang, Zhonghui and Wulian accounted for 109.2%, 23.5%, 16.7% and 5.6%, respectively, of the growth in gross profits. Our gross profit margin decreased from 39.5% in 2015 to 30.7% in 2016, primarily reflecting decreased margins from our wastewater treatment, waste incineration and others business lines, as detailed below.

Wastewater treatment

Gross profit for our wastewater treatment business line increased from RMB553.1 million in 2015 to RMB613.3 million in 2016, primarily due to the increase in gross profit from construction and the acquisition of Longjiang and Zhonghui, which offset the full year impact of the VAT.

Over the same periods, the gross profit margin for our wastewater treatment business line decreased from 41.6% to 31.0% primarily reflecting (i) the full year impact of the VAT, (ii) the increase in lower-margin construction revenue as a proportion of the overall revenue in this business line, and (iii) higher cost of sales as described above.

Water supply

Gross profit for our water supply business line increased from RMB100.4 million in 2015 to RMB143.5 million in 2016, primarily due to the acquisitions of Longjiang and Yiyang. During the same periods, the gross profit margin for our water supply business line increased from 32.9% to 35.3% primarily reflecting greater contribution of operating revenue which has higher margin and a decrease in construction revenue which has lower margin.

Waste incineration

Gross profit for our waste incineration business line increased from RMB24.2 million in 2015 to RMB33.8 million in 2016, primarily due to our acquisition of Wulian, which generated gross profits from construction revenue, and the increase in gross profits at the Dazhou Plant. Such increases were partially offset by the full year impact of the VAT on gross profit. The gross profit margin for our waste incineration business line decreased from 55.0% in 2015 to 36.0% in 2016, mainly due to the lower margin of construction revenue from the acquired entity Wulian.

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Others business line

Gross profit for our others business line decreased from RMB34.4 million in 2015 to RMB21.7 million in 2016, as losses from EPC construction offset gains from consultancy operations of acquired entities Longjiang and Yiyang. During the same periods, the gross profit margin for our others business line decreased from 27.4% to 12.9% primarily reflecting losses from EPC construction.

Other income

Our other income increased from RMB109.7 million in 2015 to RMB161.3 million in 2016. The increase was primarily due to a significant increase in government subsidies, mainly in the form of VAT refunds, as a result of our acquisitions in 2016, as well as compensation received from the relocation of a wastewater treatment plant.

Other gains and losses

Our other gains and losses increased from a loss of RMB4.7 million in 2015 to a gain of RMB162.9 million mainly due to the revaluation gain from previously held interests in an associate of RMB155.4 million when we acquired additional equity interest in Longjiang in 2016 at a higher valuation. The gain was partially offset by a net foreign exchange loss as the RMB weakened against the HKD, USD and SGD in 2016. The net loss from 2015 was due to a negative change in the fair value of other liability relating to earn-out obligations arising from our acquisition of Rise Wealth, and such obligations were completely settled in 2015.

Selling and distribution costs

Our selling and distribution costs increased from RMB15.9 million in 2015 to RMB39.1 million in 2016, primarily due to the increase in employee benefits costs corresponding to the staff headcount growth in water supply projects and repair and maintenance costs relating to water supply customer service as a result of the acquisition of Longjiang and Yiyang.

Administrative expenses

Administrative expenses increased from RMB185.6 million in 2015 to RMB268.9 million in 2016 primarily due to an increase in employee benefits costs corresponding to a growth of administrative personnel, as a result of our acquisitions and organic business growth in 2016. Additionally, the increase in travel and office expenses was primarily due to our 2016 acquisitions as well as the full year contribution of Fudan Water in 2016 compared to seven months contribution in 2015. The increase in legal and professional fees from 2015 to 2016 was primarily due to our acquisition activity in 2016, and consolidation of such fees from the acquired entities, especially Longjiang.

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Finance costs

Our finance costs increased from RMB169.9 million in 2015 to RMB234.6 million in 2016, was primarily due to increases in interest expenses from (i) debt service of borrowings by subsidiaries which increased with the entities acquired in 2016 and (ii) increased borrowings to finance the 2016 acquisitions.

Share of results of joint ventures

Our share of results of joint ventures increased from RMB56.2 million in 2015 to RMB60.1 million in 2016. The increase was primarily the result of the increase of profits at the Wenling and Pucheng joint ventures.

Share of results of associates

Our share of results of associates decreased from RMB22.0 million in 2015 to RMB10.6 million in 2016. The decrease was primarily due to (i) our acquisition of additional equity interests in Longjiang in 2016 after which Longjiang became our subsidiary and was no longer booked as our associate, and (ii) losses from our other associates including Dongguan Sanzhou, Sichuan SIIC and Yiliuqing.

Income tax expense

Our income tax expense increased from RMB99.6 million in 2015 to RMB124.1 million in 2016. The increase was primarily a result of an increase in our profit before tax due to the increase in revenue in 2016. Our effective income tax rate decreased slightly from 19.0% in 2015 to 18.7% in 2016.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased from RMB424.4 million in 2015 to RMB540.4 million in 2016, and our net profit margin decreased from 23.5% in 2015 to 20.4% in 2016 mainly due to a decrease in our gross profit margin and an increase in our finance costs in the same years.

Year ended December 31, 2014 compared with year ended December 31, 2015

Revenue

Our revenue increased from RMB1,504.4 million in 2014 to RMB1,803.8 million in 2015, reflecting the increase in the wastewater treatment business line, which offset decreases in the water supply, waste incineration and others business lines. The revenue increase was primarily due to (i) the increase in the number of service concession projects we had as a result of our acquisition of Fudan Water in 2015, which accounted for 59.0% of the revenue growth in 2015 and (ii) increased construction activity at our existing concession projects. For more

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information on the acquisition of Fudan Water through our acquisition of Global Envirotech Investment Ltd. in 2015, please see “Business – Our projects under service concession arrangements and O&M projects” and “History and Development – Major Acquisitions.” For more information on the recognition of construction revenue from construction of projects under service concession arrangements, please see “– Critical Accounting Policies, Estimates and Judgments – Construction Contracts.”

Wastewater treatment

Revenue from our wastewater treatment business line increased from RMB862.2 million in 2014 to RMB1,329.1 million in 2015. Construction revenue increased from RMB136.4 million in 2014 to RMB440.4 million in 2015; operating revenue increased from RMB517.1 million in 2014 to RMB561.2 million in 2015; and financial income increased from RMB208.7 million in 2014 to RMB327.5 million in 2015. Revenue of this business line increased primarily due to increased construction activity at our existing service concession projects and at service concession projects after our acquisition of Fudan Water. Such increases were offset by the impact of the imposition of the VAT on revenue from our wastewater business line beginning on July 1, 2015. For more information on the impact of the VAT on our revenue, please see “– Significant Factors Affecting Our Results of Operations and Financial Condition – Taxation – Value Added Tax (VAT).”

Water supply

Revenue from our water supply business line decreased from RMB354.6 million in 2014 to RMB305.0 million in 2015. Construction revenue decreased from RMB95.5 million in 2014 to RMB32.4 million in 2015 mainly because construction to expand certain water supply pipeline networks in 2014 was completed in 2015. Operating revenue increased from RMB259.1 million in 2014 to RMB272.6 million in 2015, as the expansion of the water supply pipeline network in 2014 increased the customer base in 2015.

Waste incineration

Revenue from our waste incineration business line decreased slightly from RMB45.3 million in 2014 to RMB44.0 million in 2015. Operating revenue decreased from RMB37.4 million in 2014 to RMB35.4 million in 2015. Financial income increased from RMB7.9 million in 2014 to RMB8.6 million in 2015. The decrease in operating revenue of this business line was primarily due (i) the imposition of the VAT on waste processing revenue from waste incineration beginning on July 1, 2015 and (ii) lower utilization rate at the Dazhou Plant, which had supplemented the volume of collected municipal garbage for processing with excavated garbage from a nearby landfill in 2014, until the excavation of the landfill was completed in 2015. The lower operating revenue offset gains in financial income from a full year operation of the Dazhou Plant in 2015 compared to 11 months in 2014.

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Others business line

Revenue from our others business line decreased from RMB242.3 million in 2014 to RMB125.7 million in 2015. Revenue of this business line decreased because a steep decline in EPC construction revenue from RMB209.7 million to RMB50.6 million, as we reduced EPC construction activity, exceeded revenue growth from consultancy work and other services.

Cost of sales

Our cost of sales increased from RMB918.8 million in 2014 to RMB1,091.7 million in 2015, reflecting increases in the business of wastewater treatment and waste incineration business lines which offset decreases from water supply and the others business lines. The net increase was primarily due to the acquisition of Fudan Water, which accounted for approximately half of the year on year growth in cost of sales in 2015, as well as construction at existing wastewater treatment projects.

Wastewater treatment

The cost of sales of our wastewater treatment business line increased from RMB411.0 million in 2014 to RMB776.0 million in 2015. The increase was primarily a result of the acquisition of Fudan Water and increased construction activity at existing projects.

Water supply

The cost of sales of our water supply business line decreased from RMB254.3 million in 2014 to RMB204.6 million in 2015. The decrease was primarily due to the decline in construction-related costs in 2015 with the completion of certain pipeline network expansion projects.

Waste incineration

The cost of sales of our waste incineration business line increased slightly from RMB17.6 million in 2014 to RMB19.8 million in 2015. The increase primarily reflected the longer period of operation of the Dazhou Plant, which we acquired in February 2014 and operated for a full year in 2015.

Others business line

The cost of sales of our others business line decreased from RMB235.9 million in 2014 to RMB91.3 million in 2015. The decrease was primarily due to the reduction of cost of sales from EPC construction, which fell with reduced business activity from RMB218.8 million to RMB41.9 million.

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Gross profit and gross profit margin

Our gross profit increased from RMB585.6 million in 2014 to RMB712.1 million in 2015 primarily reflecting profit increases from the wastewater treatment and others business lines. The increase in gross profit was mainly due to the acquisition of Fudan Water, which accounted for 69.1% of the overall growth in gross profits in 2015, and increased construction activity at our existing wastewater treatment concessions. Such increases helped offset the impact from the imposition of the VAT on the wastewater treatment and waste incineration business lines in 2015. Our gross profit margin increased slightly from 38.9% in 2014 to 39.5% in 2015, as increased margins from our water supply and others business lines offset decreased margins from wastewater treatment and waste incineration business lines, as detailed below.

Wastewater treatment

Gross profit for our wastewater treatment business line increased from RMB451.2 million in 2014 to RMB553.1 million in 2015, primarily due to the Fudan Water acquisition, which helped offset the impact from the imposition of the VAT. During the same periods, the gross profit margin for our wastewater treatment business line decreased from 52.3% to 41.6% primarily reflecting the impact of the VAT and the increase in the share of gross profit from construction revenue, which had margins of 12.0%. For more information on the gross profit margins of construction revenue, please see “– Critical Accounting Policies, Estimates and Judgments – Construction Contracts.”

Water supply

Gross profit for our water supply business line remained relatively unchanged from RMB100.3 million in 2014 to RMB100.4 million in 2015. During the same periods, the gross profit margin for our water supply business line increased from 28.3% to 32.9% primarily reflecting greater operating revenue which has higher margins and decrease in construction revenue, which had margins of 12.0%.

Waste incineration

Gross profit for our waste incineration business line decreased from RMB27.7 million in 2014 to RMB24.2 million in 2015, as the imposition of the VAT and lower volume of waste processed at the Dazhou Plant reduced revenue while the first full year operation of the same plant increased fixed costs. The gross profit margin decreased from 61.1% to 55.0% over the same periods due to a greater decline in gross profits relative to the decline in revenue.

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Others business line

Gross profit for our others business line increased from RMB6.4 million in 2014 to RMB34.4 million in 2015, primarily due to (i) increasing gross profit from service work and other services, attributable in part, to the acquisition of Fudan Water and (ii) improvement of the EPC construction business from a loss of RMB9.1 million in 2014 to gross profit of RMB8.7 million in 2015. During the same periods, the gross profit margin for our others business line increased from 2.6% to 27.4% primarily reflecting EPC construction's return to profitability in 2015.

Other income

Our other income increased from RMB81.6 million in 2014 to RMB109.7 million in 2015. The increase was primarily due to a significant increase in government subsidies, mainly in the form of refunds of the VAT, which was imposed on the wastewater treatment and waste incineration business lines beginning on July 1, 2015.

Other gains and losses

Our other gains and losses decreased from a gain of RMB54.3 million in 2014 to a loss of RMB4.7 million in 2015 mainly because (i) the change in the fair value of a contingent consideration, in the form of earn outs, we owed to the vendor of Rise Wealth, a subsidiary we acquired in 2012, which was a gain in 2014 but a loss in 2015, and (ii) a decrease in net foreign exchange gain in 2015 compared to 2014.

Selling and distribution costs

Our selling and distribution costs increased slightly from RMB15.1 million in 2014 to RMB15.9 million in 2015. Such increase reflects the expansion of our water supply business line in 2015 as compared to 2014.

Administrative expenses

Administrative expenses increased from RMB177.5 million in 2014 to RMB185.6 million in 2015 primarily due to the acquisition of Fudan Water.

Finance costs

Our finance costs increased from RMB151.3 million in 2014 to RMB169.9 million in 2015. The increase was primarily a result of an increase in interest expenses from loans and borrowings of subsidiaries, which increased with the acquired entities of Fudan Water, and the increase in the amount of our bank borrowings used to finance the acquisition of Fudan Water.

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Share of results of joint ventures

Our share of results of joint ventures increased from RMB52.7 million in 2014 to RMB56.2 million in 2015. The increase was primarily a result of increases in contributions from Pucheng and Wenling.

Share of results of associates

Our share of results of associates increased from RMB7.7 million in 2014 to RMB22 million in 2015. The increase was primarily due to an increase in the contribution of Longjiang, which at the time, was our associate.

Income tax expense

Our income tax expense increased from RMB75.9 million in 2014 to RMB99.6 million in 2015. The increase was primarily a result of an increase in our profit before tax due to the increase in revenue after the acquisition of Fudan Water in 2015. Our effective income tax rate increased from 17.3% in 2014 to 19.0% in 2015, due to the expiration of favorable tax treatment for some of our subsidiaries.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased from RMB362.0 million in 2014 to RMB424.4 million in 2015, and our net profit margin decreased from 24.1% in 2014 to 23.5% in 2015.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have funded our investments and operations principally with borrowings, cash generated from our operations, equity contributions and debt securities. In the future, we believe that our liquidity requirements will be satisfied through a combination of cash flows generated from our operating activities, bank loans and other borrowings, and other funds raised from the capital markets from time to time. Any significant decrease in the demand for, or pricing of, our services, or a significant decrease in the availability of bank loans, may adversely impact our liquidity.

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Cash flow

For the years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2017, we had cash and cash equivalents of approximately RMB1,119.3 million, RMB795.2 million, RMB1,634.6 million and RMB1,633.4 million, respectively. The following table sets out our cash flows for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Net cash from (used in) operating activities ⁽¹⁾	284,349	(63,666)	(85,258)	302,653	(910,639)
Net cash (used in) from investing activities	(1,324,255)	(923,751)	(176,201)	2,738	(281,076)
Net cash from (used in) financing activities	304,860	656,079	1,091,248	(46,376)	1,216,779
Cash and cash equivalents at end of the year/period	1,119,272	795,228	1,634,556	1,055,719	1,633,447

Note:

(1) For the years ended December 31, 2015 and 2016 and nine months ended September 30, 2017, we invested RMB459.4 million, RMB542.8 million, and RMB959.2 million, respectively, in the construction or acquisition of projects under service concession arrangements with guaranteed minimum treatment volume. Such investments were counted toward cash used in operating activities. Under the relevant accounting treatment for such projects, part of such cash outflow used in operating activities was used to form the non-current portion of financial receivables in our consolidated statement of financial position. We would have generated cash inflows of RMB395.7 million, RMB457.5 million, and RMB48.6 million, respectively, for the years ended December 31, 2015 and 2016 and nine months ended September 30, 2017, if our investments in service concession projects with guaranteed minimum treatment volume were not accounted for as cash flows used in operating activities.

Cash flows from (used in) operating activities

For the nine months ended September 30, 2017, our net cash used in operating activities was RMB910.6 million, primarily reflecting our profit before income tax of RMB628.6 million, as adjusted for (i) an increase in receivables under service concession arrangements of RMB1,341.7 million, mainly due to the increase in construction activity at our BOT projects, which grew in number with the acquisitions in the fourth quarter of 2016 and the first three quarters of 2017; (ii) an increase in trade and other receivables of RMB597.6 million mainly due to the increase in the number of our BOT projects and slower tariff payments by local governments, which is typical in the first half of their fiscal year; and (iii) an increase in trade and other payables of RMB138.3 million, mainly due to the increase in subcontracting and procurement expenses in connection with construction at our service concession projects.

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For the year ended December 31, 2016, our net cash used in operating activities was RMB85.3 million, primarily reflecting our profit before income tax of RMB664.5 million, as adjusted for (i) an increase in receivables under service concession arrangements of RMB1,208.9 million, mainly due to the increase in construction activity at our BOT projects, which grew in number with acquisitions in 2016; (ii) a decrease in trade and other receivables of RMB303.4 million mainly due to faster collection of trade receivables at our service concessions due to our collection efforts and the refund of a project bid deposit; and (iii) an increase in trade and other payables of RMB104.3 million, mainly due to the increase in subcontracting and procurement expenses in connection with construction at our service concession projects.

For the year ended December 31, 2015, our net cash used in operating activities was RMB63.7 million primarily reflecting profit before income tax of RMB524.0 million, as adjusted for (i) an increase in receivables under service concession arrangements of RMB609.5 million, mainly due to the increase in construction activity at our BOT projects, which grew in number with the acquisition of Fudan Water in 2015; (ii) an increase in trade and other receivables of RMB118.8 million, mainly due to the payment of a refundable project bid deposit; and (iii) an increase in trade and other payables of RMB100.1 million, mainly due to the increase in subcontracting and procurement expenses in connection with construction at our service concession projects.

For the year ended December 31, 2014, our net cash from operating activities was RMB284.3 million, primarily reflecting profit before income tax of RMB437.9 million, as adjusted for (i) an increase in trade and other receivables of RMB147.7 million, mainly due to the increase in the number of our BOT/TOT projects through acquisitions in 2014; (ii) a decrease in trade and other payables of RMB81.5 million due to a government grant to cover the cost of relocation at one plant in 2014; and (iii) an increase in receivables under service concession arrangements of RMB66.4 million, primarily reflecting the increase in construction at our BOT projects and investments in our TOT projects.

The negative net cash flows from operating activities we recorded during the years ended December 31, 2015 and 2016 and the nine months ended September 30, 2017 were mainly due to construction of BOT projects under service concession arrangements with guaranteed minimum treatment volumes. We generally spend cash upfront to build such BOT projects and do not receive cash payments until the project enters into operation. The cash we spend on construction of such projects is recorded as cash used in operating activities. As the building of public infrastructure projects is capital intensive, under the BOT project model, the initial cash outflow for each project will exceed cash inflow resulting from the mismatch between cash spent during the construction phase and cash generated in the operating phase. As of December 31, 2014, 2015, 2016 and September 30, 2017, we had eight, eleven, 30 and 21 BOT projects under construction. Our operating cash flow is affected by the number and scale of projects under construction. Due to the increase in large-scale BOT projects under construction during the Track Record Period, our cash used in operating activities have exceeded cash flows generated from operating activities, especially in the nine months ended September 30, 2017. For details of our significant service concession arrangement projects that were under

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construction and the estimated payback periods, please see “Business – Our Projects Under Service Concession Arrangements and O&M Projects – Overview List – Projects Under Construction.” For details of the accounting treatment of cash used in construction by project type, see “Financial Information – Significant Factors Affecting Our Results of Operations and Financial Condition – Impact of the accounting treatment of service concession arrangements.”

Cash flows (used in) from investing activities

For the nine months ended September 30, 2017, our net cash used in investing activities amounted to RMB281.1 million, primarily reflecting (i) RMB213.0 million for the acquisition of subsidiaries Hegang, Pinghu Dushan, and Jiaohe Jiabin; (ii) RMB68.1 million for the purchase of intangible assets, mainly arising from construction at water supply service concession projects; and (iii) RMB25.0 million for purchase of property, plant and equipment. Such amounts were partially offset by RMB31.9 million in dividends received from joint ventures and associates.

For the year ended December 31, 2016, our net cash used in investing activities amounted to RMB176.2 million, primarily reflecting (i) RMB156.4 million for the acquisition of subsidiaries; (ii) RMB72.3 million for the purchase of intangible assets, mainly arising from construction at water supply service concession projects; and (iii) RMB20.1 million for the purchase of property, plant and equipment. Such amounts were partially offset by RMB41.8 million in dividends received from joint ventures and associates and RMB30.9 million in proceeds from disposal of available-for-sale financial instruments.

For the year ended December 31, 2015, our net cash used in investing activities amounted to RMB923.8 million, primarily reflecting (i) RMB598.5 million for the acquisition of the subsidiary Fudan Water; (ii) RMB288.2 million in prepayment for the acquisition of the subsidiary Yiyang; (iii) RMB41.2 million for the purchase of intangible assets, mainly arising from construction at water supply service concession projects; and (iv) RMB21.3 million for purchase of property, plant and equipment. Such amounts were partially offset by RMB36.5 million in dividends received from joint ventures and associates.

For the year ended December 31, 2014, our net cash used in investing activities amounted to RMB1,324.3 million, primarily reflecting (i) RMB228.5 million for the acquisition of the subsidiaries Gold Wisdom, Shanghai Qingpu, Dongguan Fenggang and Dongguan Shijie; and (ii) RMB530.0 million for the acquisition of equity interest in the joint venture Pucheng; (iii) RMB405.0 million for the acquisition of an equity interest in Longjiang, which became our associate at that time; (iv) RMB134.5 million for the purchase of intangible assets, mainly arising from the construction of one water supply plant under service concession arrangement; and (v) RMB17.9 million for purchase of property, plant and equipment. Such amounts were partially offset by RMB38.8 million in dividends received from joint ventures and associates, and RMB50 million in proceeds from grants.

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Cash flows from (used in) financing activities

For the nine months ended September 30, 2017, our net cash from financing activities amounted to RMB1,216.8 million, primarily reflecting (i) proceeds from bank and other borrowings of RMB2,687.9 million, mainly used to repay other bank loans and borrowings, (ii) proceeds from shares placements of RMB1,090.8 million for operational use; and (iii) decrease in pledged bank deposits of RMB88.4 million as we repaid certain debts owed to banks or related parties in the first half of 2017. Such amounts were partially offset by (i) repayments of bank and other borrowings of RMB2,244.5 million, mainly to lower the loan repayment cost of Longjiang, and (ii) interest paid of RMB314.8 million.

For the year ended December 31, 2016, our net cash from financing activities amounted to RMB1,091.2 million, primarily reflecting proceeds from borrowings of RMB5,209.8 million to repay other loans, finance acquisitions such as Longjiang and Ranhill and operations in 2016. Such amounts were partially offset by (i) repayment of bank and other borrowings of RMB2,049.2 million, (ii) settlement of payables due to a former Longjiang shareholder of RMB1,698.1 million; (iii) interest paid of RMB231.1 million; and (iv) increase in pledged deposits of RMB112.1 million.

For the year ended December 31, 2015, our net cash from financing activities amounted to RMB656.1 million, primarily reflecting proceeds from bank and other borrowings of RMB1,485.5 million to finance the acquisition of Fudan Water and construction of concession projects that were offset by repayments of bank and other borrowings of RMB531.8 million.

For the year ended December 31, 2014, our net cash from financing activities amounted to RMB304.9 million, primarily reflecting proceeds from shares placements of RMB750.5 million and bank and other borrowings of RMB747.8 million. Such amounts were partially offset by (i) repayments of bank and other borrowings of RMB903.4 million; (ii) interest paid of RMB153.7 million; and (iii) dividends paid to former shareholders of RMB43.2 million.

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DESCRIPTION OF PRINCIPAL CONSOLIDATED BALANCE SHEET ITEMS

Net current assets (liabilities)

The following table sets out details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2014	2015	2016	September 30,	January 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Current assets					
Inventories	20,887	20,768	73,371	82,050	101,469
Trade and other receivables	571,618	864,194	1,628,685	2,134,483	1,925,637
Prepayments	15,344	14,773	34,387	56,081	42,419
Bills receivables	2,679	939	3,313	3,383	3,400
Amounts due from joint ventures	1,437	1,437	137	–	245
Amounts due from associates	–	20,836	37,894	36,708	40,839
Receivables under service concession arrangement – current portion	92,899	123,816	203,993	240,452	261,157
Amounts due from customers for contract work	70,017	68,780	57,581	119,798	54,297
Held for trading investments	–	19,222	26,795	32,120	23,916
Pledged bank deposits	63,404	76,768	191,918	108,082	135,720
Bank balances and cash	1,119,272	795,228	1,634,556	1,633,447	1,402,931
Total current assets	1,957,557	2,006,761	3,892,630	4,446,604	3,992,030
Current liabilities					
Trade and other payables	749,098	1,017,417	2,122,531	2,402,190	2,424,588
Bills payables	79,320	12,376	18,342	31,925	46,030
Amounts due to customers for contract work	24,551	20,934	21,386	14,498	17,249
Taxation payable	31,563	32,125	55,444	64,662	53,083
Bank and other borrowings	922,958	1,937,976	3,838,382	3,441,431	3,670,564
Obligations under finance leases	33,333	16,667	96,988	70,712	192,263
Other liability	86,348	–	–	–	(16)
Total current liabilities	1,927,171	3,037,495	6,153,073	6,025,418	6,403,761
NET CURRENT ASSETS/(LIABILITIES)	30,386	(1,030,734)	(2,260,443)	(1,578,814)	(2,411,731)

As of December 31, 2014, we recorded net current assets of approximately RMB30.4 million. As of December 31, 2015 and 2016, September 30, 2017 and January 31, 2018, we recorded net current liabilities of RMB1,030.7 million, RMB2,260.4 million, RMB1,578.8 million and RMB2,411.7 million, respectively. Our current assets consist principally of bank balances and cash, trade and other receivables, the current portion of receivables under service concession, amounts due from customers for contract work, pledged bank deposits, and inventories. The key components of our current liabilities are bank and other borrowings due within one year and trade and other payables.

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Our net current liabilities increased from RMB1,578.8 million as of September 30, 2017 to RMB2,411.7 million as of January 31, 2018, primarily due to (i) the classification of a portion of other receivables of Longjiang non-current assets in the fourth quarter of 2017, (ii) a decrease in bank balances and cash mainly for investments in service concession arrangements projects and the acquisitions of the Weifang Project, First Dalian Project and Second Dalian Project, and (iii) an increase in bank and other borrowings, mainly due to loans maturing within one year reclassified from non-current to current liabilities.

Our net current liabilities decreased significantly from RMB2,260.4 million as of December 31, 2016 to RMB1,578.8 million as of September 30, 2017, primarily due to (i) an increase in our bank balances and cash, mainly from the proceeds of a share placement in May 2017 and (ii) an increase in trade and other receivables, mainly as a result of the Hegang acquisition and price adjustment of wastewater treatment fees at certain projects of Longjiang.

Our net current liabilities increased from RMB1,030.7 million as of December 31, 2015 to RMB2,260.4 million as of December 31, 2016, primarily due to (i) an increase in bank and other borrowings mainly to finance our acquisitions and (ii) an increase in trade and other payables from the increased construction of concession projects and our acquisition of Longjiang, Ranhill and Zhonghui. These increases in current liabilities were partially offset by an increase in bank balances and cash equivalents as a result of our increased borrowing, and by an increase in trade and other receivables, mainly due to the Longjiang acquisition.

We had net current assets of RMB30.4 million as of December 31, 2014 and net current liabilities of RMB1,030.7 million as of December 31, 2015. The change was primarily due to a significant increase in bank and other borrowings and a decrease in bank balances and cash, reflecting our expenditures for the Fudan Water acquisition. Trade payables and other payables also increased with the ramping up of construction at our concession projects. The increases in such current liabilities were partially offset by the increase in trade and other receivables, which can be attributed primarily to our Fudan Water acquisition.

Working capital

During the Track Record Period, we met our working capital needs mainly from our cash and cash equivalents on hand, cash flows generated from operations, bank borrowings, other borrowings, and equity and debt financing. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our trade payables and receivables and (ii) our ability to obtain external financing. We also review future cash flow requirements, assess our ability to meet debt repayment schedules and adjust our investment and financing plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans. We had negative operating cash flow during the Track Record Period mainly due to the accounting treatment of our investments to build or acquire plants under service concession arrangements. For detailed analysis, see “– Liquidity and Capital Resources – Cash Flow – Cash flows used in operating activities.”

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As of January 31, 2018, we had obtained banking facilities of RMB1,896.0 million, of which RMB1,169.3 million was unutilized. We have obtained the firm offer of unutilized credit facilities from an independent third party financial institution, without any security or guarantee from the Retained SIHL Holdings Group, in an aggregate amount of HKD3.0 billion as of Latest Practicable Date which would be sufficient for our Group to repay and release all the outstanding Intra-Group Loans upon maturity.

We have maintained strong and long-term relationships with major commercial banks and financial institutions in the PRC. During the Track Record Period, we made all interest and principal payments on our bank loans in a timely manner and we have been able to renew or roll over our bank loans at maturity as required. We do not foresee any immediate repayment requirement for our bank loans or withdrawal or reduction in banking facilities on short notice that could have a material adverse effect on our liquidity position. Our Directors also confirm that we had no material defaults in payment of trade and other payables and bank borrowings or breaches of material covenants during the Track Record Period.

Taking into account the financial resources available to us, including our internally generated funds and available facilities, our Directors are of the opinion that we have sufficient working capital required for our present requirements and for at least the next 12 months from the date of this listing document.

Inventories

During the Track Record Period, our inventories consisted of consumable supplies held for internal use, such as treatment chemicals, packaging materials and other raw materials. Our inventories decreased slightly from RMB20.9 million as of December 31, 2014 to RMB20.8 million as of December 31, 2015. Our inventories increased significantly to RMB73.4 million as of December 31, 2016 and RMB82.1 million as of September 30, 2017, mainly because of our acquisitions in 2016 and 2017, especially Longjiang.

As of January 31, 2018, approximately 100% of our inventories as of September 30, 2017 had been used or sold.

The following table sets out our inventories as of the dates indicated.

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Consumable supplies held for internal use . . .	20,887	20,768	73,371	82,050

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The following table sets out our average inventory turnover days for the periods indicated. Our average inventory turnover days were relatively stable over the Track Record Period.

	For the years ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
	Average inventory turnover days ⁽¹⁾	7.7	7.0	9.4

Note:

(1) Calculated using the average of opening and closing balances of inventories for a period divided by the cost of sales of the period and multiplied by the number days in the period.

Trade and other receivables

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (inclusive of retention monies)	423,233	538,727	890,195	1,281,301
Less: Allowance for doubtful receivables	(11,458)	(22,491)	(40,131)	(24,261)
	<u>411,775</u>	<u>516,236</u>	<u>850,064</u>	<u>1,257,040</u>
Other receivables	173,407	360,665	784,097	882,899
Less: Allowance for doubtful receivables ⁽¹⁾	(13,564)	(12,707)	(5,476)	(5,456)
	<u>159,843</u>	<u>347,958</u>	<u>778,621</u>	<u>877,443</u>
Total trade and other receivables	<u><u>571,618</u></u>	<u><u>864,194</u></u>	<u><u>1,628,685</u></u>	<u><u>2,134,483</u></u>

Note:

(1) The decrease in allowance for doubtful receivables from years ended December 31, 2014 to 2016 reflects the reversal of impairment loss on other receivables of RMB9.1 million in 2015 at the Nanfang Regional Headquarters after an Independent Third Party minority shareholder in Nanfang Water agreed to pay an outstanding obligation and RMB8.3 million in 2016 at the Fudan Regional Headquarter with respect to a government subsidy receivable, due to collection efforts at Fudan Water.

Our trade receivables include our tariff bills and invoices to our customers for the goods and services we provide. Such receivables include non-interest bearing bills and invoices with credit periods generally of up to 180 days and retention monies. Our other receivables are non-trade and unsecured receivables. Other receivables include government compensation receivables, refundable deposits that we pay in the bidding for service concession arrangements, government subsidy receivables, VAT refunds, non-interest bearing amounts due from third parties and advances which are repayable on demand. The carrying amount of our trade and other receivables approximate their fair values and are mainly denominated in RMB.

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Our trade and other receivables increased from RMB571.6 million as of December 31, 2014 to RMB864.2 million as of December 31, 2015, primarily because we acquired Fudan Water in 2015 and their trade and other receivables were consolidated into the results of our Group. Our trade and other receivables increased from RMB864.2 million as December 31, 2015 to RMB1,628.7 million, primarily because we acquired Longjiang and Ranhill in 2016. Among the other receivables consolidated from Longjiang was a government compensation receivable of RMB321.4 million payable by the municipal government of Jixi to Jixi Longjiang Environmental Protection Water Treatment Company Ltd. (雞西龍江環保治水有限公司) for construction services performed in relation to a water supply plant that the Jixi government was not granting as a service concession. Our trade and other receivables further increased to RMB2,134.5 million as of September 30, 2017, primarily because (i) an increase in trade receivables relating to the price adjustment of wastewater treatment fees at certain projects of Longjiang and (ii) we acquired Hegang, Jiaohe Jiabin and Pinghu Dushan.

Aging analysis of trade receivables

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

	As of December 31,			As of
	2014	2015	2016	September 30,
	RMB'000	RMB'000	RMB'000	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	99,353	124,162	222,731	243,546
Within 31 to 60 days	83,088	63,085	80,220	111,800
Within 61 to 90 days	36,056	41,709	65,531	103,444
Within 91 to 180 days	58,600	79,807	138,272	190,150
Within 181 to 365 days	76,024	139,830	118,947	268,219
Over 365 days	58,654	67,643	224,363	339,881
Total	411,775	516,236	850,064	1,257,040

Trade receivables that are past due but not impaired

As of December 31, 2014, 2015, 2016 and September 30, 2017, we had trade receivables amounting to RMB291.8 million, RMB307.5 million, RMB350.6 million and RMB572.0 million, respectively, that were past due but not impaired at the end of each reporting period. The increases in trade receivables past due but not impaired from 2014 to 2015 and from 2015 to 2016 were primarily due to the consolidation of trade receivables from our acquired entities in those years. The increase in trade receivables past due but not impaired in the first nine months of 2017 was partially attributable to the payment practices of local governments, which typically have slower payment in the first half of their fiscal year and faster payment in the second half of their fiscal year, due to their budgetary arrangements.

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We have not provided allowance for a substantial portion of overdue trade receivables because there was no objective evidence of impairment for such receivables, and our management was of the opinion that the overdue amounts would be fully recoverable as there had not been a significant deterioration in credit quality of the counterparty. For more information on the objective evidence of impairment, see “– Allowance Policy.”

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	42,347	31,398	23,849	27,431
Within 31 to 60 days	65,694	24,288	27,041	38,250
Within 61 to 90 days	23,749	20,524	31,498	58,838
Within 91 to 180 days	50,541	69,680	65,011	240,031
Within 181 to 365 days	69,750	120,254	76,776	110,007
Over 365 days	39,684	41,342	126,388	97,460
Total	291,765	307,486	350,563	572,017

Trade receivable that are past due and impaired

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.

	As of December 31,			As of September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables past due and impaired	32,873	71,035	231,681	129,087
Less: Allowance for doubtful receivables	(11,458)	(22,491)	(40,131)	(24,261)
	21,415	48,544	191,550	104,826

Allowance Policy

We are subject to the credit risks of our customers and our cash flows are dependent on timely payment of our trade receivables by our customers. We manage such credit risks by carefully evaluating the financial position and creditworthiness of our customers. Under our provision policy, a trade receivable with respect to a customer is impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the trade receivable, the estimated future cash flows from the customer has been impacted. Objective evidence of impairment may include: (i) significant financial difficulty of the customer or counterparty; (ii) the customer or counterparty’s default or delinquency in loan principal or interest payments; (iii) it becoming probable that the customer or counterparty will enter bankruptcy or financial re-organization; or (iv) the disappearance of an active market for a financial asset because of financial difficulties.

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Apart from water supply projects whose customers are end users, the counterparty obligors to most of our projects under service concession agreements are Government Grantors, which generally have stable credit profile. We do not consider the Government Grantors to be higher credit risk because the service tariffs we collect from them are generally funded through fees they charge end users. The Government Grantors tend to settle our trade receivables after collecting the end user fees, which may delay the payments to us, but does not affect the recoverability of the trade receivables. We pay close attention to the finances and solvency of local governments in the markets we operate, taking into account the past payment record of each Government Grantor, and any tendency, as described above, to pay obligations faster during the second half of the year. Thus, we have not determined certain trade receivables to be impaired even though they were unpaid beyond the credit period of up to 180 days that we typically grant to obligors as there had not been a significant change in credit quality and the balances were still considered fully recoverable. Should objective evidence cause us to believe that the outstanding receivables of a previously reliable counterparty may no longer be recoverable, we may provide allowance for such receivables. During the Track Record Period, we have also reversed a portion of impairment losses on trade receivables after collecting on impaired receivables.

Our allowance for doubtful trade receivables increased from RMB11.5 million as of December 31, 2014 to RMB22.5 million as of December 31, 2015, primarily as a result of trade receivables from an acquired subsidiary Fudan Water. Our allowance for doubtful trade receivables increased to RMB40.1 million as of December 31, 2016, primarily as a result of doubtful trade receivables from the acquired subsidiary Longjiang. Our allowance for doubtful trade receivables decreased to RMB24.3 million as of September 30, 2017, primarily from the reversal of impairment losses of RMB14.6 million and amounts written off as uncollectible RMB2.7 million. The reversal of impairment loss relates to trade receivables from certain projects of Longjiang and Fudan that had been provisioned as doubtful prior to our consolidation of those subsidiaries, respectively in 2015 and 2016. The impairment loss was reversed for such trade receivables in 2017 as our efforts to collect or negotiate with the relevant Government Grantors resulted in (a) full or partial payment of the trade receivables, with the remaining unpaid portions either determined to be recoverable and no longer impaired or written off pursuant to the agreement with the relevant Government Grantor for partial collection or (b) our management concluding that the trade receivables would be recoverable.

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Trade receivable turnover days

The following table sets out our trade receivable turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
Trade receivable turnover days ⁽¹⁾	94.7	93.9	94.2	85.8

Note:

(1) Calculated as the average balance of trade receivables for the relevant period divided by revenue for the same period and multiplied by 365 days for each year, or by 273 days for each nine-month period.

Our trade receivable turnover days remained relatively stable over the Track Record Period, decreasing slightly from 94.7 days for the year ended December 31, 2014 to 93.9 days for the year ended December 31, 2015, increasing slightly to 94.2 days for the year ended December 31, 2016 and declining to 85.8 days for the nine months ended September 30, 2017. The decrease in the duration of trade receivable turnover days over the first nine months of 2017 was primarily due to the greater increase in revenue relative to the increase in trade receivables during this period as a result of a greater proportion of revenue from construction at service concession projects, which were not in operation and not generating trade receivables.

As of January 31, 2018, approximately 70% of our outstanding trade receivables as of September 30, 2017 had been settled.

Prepayments

Our current prepayments consist primarily of prepayments to suppliers. As of December 31, 2014, 2015 and 2016 and September 30, 2017, our current prepayments were RMB15.3 million, RMB14.8 million, RMB34.4 million and RMB56.1 million respectively. Included in the amount of current prepayments as of September 30, 2017 are listing expenses incurred in this listing of approximately RMB11 million, which would be fully charged to profit or loss subsequently.

Our non-current deposits and prepayments include prepayments for assets relating to BOT and TOT service concession arrangements, prepayments for intangible assets, prepayment for investments, and prepayment for property, plant and equipment. As of December 31, 2014, 2015 and 2016 and September 30, 2017, our non-current deposits and prepayments were RMB118.5 million, RMB336.4 million, RMB68.1 million, and RMB101.3 million respectively. In 2015, a deposit was paid for the acquisition of Yiyang in the amount of RMB288.2 million.

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Receivables under service concession arrangements

Our receivables under service concession arrangements refer to the outstanding receivables arising from our construction services, operation services and/or financial income of our service concession projects with guaranteed minimum treatment volume. We accrue receivables under service concession arrangements throughout the concession period. Under our service concession agreements, the amount of receivables under service concession arrangements will be settled by tariff payments we are to receive during the operation phase of our service concession projects. The portion of the receivables under service concession arrangements due within 12 months from a particular balance sheet date are classified as current assets as of that balance sheet date and the remainder is classified as non-current assets. We deduct from current receivables under service concession arrangements, the tariffs payments due to us as trade receivables when we issue the tariff invoices.

As of December 31, 2014, 2015 and 2016 and September 30, 2017, receivables under service concession arrangements that were classified as current assets represented 4.7%, 6.2%, 5.2% and 5.4% of our total current assets, respectively. Receivables under service concession arrangements that were classified as current assets were RMB92.9 million as of December 31, 2014 to RMB240.5 million as of September 30, 2017, primarily due to an increase in receivables under service concession arrangements accrued as a result of our acquisitions and increase in construction at service concession projects.

As of December 31, 2014, 2015, 2016 and September 30, 2017, receivables under service concession arrangements that were classified as non-current assets represented 52.1%, 45.6%, 57.2% and 59.7% of our total non-current assets, respectively. Receivables under service concession arrangements that were classified as non-current assets increased from RMB3,232.8 million as of December 31, 2014 to RMB12,533.3 million as of September 30, 2017, primarily due to an increase in receivables under service concession arrangements accrued as a result of our acquisitions and increase in construction at service concession projects.

Other intangible assets

Our other intangible assets consist primarily of operating concessions, purchase of computer software, and patent and licensing rights. The carrying amounts of other intangible assets were RMB1,515.8 million, RMB3,219.7 million, RMB6,439.2 million and RMB6,558.0 million as of December 31, 2014, 2015 and 2016, and September 30, 2017, respectively, and consisted mainly of intangible assets in operating concessions, which were RMB1,514.8 million, RMB3,218.7 million, RMB6,434.8 million, and RMB6,553.9 million, respectively. The intangible assets in our operating concessions mainly reflect our right to receive tariff payments that is contingent on the extent of the public's usage of our service, and not guaranteed by payments for minimum treatment volume. Our intangible assets in operating concessions are carried at cost less accumulated amortization and any accumulated impairment, amortized on a straight-line basis over the operation phase of the concession period. The increase in our other intangible assets over the Track Record Period is largely due to our acquisitions and an increase in construction at service concession projects.

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Goodwill

Goodwill arose from our acquisitions of certain subsidiaries, as the excess of the consideration transferred over the fair value of the acquired assets and assumed liabilities. Goodwill is carried at cost as established at the date of acquisition less accumulated impairment losses, if any, and is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the cash-generating unit (“CGU”), or groups of CGUs.

As of December 31, 2014, we had goodwill of RMB9.6 million. In 2015, we recognized goodwill of RMB447.7 million from the acquisition of Fudan Water. As of each of December 31, 2015 and 2016, and September 30, 2017, our goodwill carrying value remained unchanged at RMB457.2 million.

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. The CGUs subject to goodwill impairment testing are set out in Note 19 to “Appendix I – Accountants’ Report” of this listing document. During the Track Record Period, no goodwill loss was recognized. In testing for the impairment of goodwill, we must make certain assumptions about the anticipated cash flow from the CGUs including future tariff rate growth, demand for service, and the discount rate.

The components of the discount rates used in the impairment tests of goodwill are set forth below:

Components of discount rates	As of		
	December 31, 2015	December 31, 2016	September 30, 2017
Risk-free rate	2.82%	3.01%	3.61%
Cost of equity	13.92%	14.20%	14.09%
Cost of debt (pre-tax).	4.90%	4.90%	4.90%
Proportion of debt	37.32%	50.06%	46.00%
Proportion of equity	62.68%	49.94%	54.00%
Post tax discount rate (weighted average cost of capital, “WACC”) per calculation	10.10%	8.93%	9.30%
Pre-tax discount rate	10.50%	9.00%	9.00%

Our goodwill impairment test contains sensitivity analysis based on exposure to the discount rate and tariff growth rate, representing the key inputs applied to determine the recoverable amounts of the Fudan Water wastewater treatment CGU, which we consider to be a significant CGU. If the discount rate had been 1% higher/lower and all other variables were held constant, the recoverable amount as of December 31, 2015 and 2016 and September 30, 2017 would have (decreased)/increased by approximately RMB(621) million/RMB491 million,

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RMB(819) million/RMB637 million, and RMB(748) million/RMB728 million, respectively. If the tariff growth rate had been 5% higher/lower and all other variables were held constant, the recoverable amount as of December 31, 2015 and 2016 and September 30, 2017 would have increased/(decreased) by approximately RMB167 million/RMB(167) million, RMB209 million/RMB(209) million, and RMB225 million/RMB(225) million, respectively. In relation to the Fudan Water wastewater treatment CGU, as of December 31, 2015 and 2016 and September 30, 2017, the recoverable amounts of approximately RMB2,874 million, RMB3,404 million and RMB3,348 million exceeded the carrying values of approximately RMB2,290 million, RMB2,340 million and RMB2,394 million, respectively, representing a headroom of approximately RMB584 million, RMB1,064 million and RMB954 million, respectively. A respective increase of discount rate from 10.5%, 9.0% and 9.0% by 1.2%, 1.8% and 1.4%, respectively, to 11.7%, 10.8% and 10.4%, or a decrease in tariff growth rate by 17.5%, 25.4% and 21.2% of the original tariff growth rate, would remove the remaining headroom. For more information on the risks associated with goodwill impairment, see “Risk Factors – If our goodwill is impaired, our reported financial results could be negatively affected.”

Held-for-trading investments

Our held-for-trading investments include investments in quoted equity securities that provide us the opportunity for returns through dividend income and fair value gains. Such investments have no fixed maturity or coupon rate and the fair value of these securities is based on closing quoted market prices on the last market day of the relevant reporting period. Our held-for-trading investments as of December 31, 2014, 2015 and 2016 and September 30, 2017 were nil, RMB19.2 million, RMB26.8 million and RMB32.1 million, respectively.

Trade and other payables

Our trade and other payables mainly comprise trade payables to contractors and suppliers involved in the construction of our BOT/TOT projects. Other payables include customer advances, amounts due to non-controlling shareholders, amounts due to associates, and sundry payables mainly consisting of monies we receive on behalf of third parties including governments. In our water supply business line, we collect certain state-imposed surcharges from customers on behalf of the government. Deferred consideration relates to consideration payable to sellers of certain subsidiaries we acquired after the closing date of acquisition.

	As of December 31,			As of
	2014	2015	2016	September 30,
	RMB'000	RMB'000	RMB'000	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	241,930	366,031	1,123,436	1,467,061
Deferred consideration	80,000	70,000	–	–
Other payables	427,168	581,386	999,095	935,129
Total	749,098	1,017,417	2,122,531	2,402,190

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Our trade and other payables increased slightly from RMB2,122.5 million as of December 31, 2016 to RMB2,402.2 million as of September 30, 2017. The increase was primarily due to (i) an increase of RMB343.6 million in trade payables arising from our acquisitions in 2017 and (ii) the increase in construction at existing service concession projects. Our other payables remained stable over the same periods.

The increase in our trade and other payables from RMB1,017.4 million in December 31, 2015 to RMB2,122.5 million in December 31, 2016 was primarily due to (i) an increase of RMB235.6 million in trade payables and (ii) an increase of RMB417.7 million in other payables, which were partially offset by the settlement of RMB70.0 million in deferred consideration arising from the acquisition of Dongguan Fenggang and Dongguan Shijie in 2014. The increase in our trade and other payables was primarily due to our acquisition of Longjiang, which had a significant amount of trade and other payables, from invoices of suppliers and contractors, that was partially offset by our settlement of certain trade and other payables. The increase in other payables was also reflected in increases of (i) RMB67.1 million in customer advances and (ii) RMB68.4 million in sundry payables which were mainly monies received on behalf of third parties including state-imposed surcharges for the government.

The increase in our trade and other payables from RMB749.1 million in December 31, 2014 to RMB1,017.4 million in December 31, 2015 was primarily due to (i) an increase of RMB124.1 million in trade payables and (ii) an increase of RMB154.2 million in other payables, which were partially offset by the settlement of RMB10.0 million in deferred consideration arising from our acquisition of Gold Wisdom in 2014. The increase in our trade payables was primarily due to our acquisition of Fudan Water. The increase in other payables is primarily reflected in increases of (i) RMB19.1 million in customer advances as we acquired Fudan Water and (ii) RMB33.7 million in sundry payables which were mainly monies received on behalf of third parties including state-imposed surcharges for government.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As of December 31,			As of
				September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	28,940	151,550	401,161	569,853
Within 31 to 60 days	15,259	15,449	75,143	72,344
Within 61 to 90 days	13,795	24,639	11,511	91,172
Within 91 to 180 days	35,708	40,812	48,713	96,955
Within 181 to 365 days	55,162	45,121	225,986	200,908
Over 365 days	93,066	88,460	360,922	435,829
Total	241,930	366,031	1,123,436	1,467,061

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Trade payable turnover days

The following table sets out our trade payable turnover days for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,
	2014	2015	2016	2017
Trade payable turnover days ⁽¹⁾	93.5	101.6	148.1	153.9

Note:

(1) *Calculated as the average balance of trade payables for the relevant period divided by cost of sales for the same period and multiplied by 365 days for each year, or by 273 days for each nine-month period.*

Our trade payables turnover days were 93.5 days, 101.6 days, 148.1 days and 153.9 days for the year ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2017. The increase in our trade payable turnover days was primarily due to increased construction-related expenses that typically have longer payment periods and the acquisition of Longjiang which had trade and other payables with longer aging periods. Our credit terms with our suppliers were 180 days or less during the Track Record Period.

As of January 31, 2018, approximately 55% of our outstanding trade payables as of September 30, 2017 had been settled.

CAPITAL EXPENDITURES

Historical capital expenditures

Our major capital expenditures consist primarily of expenditures to acquire subsidiaries, joint ventures and associates, intangible assets, land use rights and property, plant and equipment. We funded our capital expenditures mainly from our internal resources, bank borrowings, other borrowings, and corporate bonds.

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The following table sets out our capital expenditures for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Acquisition of subsidiaries, joint ventures and associates	1,274.6	2,404.7	1,109.9	–	219.5
Investment in new BOT/TOT/BOO projects	230.4	459.4	542.8	220.9	957.7
Intangible assets	134.5	41.2	72.3	51.7	68.1
Property, plant and equipment	17.9	21.3	20.1	8.0	25.0
Total	1,657.4	2,926.6	1,745.1	280.6	1,270.3

Our capital expenditures for the year ended December 31, 2015 was particularly high because we paid consideration of RMB2,116.5 million for the acquisition of Fudan Water in 2015. Our capital expenditure to acquire Longjiang is divided between the RMB405.0 million consideration paid for 25.3% of Longjiang's equity interest in 2014 and RMB836.0 million in consideration paid for additional 32.7% of the equity interest in the fourth quarter of 2016.

Planned capital expenditures

Our planned capital expenditures for the year ending December 31, 2018 were expected to be approximately RMB1.9 billion. Such capital expenditures primarily relate to investment in service concession projects and acquisitions within our industry. We plan to fund our future capital expenditures with our internal resources, bank borrowings, and other borrowings.

Our planned capital expenditures may be subject to change due to variations in our future cash flows, results of operations and financial condition, changes in the PRC and world economy, the availability of financing on terms acceptable to us, technical and other problems obtaining and installing equipment, changes in the regulatory environment in the PRC and other factors.

CONTRACTUAL COMMITMENTS

Capital commitments

As of December 31, 2014, 2015, 2016 and September 30, 2017, our capital commitments relating to service concessions and other investments were RMB167.7 million, RMB642.0 million, RMB1,210.1 million and RMB781.8 million, respectively.

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	As of December 31,			As of
				September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure contracted for but not provided in consolidated financial statements in respect of:				
Additions in construction-in-progress relating to service concession arrangement	119,682	580,946	1,149,597	717,312
Capital injection into an associate	48,000	48,000	48,000	48,000
Investment in available-for-sale financial instrument	–	13,064	13,064	13,287
Additions in property, plant and equipment (other than construction in progress)	–	–	–	3,239
Total	167,682	642,010	1,210,661	781,838

Operating lease commitments

During the Track Record Period, we leased a portion of the office premises that we use under operating lease arrangements. The following table sets out our total future aggregate minimum lease payments under non-cancellable operating leases as of each date indicated:

	As of December 31,			As of
				September 30,
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	5,159	6,301	7,473	6,920
One to five years	14,194	17,548	17,357	16,046
Over five years	41,028	37,750	34,554	32,157
Total	60,381	61,599	59,384	55,123

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INDEBTEDNESS

During the Track Record Period, our indebtedness included bank and other borrowings, obligations under finance leases and amounts due to non-controlling shareholders.

Bank and other borrowings

Our borrowings during the Track Record Period primarily consisted of bank loans, other borrowings, bonds issued and government loans to fund project development and finance acquisitions. Our bank loans include related party bridge loans with our subsidiaries entered through intermediary banks. Other borrowings include amounts due to S.I. Infrastructure and SIHL Finance Limited, both of which are wholly-owned subsidiaries of SIHL Holding, our intermediate holding company. Our borrowings as of December 31, 2014, 2015, and 2016, September 30, 2017, and January 31, 2018, for the purpose of calculating our indebtedness, were as follows:

	As of December 31,			As of September 30,	As of January 31,
	2014	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Bank loans	2,054,062	2,417,333	7,044,554	7,277,350	7,808,290
Other borrowings	513,511	1,245,743	2,535,190	2,706,377	2,413,982
Bond issued	–	–	385,843	387,946	388,927
Government loans	58,235	43,775	148,657	148,177	45,467
Total	2,625,808	3,706,851	10,114,244	10,519,850	10,656,666
Analysed as:					
Current	922,958	1,937,976	3,838,382	3,441,431	3,670,564
Non-current	1,702,850	1,768,875	6,275,862	7,078,419	6,986,102
Total	2,625,808	3,706,851	10,114,244	10,519,850	10,656,666

Our current liabilities are liabilities to be repaid in full within one year and our non-current liabilities have repayment terms of one year or greater. The weighted average interest rates of our fixed interest rate borrowings were 5.29%, 4.61%, 3.73%, 4.03% and 4.10%, and the weighted average interest rates of our variable interest rate borrowings were 7.14%, 5.22%, 4.80%, 4.66% and 4.75% per annum, respectively, as of December 31, 2014, 2015, and 2016, September 30, 2017, and January 31, 2018.

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	As of December 31,			As of September 30,	As of January 31,
	2014	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Secured/guaranteed	1,881,456	2,551,794	8,128,029	8,153,179	8,143,999
Unsecured/unguaranteed	744,352	1,155,057	1,986,215	2,366,671	2,512,667
Total	<u>2,625,808</u>	<u>3,706,851</u>	<u>10,114,244</u>	<u>10,519,850</u>	<u>10,656,666</u>

As of December 31, 2014, 2015 and 2016, September 30, 2017, and January 31, 2018, 71.7%, 68.8%, 80.4%, 77.5% and 76.4% of our borrowings, respectively, were secured. The assets used to secure our bank loans include receivables under service concession arrangements, intangible assets from operating concessions, pledged bank deposits, leased buildings and land use rights of the borrower. As of January 31, 2018, borrowings of RMB2,522.0 million were unsecured and unguaranteed, RMB2,410.4 million were unsecured and guaranteed, RMB4,608.1 million were secured and unguaranteed, and RMB1,116.1 million were secured and guaranteed.

Our loan agreements typically include material covenants such as requirements to promptly notify the lending banks in the event of any material adverse changes in our operations and financial condition and restrictions on the use of proceeds from the bank borrowings. Moreover, we are typically required to obtain the relevant lending bank's prior written consent before we conduct reorganizations, mergers, demergers, joint ventures, capital reductions, equity transfers, transfers of major assets or creditor's rights, material investments, substantial increases of debt financing or other actions that may adversely affect our ability to repay the loans. We cannot assure you that we are always able to obtain the lending bank's consent for any of these activities. If we fail to obtain such consent, our business may be impeded. See "Risk Factors – Risks Relating to Our Business and Industry – We are restricted by covenants in our financing agreements".

Our loan agreements may also include material financial covenants determined in accordance with PRC GAAP. Furthermore, we may be required to provide additional guarantees upon the lending banks' request if any changes in our guarantor adversely affect the guarantee granted by the guarantor to the lending banks.

Our Directors confirm that we complied with all material covenants under our loan agreements during the Track Record Period.

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The duration of our loan and the debt instruments range from one year to 15 years. As of December 31, 2014, 2015 and 2016, September 30, 2017, and January 31, 2018, our bank loans and other borrowings were repayable as follows:

	As of December 31,			As of September 30,	As of January 31,
	2014	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Carrying amount repayable					
within one year	922,958	1,937,976	3,838,382	3,441,431	3,670,564
More than one year but not					
more than five years	1,333,513	1,517,618	2,965,280	3,145,406	2,863,554
Over five years	369,337	251,257	3,310,582	3,933,013	4,122,548
Total	2,625,808	3,706,851	10,114,244	10,519,850	10,656,666

We have obtained the firm offer of unutilized credit facilities from an independent third party financial institution without any security guarantee from the Controlling Shareholders in an aggregate amount of HKD3.0 billion as of Latest Practicable Date which would be sufficient for us to repay and release all the expected outstanding Intra-Group Loans.

Obligations under finance leases

We leased certain of our owned property, plant and equipment and assets attributable to service concession arrangements under finance leases or sale and lease back arrangement. As of December 31, 2014, 2015 and 2016, September 30, 2017, and January 31, 2018, the present value of lease obligations were RMB50.0 million, RMB16.7 million, RMB428.4 million, RMB439.4 million, and RMB553.1 million, respectively, of which the current portion were RMB33.3 million, RMB16.7 million, RMB97.0 million, RMB70.7 million, and RMB192.3 million, respectively. The finance leases are guaranteed and secured by the relevant assets attributable to receivables under service concession arrangements.

Amounts due to non-controlling shareholders

As of December 31, 2014, 2015 and 2016, September 30, 2017, and January 31, 2018, we had amounts due to non-controlling shareholders of RMB4.9 million, RMB92.0 million, RMB247.8 million, RMB214.1 million and RMB189.6 million, respectively, which were unsecured and unguaranteed.

Except as disclosed above, our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Moreover, our Directors confirm that up to the Latest Practicable Date, there had been no material change in our indebtedness or contingent liabilities since September 30, 2017.

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CONTINGENT LIABILITIES

During the Track Record Period, we did not have significant contingent liabilities. As of the Latest Practicable Date, we were not involved in any material legal proceedings, nor were we aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in any material legal proceedings in the future, and based on the information then available, if it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated, we will then record a contingent liability.

FINANCIAL RATIOS

	As of and for the years ended December 31,			As of and for the nine months ended September 30,
	2014	2015	2016	2017
Net profit margin ⁽¹⁾	24.1%	23.5%	20.4%	13.6%
Return on equity ⁽²⁾	8.6%	6.5%	6.3%	6.1% ⁽⁸⁾
Return on assets ⁽³⁾	4.4%	3.5%	2.3%	2.4% ⁽⁹⁾
Current ratio ⁽⁴⁾	1.0	0.7	0.6	0.7
Gearing ratio ⁽⁵⁾	64.0%	58.0%	126.5%	110.8%
Net debt to equity ratio ⁽⁶⁾	37.3%	45.9%	107.3%	94.6%
Interest coverage ratio ⁽⁷⁾	3.9	4.1	3.8	2.6

Notes:

- (1) Equals net profit for the period as a percentage of total revenue for the same period.
- (2) Equals net profit for the period as a percentage of total equity as of the end of the same period.
- (3) Equals net profits for the period as a percentage of total assets as of the end of the same period.
- (4) Equals current assets as a percentage of current liabilities as of the end of the period.
- (5) Equals total debt as a percentage of total equity as of the end of the period. Total debt includes bank and other borrowings, finance lease and amount due to non-controlling shareholders.
- (6) Equals net debt as a percentage of total equity as of the end of the period. Net debt equals all borrowings (bank and other borrowings, finance lease and amount due to non-controlling shareholders) less cash and cash equivalents.
- (7) Equals profit before tax and finance cost divided by finance cost for the same period.
- (8) Calculated using annualized net profit divided by total equity as of the end of the corresponding period.
- (9) Calculated using annualized net profit divided by total assets as of the end of the corresponding period.

Net profit margin

For discussion about fluctuations of our net profit margin during the Track Record Period, please see “– Period to Period Comparison of Results of Operations.”

FINANCIAL INFORMATION

Return on equity

Our return on equity decreased from 8.6% in 2014 to 6.5% in 2015 mainly due to a significant increase in total equity as a result of our placement of new ordinary shares to independent third parties in 2015, which was partially offset by an increase in our profit in the same year. Our return on equity further decreased slightly to 6.3% in 2016 mainly due to an increase in total equity as a result of an increase in non-controlling interest in 2016, which was partially offset by an increase in our profit in the same year. Our return on equity decreased slightly to 6.1% for the nine months ended September 30, 2017, due to a share placement in May 2017.

Return on assets

Our return on assets decreased from 4.4% in 2014 to 3.5% in 2015, and further decreased to 2.3% in 2016, mainly due to significant increases in our total assets as a result of our expansion of business by organic growth and acquisitions, which was partially offset by an increase in our profit in the same years.

Our return on assets increased to 2.4% for the nine months ended September 30, 2017 mainly due to nine months of net profit contribution from Longjiang in the first nine months of 2017 compared to two months of net profit contribution from Longjiang in 2016.

Current ratio

Our current ratio decreased from 1.0 as of December 31, 2014 to 0.7 as of December 31, 2015, and further decreased to 0.6 as of December 31, 2016. These decreases were because our current liabilities increased at a faster pace than our current assets during the same periods, which were mainly as a result of our increased bank and other borrowings to finance our business expansion.

Our current ratio increased to 0.7 as of September 30, 2017 mainly due to a significant increase in bank balances and cash as a result of a share placement in May 2017.

Gearing ratio

Our gearing ratio decreased from 64.0% as of December 31, 2014 to 58.0% as of December 31, 2015 mainly because our debt increased at a slower pace than our total capital in the same years. Our gearing ratio increased significantly to 126.5% as of December 31, 2016 mainly due to (i) a significant increase in our debt in 2016 to finance our acquisitions of Longjiang and Ranhill and (ii) a high gearing ratio of our acquired entity Longjiang.

Our gearing ratio decreased to 110.8% as of September 30, 2017 due to our repayment of certain shareholder loans using proceeds from the share placement in the first half of 2017.

For more information about our indebtedness, please see “– Indebtedness.”

FINANCIAL INFORMATION

Net debt to equity ratio

Our net debt to equity ratio increased from 37.3% as of December 31, 2014 to 45.9% as of December 31, 2015 mainly due to an increase in our debt to finance the acquisition of Fudan Water in 2015. Our net debt to equity ratio further increased significantly to 107.3% as of December 31, 2016 mainly due to a significant increase in our debt in 2016 to finance our acquisition of Longjiang, which was partially offset by an increase in our total equity in the same year.

Our debt to equity ratio decreased to 94.6% as of September 30, 2017 due to our repayment of certain shareholder loans using proceeds from the share placement in the first half of 2017.

For more information about our indebtedness, see “– Indebtedness.”

Interest coverage ratio

For the years ended December 31, 2014, 2015 and 2016, our interest coverage ratio remained relatively stable.

Our interest coverage ratio decreased from 3.8 for the year ended December 31, 2016 to 2.6 for the nine months ended September 30, 2017 mainly due to the increase in interest expenses as a result of increase in borrowings to fund acquisitions.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 46 of the Accountants’ Report, our Directors confirm that all related party transactions are conducted on an arm’s length basis. Our Directors further confirmed that the related party transactions would not distort our results of operations during the Track Record Period or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

As of September 30, 2017, we had retained profits of approximately RMB1,436.0 million, which represent the distributable reserves available for distribution to our Shareholders.

FINANCIAL INFORMATION

DIVIDENDS

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on IFRS, our Constitution, the Companies Act, applicable laws and regulations and other factors that our Directors deem relevant. Final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Directors. Our Directors may, without the approval of our Shareholders, also declare an interim dividend. Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRSs.

As of the Latest Practicable Date, we did not have a formal dividend policy. We did not declare any dividend in the years ended December 31, 2014 and 2015 as we required existing cash to fund capital expenditure and investment in projects. During the nine months ended September 30, 2017, we declared and distributed a dividend of S\$0.01 per share, which amounted to RMB110.0 million in aggregate, as the distribution for the year ended December 31, 2016. This dividend payment is not indicative of any current or future dividend policy. There is no assurance that dividends of any amount will be declared or distributed in any year. See “Risk Factors – Risks Relating to the Introduction and Our Shares – We cannot guarantee that we will pay dividends.” For information relating to taxes payable on dividends, see “Risks Relating to Conducting Business in the PRC – Dividends from our PRC subsidiaries and dividends on our Shares and gains on the sales of our Shares may be subject to PRC withholding taxes” of this listing document.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of the listing document, there has been no material adverse change in our financial or trading position since September 30, 2017 and there has been no event since September 30, 2017 which would materially affect the information shown in the Accountants’ Report.

FINANCIAL INFORMATION

LISTING EXPENSES

The total amount of expenses in relation to the listing is estimated to be approximately RMB63.2 million, of which RMB7.1 million was charged to our consolidated statement of profit or loss during the Track Record Period and RMB11.0 million had been included in prepayment as at September 30, 2017. The remaining estimated listing expenses of RMB56.1 million will be charged to our consolidated statements of profit or loss after September 30, 2017. The listing expenses above are the latest practicable estimate and are for reference only. The actual amount may differ from this estimate.

SENSITIVITY ANALYSIS

Set out below is a sensitivity analysis of hypothetical fluctuations in our cost of sales (after deducting construction costs in relation to our BOT projects) and their effect on our net profit for each reporting period during the Track Record Period:

	For the year ended December 31,						For the nine months ended September 30,			
	2014		2015		2016		2016		2017	
	Changes in Net Profit	% Change in Net Profit	Changes in Net Profit	% Change in Net Profit	Changes in Net Profit	% Change in Net Profit	Changes in Net Profit	% Change in Net Profit	Changes in Net Profit	% Change in Net Profit
Percentage increase/ (decrease) in deducted cost of sales	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
20%	(87,766)	(26)%	(96,395)	(23)%	(137,588)	(25)%	(78,469)	(23)%	(147,261)	(32)%
10%	(43,883)	(13)%	(48,197)	(11)%	(68,794)	(13)%	(39,234)	(12)%	(73,631)	(16)%
0%	-	0%	-	0%	-	0%	-	0%	-	0%
-10%	43,883	13%	48,197	11%	68,794	13%	39,234	12%	73,631	16%
-20%	87,766	26%	96,395	23%	137,588	25%	78,469	23%	147,261	32%

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to various types of financial risks, including market risk (covering currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risks. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market risk

Currency Risk

We have transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of our entities, primarily RMB. We have no sales denominated in foreign currencies other than RMB whilst none of the costs are denominated in foreign currencies other than RMB. Similarly, Our 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 our entities which are mainly RMB. Currently, we have not entered into any hedge due to the limited transactional foreign currency exposure.

FINANCIAL INFORMATION

Interest Rate Risk

Our fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. Our receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due from/to certain joint ventures/associates and fixed-rate bank and other borrowings have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. Our bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

In order to exercise prudent management against interest rate risks, we continue to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

Credit risk

We are exposed to credit risk primarily in relation to our carrying amounts of cash and cash equivalents, trade and other receivables and receivables under service concession arrangements. For deposits with banks, we limit our exposure by selecting PRC-listed commercial banks or stated owned banks. We believe such banks are reputable and there is no significant credit risk of loss on our deposits. For trade receivables, our customers are primarily local governments and we believe that the credit risk is limited.

Liquidity risk

The liquidity of our Group is primarily dependent on our ability to maintain adequate cash inflows from operations to meet debt obligations as they fall due and our ability to obtain external financing to meet committed future capital expenditures. We receive tariff payments for our service concession projects during the operation phase only. As a result, we may not always be able to match cash inflows from our operations with our costs incurred during the construction phase of our BOT and BOO projects, and any failure to do so may result in a liquidity gap requiring external financing. Our policy is to regularly monitor current and expected liquidity requirements by preparing and reviewing monthly cash flow forecasts and our compliance with lending covenants, if any, to ensure that we maintain sufficient reserves of cash on demand and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

FINANCIAL INFORMATION

Our Directors have carried out a detailed review of our cash flow forecast for the period from January 31, 2018 to March 31, 2019. Based on the forecast, our Directors have determined that adequate liquidity exists to finance our working capital and capital expenditure requirements during such period. In preparing the cash flow forecast, our Directors have considered our historical cash requirements as well as other key factors, including cash flow generated from operating activities and the availability of the external loan financing which may impact our operations for such period. Our Directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

LISTINGS

The Company currently has a primary listing of Shares on the SGX-ST, which it intends to maintain alongside its proposed dual primary listing of Shares on the Hong Kong Stock Exchange. An application has been made to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue, any Shares which may be issued pursuant to the exercise of options under the ESOS 2012 and any Shares which may be issued pursuant to the ESAS.

REGISTRATION

The principal register of members is maintained in Singapore by RHT Corporate Advisory Pte. Ltd. at 9 Raffles Place #29-01, Republic Plaza Tower 1, Singapore 048619 (the “**Singapore Principal Share Registrar**”). The Company has established a branch register of members in Hong Kong (the “**Hong Kong Share Register**”) which is maintained by Computershare Hong Kong Investor Services Limited (the “**Hong Kong Share Registrar**”) at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

Certificates in respect of the Shares registered on the Hong Kong Share Register will, as far as practicable, and unless otherwise requested, be issued in board lots of 1,000 Shares. The Singapore Principal Share Registrar will keep in Singapore duplicates of the Hong Kong Share Register, which will be updated from time to time.

CERTIFICATES

Only certificates for Shares issued by the Hong Kong Share Registrar will be valid for delivery in respect of dealings effected on the Hong Kong Stock Exchange. Only certificates for Shares issued by the Singapore Principal Share Registrar on behalf of the Company will be valid for delivery in respect of dealings effected on the SGX-ST. For ease of identification, the certificates for Shares issued by the Singapore Principal Share Registrar are red in colour. The certificates for Shares issued by the Hong Kong Share Registrar will be blue in colour.

DEALINGS

Dealings in Shares on the Hong Kong Stock Exchange and SGX-ST will be conducted in Hong Kong dollars and Singapore dollars, respectively. The Shares are traded on SGX-ST in board lots of 100 Shares and will be traded on the Hong Kong Stock Exchange in board lots of 1,000 Shares.

The transaction costs of dealings in the Shares on the Hong Kong Stock Exchange include a Stock Exchange trading fee of 0.005%, an SFC transaction levy of 0.0027%, a fixed stamp duty of HK\$5.00 per transfer instrument and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares transferred. The brokerage commission in respect of trades of Shares on the Hong Kong Stock Exchange is freely negotiable.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

The brokerage commission in respect of trades of Shares on the SGX-ST is freely negotiable. For trades in Shares on the SGX-ST, clearing fee is payable at the rate of 0.0325% and trading fee is payable at the rate of 0.0075% of the transaction value. The clearing fee and the trading fee are subject to goods and services tax in Singapore (currently at 7.0%).

SETTLEMENT

Settlement of dealings in Singapore

Shares listed and traded on the SGX-ST are traded under the book-entry settlement system of CDP and all dealings in and transactions of Shares through the SGX-ST are effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

CDP, a wholly-owned subsidiary of the SGX-ST, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

Shares will be registered in the name of CDP or its nominees and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. The Companies Act and the Constitution of the Company only recognise the registered owners or holders of the Shares as members. CDP depositors and depository agents on whose behalf CDP holds Shares, may not be accorded the full rights of membership, such as voting rights, the right to appoint proxies, or the right to receive Shareholders' circulars, proxy forms, annual reports, prospectuses and take over documents. CDP depositors and depository agents will be accorded only such rights as CDP may make available to them pursuant to CDP's terms and conditions to act as depository for foreign securities.

Persons holding our Shares in a securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will not, however, be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Constitution. A fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares will be payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S\$2.00 (or such other amounts as the Directors may decide) will be payable to Singapore Principal Share Registrar for each share certificate issued, and stamp duty of S\$0.20 per S\$100.00 or part thereof of the last-transacted price where Shares are withdrawn in the name of a third party will be payable. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S\$10.00 is payable upon the deposit of each instrument of transfer with CDP.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of the Shares that are settled on a book-entry basis.

For tradings in our Shares on the SGX-ST, a clearing fee is payable at the rate of 0.0325% and a trading fee is payable at the rate of 0.0075% of the transaction value. The clearing fee, trading fee, instrument of transfer, deposit fees and share withdrawal fee are subject to Singapore goods and services tax of 7.0%.

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement in CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third market day following the transaction date, and payment for the securities is generally settled on the following day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct securities account with CDP or a securities sub-account with a depository agent. A depository agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

Settlement of dealings in Hong Kong

Investors in Hong Kong must settle their trades executed on the Hong Kong Stock Exchange through their brokers directly or through custodians. For an investor in Hong Kong who has deposited his Shares in his stock account or in his designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules. For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to his broker or custodian before the settlement date.

An investor may arrange with his broker or custodian on a settlement date in respect of his trades executed on the Hong Kong Stock Exchange. Under the Hong Kong Listing Rules and the CCASS Rules, the date of settlement must not be later than the second business day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T+2). For trades settled under CCASS, the CCASS Rules provide that a defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to the Hong Kong Stock Exchange trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

Dividends

Dividends are declared in Singapore dollars and will be converted into Hong Kong dollars before being paid to our Shareholders (where our Shares are traded on the Hong Kong Stock Exchange).

Foreign Exchange Risk

Investors in Singapore who trade in our Shares on the SGX-ST should note that their trades will be effected in Singapore dollars. Investors in Hong Kong who trade in our Shares on the Hong Kong Stock Exchange should note that their trades will be effected in Hong Kong dollars. Accordingly, investors should be aware of the foreign exchange risks associated with such trading.

REMOVAL AND TRANSFER OF SHARES

All duties, fees and expenses specified herein are subject to changes from time to time. Special arrangements will be made to facilitate transfers of Shares, and to incentivise existing shareholders to transfer their Shares to Hong Kong prior to the Introduction by enabling them to do so at a reduced cost.

Currently, all of our Shares are registered on the Singapore Principal Share Register. For the purpose of trading on the Hong Kong Stock Exchange following the completion of the Introduction, the Shares must be registered on the Hong Kong Share Register. Shares may be transferred between the Singapore Principal Share Register and the Hong Kong Share Register. An investor who wishes to trade on the SGX-ST must deposit the share certificates in respect of such Shares with CDP. An investor who wishes to trade on the Hong Kong Stock Exchange must have his Shares registered on the Hong Kong Share Register by submitting the request for withdrawal of securities form to CDP and a removal request form to the Singapore Principal Share Registrar. Withdrawal fees payable to CDP will be borne by the relevant Shareholders and CDP's existing charges will still apply, together with any other costs to be levied by such Shareholders' own brokers, nominees or custodians (where relevant). A resolution has been passed by the Directors authorizing the removal and transfer of Shares between the Singapore Principal Share Register and the Hong Kong Share Register as may from time to time be requested by the members of the Company.

From the SGX-ST to the Hong Kong Stock Exchange

Following the Introduction, if an investor whose Shares are traded on the SGX-ST wishes to trade his Shares on the Hong Kong Stock Exchange, he must effect a removal and transfer of Shares from the Singapore Principal Share Register to the Hong Kong Share Register.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

A removal and transfer of the Shares from the Singapore Principal Share Register to the Hong Kong Share Register involves the following procedures:

- (1) If the investor's Shares have been deposited with CDP, the investor must first withdraw his Shares from CDP by completing a request for withdrawal of securities form and a transfer form, available from CDP and submitting the same to CDP together with a bank draft for the amount as prescribed by CDP from time to time.
- (2) The investor shall complete a removal request and delivery instruction form ("**SG Removal Request Form**") (in duplicate) obtained from the Singapore Principal Share Registrar and submit the SG Removal Request Form to the Singapore Principal Share Registrar, together with bank drafts for the amounts prescribed by Singapore Principal Share Registrar and the Hong Kong Share Registrar from time to time.
- (3) CDP will then send the duly completed transfer form together with the relevant share certificate(s) registered under the name of CDP to the Singapore Principal Share Registrar directly.
- (4) Upon receipt of the duly completed transfer form and the share certificate(s) from CDP and the SG Removal Request Form together with bank drafts for the amounts prescribed by the Singapore Principal Share Registrar and Hong Kong Share Registrar from time to time from the investor, the Singapore Principal Share Registrar shall take all actions necessary to effect the transfer and removal of shares from the Singapore Principal Share Register.
- (5) On completion, the Singapore Principal Share Registrar shall then notify the Hong Kong Share Registrar of the removal and transfer whereupon the Hong Kong Share Registrar shall update the Hong Kong Share Register and issue share certificate(s) in the name of the investor and a notification letter for the investor to collect the share certificates. Despatch of share certificate(s) (if applicable) will be made at the risk and expense of the investor as specified in the SG Removal Request Form.
- (6) If the investor's Shares upon being registered in Hong Kong are to be deposited with CCASS, the investor must deposit the Shares into CCASS for credit to his CCASS Investor Participant stock account or his designated CCASS Participant's stock account. For a deposit of Shares into CCASS or to effect sale of Shares in Hong Kong, the investor should execute a transfer form which is in use in Hong Kong and which can be obtained from the offices of the Hong Kong Share Registrar and deliver it together with his Share certificate(s) issued by the Hong Kong Share Registrar to HKSCC directly if he intends to deposit the Shares into CCASS for credit to his CCASS Investor Participant stock account or via a CCASS Participant if he wants the Shares to be credited to his designated CCASS Participant's stock account.

Under normal circumstances, steps (1) to (5) generally require 15 business days to complete.

From the Hong Kong Stock Exchange to the SGX-ST

Following the Introduction, if an investor whose Shares are traded on the Hong Kong Stock Exchange wishes to trade his Shares on the SGX-ST, he must effect a removal and transfer of the Shares from the Hong Kong Share Register to the Singapore Principal Share Register. Such removal and transfer and deposit of the Shares with CDP would involve the following procedures:

- (1) If the investor's Shares are registered in the investor's own name, the investor shall complete the Combined Share Removal and Transfer and Delivery Instruction Form ("**HK Removal Request Form**") (in triplicate) available from the Hong Kong Share Registrar and submit the same together with the share certificate(s) in his name and bank drafts for the amounts prescribed by Singapore Principal Share Registrar and Hong Kong Share Registrar from time to time to the Hong Kong Share Registrar. If the investor's Shares have been deposited with CCASS, the investor must first withdraw such Shares from his CCASS Investor Participant stock account with CCASS or from the stock account of his designated CCASS Participant and submit the relevant Share transfer form(s) executed by HKSCC Nominees Limited and the investor, the relevant share certificate(s) and the duly completed HK Removal Request Form to the Hong Kong Share Registrar.
- (2) If the investor would like to have the Shares credited directly into his securities account or sub-account with a CDP depository agent, he must indicate it on the HK Removal Request Form. He should submit the HK Removal Request Form with a bank draft for the amount prescribed by CDP from time to time at the same time he submits the relevant documents to the Hong Kong Share Registrar (as contemplated in paragraph (1) above). The investor should ensure that he has a securities account or sub-account with a CDP depository agent before he can complete and sign off on delivery instruction set out in the HK Removal Request Form.
- (3) Upon receipt of the HK Removal Request Form, the relevant share certificate(s) and bank drafts for the amounts as prescribed by the Singapore Principal Share Registrar and Hong Kong Share Registrar and CDP, if applicable and where appropriate, the completed share transfer form(s) executed by HKSCC Nominees Limited and the investor, the Hong Kong Share Registrar shall take all actions necessary to effect the removal and transfer of the Shares from the Hong Kong Share Register to the Singapore Principal Share Register.
- (4) The Hong Kong Share Registrar shall then notify the Singapore Principal Share Registrar of the removal and transfer whereupon the Singapore Principal Share Registrar shall update the Singapore Principal Share Register. Upon completion, the Singapore Principal Share Registrar shall issue the relevant share certificate(s) in the name of the investor or CDP, as the case may be, and deliver the share certificate(s) to the investor or CDP.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

- (5) Upon receipt of the relevant documents and prescribed payment from the Singapore Principal Share Registrar, CDP shall credit the specified number of Shares into the investor's securities account or sub-account with a CDP depository agent. The investor should ensure that the shares are credited to his securities account or sub-account with a CDP depository agent before dealing in the Shares.

Under normal circumstances, steps (1) to (4) generally require 15 business days to complete.

COSTS INVOLVED

Stamp Duty on Transfer of Shares

Hong Kong Stamp Duty

For those Shares which are registered on the Hong Kong Share Register, any transfer or dealings therein will be subject to Hong Kong stamp duty, which includes a stamp duty of HK\$5.00 per transfer instrument and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the Shares transferred.

Singapore Stamp Duty

For those Shares which are registered on the Singapore Principal Share Register, any transfer thereof or dealings therein will be subject to Singapore stamp duty.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the transfer of the Shares that are settled on a book-entry basis.

Costs of Removal and Transfer of Shares

All costs attributable to the removal and transfer of Shares from the Hong Kong Share Register to the Singapore Principal Share Register and any removal and transfer from the Singapore Principal Share Register to the Hong Kong Share Register shall be borne by our Shareholders requesting the removal and transfer. In particular, our Shareholders should note that the Hong Kong Share Registrar will charge HK\$25 for each removal of Shares from Hong Kong Share Register and a fee of HK\$2.50 (or such higher fee as may from time to time be permitted under the Hong Kong Listing Rules) for each Share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore.

In addition, the Singapore Principal Share Registrar will charge S\$30.00 (or such other amount as may be prescribed from time to time) for each removal of Shares from Singapore Principal Share Register, a fee of S\$2.00 (plus applicable stamp duties) for each transfer form in respect of transfer of Shares and a fee of S\$2.00 for each share certificate cancelled or issued by it and any applicable fee as stated in the removal request forms used in Hong Kong or Singapore.

LISTINGS, REGISTRATION, DEALINGS AND SETTLEMENT

The fees charged by the Singapore Principal Share Registrar are subject to Singapore goods and services tax of 7.0%.

SPECIAL ARRANGEMENTS TO FACILITATE THE TRANSFERS PRIOR TO THE LISTING

Special arrangements have been made to facilitate the transfers of Shares prior to the completion of the Listing. In connection with the Listing, the Singapore Principal Share Registrar and the Hong Kong Share Registrar will provide three (3) batch-transfers of Singapore-listed Shares for Shareholders seeking to transfer their Shares to the Hong Kong Share Register prior to the completion of the Listing.

The key dates in relation to such batch-transfer exercises (the “**Batch-Transfers**”) are set out below:

Events	First Batch-Transfer	Second Batch-Transfer	Third Batch-Transfer
Final date to submit a request for withdrawal of securities form to CDP and a SG Removal Request Form to the Singapore Principal Share Registrar	March 8, 2018	March 14, 2018	March 16, 2018
Share certificates available for collection from the Hong Kong Share Registrar’s office	March 21, 2018	March 27, 2018	March 29, 2018

Shareholders who hold their Shares directly in CDP and who wish to participate in the Batch-Transfers will need to complete and submit the request for withdrawal of securities form to CDP and the SG Removal Request Form to the Singapore Principal Share Registrar before the relevant dates stipulated above.

Our Company will bear the costs, fees and duties payable for the Batch-Transfers. The relevant Shareholders will only bear the withdrawal fees payable to CDP, representing a fee of S\$10.00 for each withdrawal of 1,000 Shares or less and a fee of S\$25.00 for each withdrawal of more than 1,000 Shares together with a script fee of S\$2.00 per certificate payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates; and stamp duty of S\$0.20 per S\$100.00 or part thereof of the last-transacted price where Shares are withdrawn in the name of a third party. The withdrawal fees payable to CDP are subject to Singapore goods and services tax of 7.0%. CDP’s existing charges will also apply, together with any other costs to be levied by Shareholders’ own brokers, nominees or custodians (where relevant). Shareholders should seek the advice of their stockbroker for details of the said costs.

Shareholders should note that the Batch-Transfers are expedited transfers, where Share certificates are expected to be available for collection from the Hong Kong Share Registrar’s office 10 business days after the final date for submission of a SG Removal Request Form to

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the Singapore Principal Share Registrar. Ordinary non-expedited transfers of Shares from the principal register of members in Singapore to the Hong Kong Share Register are expected to take 15 business days to complete. For further details on the removal of Shares from the principal register of members in Singapore to the Hong Kong Share Register, please see “–*Removal and Transfer of Shares – From the SGX-ST to the Hong Kong Stock Exchange*” above.

Our Company has made arrangements to inform our Shareholders and the Singapore investing public of details of the Listing and the Batch-Transfers procedures by way of announcement on the Hong Kong Stock Exchange and the SGX-ST. Please see “*Proposed Bridging Arrangements*” below for details.

PROPOSED BRIDGING ARRANGEMENTS

Intended Liquidity Activities during the Bridging Period

Upon the Listing and during the Bridging Period (being the 30-day period from and including the Listing Date), the Designated Dealer, on its own account, will seek to undertake, or request the Alternate Designated Dealer to undertake, certain arbitrage activities in circumstances as described below. The Alternate Designated Dealer will only undertake arbitrage activities at the request of the Designated Dealer. Certain trades envisaged to be carried out by the Designated Dealer and the Alternate Designated Dealer during the Bridging Period may constitute covered short-selling (or be deemed to constitute short-selling) under applicable Hong Kong laws and regulations. The Rules of the Exchange prohibit short-selling save for short selling of Designated Securities (as defined in the Rules of the Exchange) during the Continuous Trading Period (as defined in the Rules of the Exchange). In this regard, the Designated Dealer and the Alternate Designated Dealer have applied for, and the Hong Kong Stock Exchange has granted, an exemption in order to permit the Designated Dealer and the Alternate Designated Dealer to conduct the proposed arbitrage activities described below which may constitute (or may be deemed to constitute) short-selling of securities during the pre-opening session (as defined in the Rules of the Exchange as being from 9:00 a.m. Hong Kong time to the commencement of the morning trading session at 9:30 a.m. Hong Kong time) (the “**Pre-opening Session**”) and the Continuous Trading Period in circumstances where the Shares are not Designated Securities. In addition, the Designated Dealer and the Alternate Designated Dealer, have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted an exemption (i) to permit short-selling of the Shares during the Pre-opening Session to allow the Designated Dealer and the Alternate Designated Dealer to conduct such short-selling transactions of the Shares during the Pre-opening Session within the Bridging Period, and (ii) from the regulation that a short sale shall not be made on the Hong Kong Stock Exchange below the best current ask price except where the Designated Security is a Market Making Security (as defined in the Rules of the Exchange) approved by the SFC to be excluded from the application of this regulation.

No person other than the Designated Dealer and the Alternate Designated Dealer (including their respective affiliates authorized to carry out arbitrage activities) is permitted to enter into short sales of the Shares on the Hong Kong Stock Exchange during the Bridging

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Period or thereafter unless the Shares are designated for short selling by the Hong Kong Stock Exchange. Upon the expiry of the Bridging Period, the Designated Dealer and the Alternate Designated Dealer will not be able to engage in further arbitrage activities described below in respect of the Shares on the Hong Kong Stock Exchange unless our Shares are designated for short selling by the Hong Kong Stock Exchange.

Such arbitrage activities are expected to contribute to the liquidity of trading in the Shares in the Hong Kong market upon the Listing as well as to reduce potential material divergence between Share prices in the Hong Kong and the Singapore markets.

- (1) The Designated Dealer (and/or its affiliates authorized to carry out arbitrage activities) will seek to carry out or request the Alternate Designated Dealer to carry out arbitrage trades in line with market practice in the context of dual listed stocks. The arbitrage trades are envisaged to be carried out where there exists a meaningful price differential between prices of Shares quoted on the Hong Kong Stock Exchange and those quoted on the SGX-ST (as determined by the Designated Dealer). The Designated Dealer will execute arbitrage trades when there is a relative premium between the share price on the Hong Kong Stock Exchange and that on the SGX-ST, taking into account such factors as transaction costs, market and foreign currency exchange volatility, and the liquidity in trading in the Shares in the Hong Kong market at the time of the trading. In relation to the Listing, it is envisaged that a typical arbitrage trade would be executed if and when prices of Shares quoted on the Hong Kong Stock Exchange are meaningfully higher than those on the SGX-ST, in which case the Designated Dealer or the Alternate Designated Dealer will seek to purchase Shares at the lower price in Singapore and sell Shares at the higher price in Hong Kong.

The typical cost of executing an arbitrage trade is minimal and should constitute a small percentage of our Share price. In the Hong Kong context, the typical cost comprises stamp duty (0.1%), trading fee (0.005%) and transaction levy (0.0027%), while in the Singapore context, there are clearing fee (0.0325%) and trading fee (0.0075%). Nonetheless, as the Designated Dealer and the Alternate Designated Dealer envisage, for arbitrage trades to occur, our Share price differential would need to exceed such transaction costs and the risk premium as perceived by the Designated Dealer or the Alternate Designated Dealer (as appropriate) (including but not limited to factors such as price volatility and market liquidity on both markets).

The Designated Dealer or the Alternate Designated Dealer intends to carry out arbitrage trades where (a) there exists a meaningful Share price differential between the Hong Kong and Singapore markets for a reasonable length of time (from time to time at the Designated Dealer's sole discretion), and (b) the Designated Dealer or the Alternate Designated Dealer is able to purchase sufficient quantities of Shares to address such price differentials when they arise and to contribute towards trading liquidity to a meaningful extent. The Designated Dealer and the Alternate

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Designated Dealer will enter into such bridging arrangements on a voluntary basis and their own discretion with a view to contributing towards the liquidity of our Shares on the Hong Kong market. The bridging arrangements and the role of the Designated Dealer and the Alternate Designated Dealer will terminate and cease at the expiry of the Bridging Period.

- (2) For the Designated Dealer and the Alternate Designated Dealer to contribute meaningfully towards the liquidity of trading in our Shares in the Hong Kong market, there should be no trading or exchange disruption in, or early closure (other than due to different trading hours) of, one or both stock exchanges. There should be concurrent availability of Shares on both stock exchanges. Each of the CS Affiliate and the Alternate Designated Dealer has also entered into Stock Borrowing and Lending Agreements with Triumph Power to ensure that the Designated Dealer and the Alternate Designated Dealer will have ready access to appropriate quantities of Shares for settlement purposes upon the Listing and during the Bridging Period.
- (3) The Stock Borrowing and Lending Agreements between Triumph Power (the “**Lender**”) and each of the CS Affiliate and the Alternate Designated Dealer were entered into on March 9, 2018, which will come into effect from the first day of the Bridging Period. Pursuant to the Stock Borrowing and Lending Agreements, the Lender will make available to the CS Affiliate and the Alternate Designated Dealer stock lending facilities of up to 260,658,000 Shares, or approximately 10% of the Shares in issue, on one or more occasions, subject to applicable laws, rules and regulations in Singapore and Hong Kong, including that the lending and the subsequent acceptance of redelivery of any Shares by the Lender, and the borrowing and the subsequent redelivery of any Shares by the CS Affiliate and the Alternate Designated Dealer, will not lead to either party being obliged to make a mandatory general offer under the Takeovers Code and/or the Singapore Code. In this regard, in compliance with the Singapore Code, the Stock Borrowing and Lending Agreements provide, inter alia, the right for the Lender to recall the borrowed Shares by giving an advance written notice of seven days.

Pursuant to the Stock Borrowing and Lending Agreements, the total 260,658,000 borrowed Shares will be allocated as to 234,592,200 Shares to the CS Affiliate and 26,065,800 Shares to the Alternate Designated Dealer. Such Shares will be used for settlement in connection with the arbitrage trades carried out by the Designated Dealer and the Alternate Designated Dealer in Hong Kong. These Shares will have been registered on the Hong Kong Share Register prior to the Listing. The total number of Shares subject to such stock borrowing arrangement is significantly in excess of the aggregate of the daily trading volumes of our Shares on the SGX-ST for the 15 trading days immediately before and up to the Latest Practicable Date.

The Stock Borrowing and Lending Agreements provide, inter alia, that all of our Shares borrowed shall be returned to the Lender not later than 15 business days after the expiry of the Bridging Period (the “**Re-delivery Date**”), which may be

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postponed in case the process for re-delivering and transfer of the borrowed Shares on Hong Kong Share Register is not completed on or before the Re-delivery Date. To close out the borrowed positions, the Designated Dealer and the Alternate Designated Dealer may purchase Shares on the SGX-ST or use any unutilized Shares registered on the Hong Kong Share Register and transfer such Shares to the Lender. If necessary, the Designated Dealer and the Alternate Designated Dealer may repeat the process or alternatively may purchase Shares from the SGX-ST or the Hong Kong Stock Exchange, in order to provide additional liquidity to meet demand for the Shares in the Hong Kong market during the Bridging Period.

- (4) Additionally, to facilitate the role of the Designated Dealer commencing from the pre-opening period (9:00 a.m. to 9:30 a.m.) on the first day of the Listing, the Designated Dealer has made arrangements to build up a small inventory of Shares prior to the commencement of trading. A Sale and Repurchase Agreement was entered into on March 9, 2018 between Triumph Power (the “**Vendor**”) and the CS Affiliate for the sale of 16,682,000 Shares, or approximately 0.64% of the Shares in issue, at a sale price based on the closing price of the Shares quoted on the SGX-ST on the date immediately before the date of the Sale and Repurchase Agreement (the “**Sale**”). Conditional upon the CS Affiliate acquiring the Shares under the Sale and Repurchase Agreement, the CS Affiliate shall sell and the Vendor shall repurchase the equivalent number of Shares that the Vendor sold under the Sale, at the same price as such Shares were sold, shortly after the expiry of the Bridging Period (the “**Repurchase**”). The Sale and Repurchase Agreement provides that the Repurchase shall take place not later than 15 Business Days following the expiry of the Bridging Period.
- (5) The purpose of the Sale and Repurchase Agreement is to facilitate the Designated Dealer in contributing towards trading liquidity in our Shares in the Hong Kong market, by making available a quantity of Shares to facilitate arbitrage trades during the Bridging Period. These Shares will have been registered on the Hong Kong Share Register prior to the Listing. Under the arrangement described in paragraph 4 above, the Vendor will maintain a neutral position in respect of its shareholdings in our Company.
- (6) The Designated Dealer and the Alternate Designated Dealer will continue to replenish their respective Share inventory while carrying out the arbitrage trades. When a buy order has been executed in the Singapore market and a sale order has been executed in the Hong Kong market, the Designated Dealer or the Alternate Designated Dealer (as appropriate) will instruct the Singapore Share transfer agent to transfer Shares purchased in the Singapore market to Hong Kong to replenish its Share inventory for further trading. While such transfer of Shares takes place, the Designated Dealer and the Alternate Designated Dealer will utilize Shares borrowed under the Stock Borrowing and Lending Agreements for settlement of the sale made in Hong Kong.
- (7) The Designated Dealer and the Alternate Designated Dealer have each set up a designated dealer identity number, being 7681 and 7682, respectively, solely for the

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purposes of carrying out arbitrage trades under this exercise in Hong Kong, in order to ensure identification and thereby enhance transparency of such trades in the Hong Kong market. Any change in such designated dealer identity number will be disclosed as soon as practicable by way of announcement on both the Hong Kong Stock Exchange and the SGX-ST and will be posted by our Company on our website on or before the first day of the Bridging Period. The Designated Dealer will also set up another designated dealer identity number before March 20, 2018, which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.

- (8) The Designated Dealer and the Alternate Designated Dealer will enter into such bridging arrangement (including the arbitrage activities) on a voluntary basis with a view to contributing towards the liquidity of our Shares in Hong Kong, and they intend for such bridging arrangements to constitute proprietary transactions.

It is emphasized that, other than the Designated Dealer and the Alternate Designated Dealer, arbitrage activities and bridging arrangements may be carried out by market participants who have access to our Shares. Also, other existing Shareholders who may have transferred part or all of their shareholdings from Singapore to Hong Kong upon the commencement of trading (or thereafter) can also carry out arbitrage trades in our Shares. Such activities will depend on the extent of price differentials between the two stock exchanges, and the number of market participants (other than the Designated Dealer and the Alternate Designated Dealer) who elect to enter into such arbitrage activities and bridging arrangements.

The arbitrage activities of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it will be entered into in accordance with all applicable laws, rules and regulations. The bridging arrangements being implemented in connection with the Listing are not equivalent to the price stabilization activities which may be undertaken in connection with an initial public offering. In addition, the Designated Dealer and the Alternate Designated Dealer are not acting as a market maker and do not undertake to create or make a market in Shares in the Hong Kong market.

It should be noted that each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may, in connection with the proposed liquidity activities, maintain a long position in the Shares. There is no certainty regarding the extent, time or the period for which each of the Designated Dealer and the Alternate Designated Dealer and any persons acting for it may maintain such a long position in the Shares. The liquidation of any such long position by the Designated Dealer and the Alternate Designated Dealer or any persons acting for it may have an adverse impact on the market price of the Shares.

There are no laws prohibiting existing Shareholders from disposing of their Shares under Hong Kong and Singapore laws. Under the Hong Kong Listing Rules, apart from the restrictions under Rules 10.07(1) and 9.09 of the Hong Kong Listing Rules in respect of which certain waivers have been sought from the Hong Kong Stock Exchange (please see “*Waivers from Strict Compliance with the Hong Kong Listing Rules*” in this listing document for further details) and the dealing restrictions under Appendix 10 (Model Code for Securities Transactions by Directors of Listed Issuers) to the Hong Kong Listing Rules, there are no other restrictions on existing Shareholders in relation to the disposal of Shares.

Spread of Shareholdings

It is expected that the following measures and factors will assist in creating and/or improving the spread of holdings of our Shares available for trading on the Hong Kong Stock Exchange following the Listing:

- As our Shares are of one and the same class, Shareholders may at their discretion transfer Shares from Singapore to Hong Kong upon or after the Listing, as described in the sub-section headed “– *Removal of Shares*” above. Special arrangements have been made to facilitate transfers of Shares, and to incentivize existing Shareholders to transfer their Shares to Hong Kong prior to the Listing by enabling them to do so at a reduced cost. Details of such arrangements are set out in the sub-section headed “– *Special Arrangements to Facilitate Transfers Prior to the Listing*” above. To the extent that existing Shareholders elect to transfer Shares to Hong Kong before or shortly after the Listing, such Shares may help contribute to the general liquidity of our Shares in the Hong Kong market.
- Triumph Power has confirmed to our Company that it intends to transfer, and/or procure the transfer of, a total of not less than 277,340,000 Shares, which it directly or indirectly holds, representing approximately 10.64% of our Shares in issue to the Hong Kong Share Register prior to the Listing. As indicated in the sub-section headed “– *Proposed Bridging Arrangements*” above, Triumph Power has made available 277,340,000 Shares, representing 10.64% of our Shares in issue, to the Designated Dealer and the Alternate Designated Dealer which will be used solely for settlement in connection with the arbitrage trades carried out by the Designated Dealer and the Alternate Designated Dealer in Hong Kong.
- In conducting arbitrage activities in circumstances as described in the sub-section headed “– *Proposed Bridging Arrangements*” above, the Designated Dealer and the Alternate Designated Dealer are effectively acting as conduits to transfer some of the trading liquidity of our Shares in the Singapore market to the Hong Kong market.

Our Directors and Our Company consider that, having regard to the special arrangements described in the sub-sections headed “– *Special Arrangements to Facilitate Transfers Prior to the Listing*”, “– *Proposed Bridging Arrangements*”, and “*Investor Education*” in this section, all reasonable efforts have been made to facilitate the migration of Shares to the Hong Kong Share Register to provide the basis for an open market at the time of the Listing.

Benefits of the Bridging Arrangements

We believe that the bridging arrangements will benefit the Listing in the following ways:

- as arbitrage trades are intended to be carried out by the Designated Dealer and the Alternate Designated Dealer during the Bridging Period where there exists a meaningful price differential in our Share prices, the bridging arrangements are expected to contribute to the liquidity of our Shares in the Hong Kong market upon the Listing;

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- arbitrage trades, by their nature, would typically contribute to reducing potential material divergence between Share prices in the Hong Kong and the Singapore markets; and
- the bridging arrangements are perceived to be a mechanism which is fair to all market participants who have access to our Shares, as it is open to all of our Shareholders and other market participants who have such access to carry out arbitrage trades similar to those to be carried out by the Designated Dealer and the Alternate Designated Dealer.

Disclosure of the Bridging Arrangements

In order to enhance transparency of the arbitrage activities carried out under the bridging arrangements, various measures to provide information to the market and potential investors will be undertaken as described in the sub-section headed “– *Investor Education*” below.

Further, our Company will, as soon as practicable and in any event before the opening of trading hours on the business day immediately before the first day of the Listing, release an announcement on the Hong Kong Stock Exchange and the SGX-ST to inform the investing public of the following information as of the latest practicable date prior to such announcement:

- the number of Shares in respect of which the Singapore Principal Share Registrar has received instructions from Shareholders for the transfer of such Shares to the Hong Kong Share Register (whether under the Batch-Transfers or otherwise); and
- the total number of Shares which have been registered on the Hong Kong Share Register.

In respect of the arbitrage trades to be carried out by the Designated Dealer and the Alternate Designated Dealer, each of the Designated Dealer and the Alternate Designated Dealer has set up a designated dealer identity number solely for the purposes of carrying out such trades in Hong Kong, in order to ensure identification and thereby enhance transparency of the trades in the Hong Kong market. The Designated Dealer has also set up another designated dealer identity number which will only be used in emergency and unforeseen situation if the aforesaid identity number for arbitrage trades cannot be used.

In addition, where applicable, the arbitrage trades carried out by the Designated Dealer and the Alternate Designated Dealer, as well as the transactions under the Stock Borrowing and Lending Agreements and the Sale and Repurchase Agreement, will also be disclosed in accordance with the disclosure of interests regime under the provisions of Part XV of the SFO and any applicable laws and regulations in Singapore.

INVESTOR EDUCATION

Arrangements Involving our Company and the Sole Sponsor

Prior to the Listing, our Company and the Sole Sponsor will cooperate to inform the investor community of general information about our Company, as well as the developments and/or changes to the bridging arrangements as disclosed in this listing document. After the Listing has taken place, our Company and the Sole Sponsor may continue to take measures to educate the public. The following measures may be taken to enhance transparency of our Company and the bridging arrangements as appropriate:

- media briefings and press interviews to inform investors of the arrangements;
- analyst briefings to local brokerages/research houses that cover Hong Kong-listed water-treatment companies;
- investors relation activities, such as a non-deal road show, to maintain the interest of investors in our Shares and our business;
- information fact sheets on our Company generally, and on Share transfer procedures as summarized in the sub-section headed “– *Removal and Transfer of Shares*” hereinabove to be posted on the website of our Company;
- information, including the previous day closing price of our Company, trading volume and other relevant historical trading data will be disclosed by way of a daily announcement on the websites of our Company and the Hong Kong Stock Exchange during a period of three business days prior to the commencement of dealings in our Shares on the Hong Kong Stock Exchange;
- details of the available pool of Shares (with the aggregate number of transfers under the batch-transfer services and the inventory held by the Designated Dealer, and the designated broker identity number(s) for carrying out liquidity activities) at the time of the Listing to meet the demand in the Hong Kong market will be disclosed by way of an announcement on the websites of our Company and the Hong Kong Stock Exchange not later than one business day before the commencement of trading of our Shares on the Hong Kong Stock Exchange;
- information on the developments and updates of the liquidity arrangements (for example update on the available pool of Shares transferred to Hong Kong Share Register under a staged removal process) will be disclosed by way of an announcement on the websites of our Company and the Hong Kong Stock Exchange after the completion of each stage of the share removal process after trading has commenced; and

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- electronic copies of this listing document will be disseminated through the website of our Company and the websites of the Hong Kong Stock Exchange and the SGX-ST. In addition, physical copies of this listing document will be made available for collection at the following location:

- Office of our Company:

SIIC Environment Holdings Ltd.
Unit 912, 9/F,
Two Harbourfront,
22 Tak Fung Street,
Hung Hom,
Kowloon, Hong Kong

- Office of the Sole Sponsor:

Credit Suisse (Hong Kong) Limited
88/F International Commerce Centre,
One Austin Road West,
Kowloon, Hong Kong

Other Sources of Information

Real-time trading information in respect of our Shares can be obtained from the following sources:

- | Company Name | Designated website |
|---------------------|--|
| SGX-ST | www.sgx.com |

or

- through service providers that provide such facilities at investors' own expense. Such service will be provided on and subject to the terms and conditions of the relevant service provider.

Historical Trading Information in respect of our Shares on the SGX-ST

Historical Share prices may not be indicative of the prices at which the Shares will trade following completion of the Listing. Please see "Risk Factors – Risks Relating to the Introduction and Our Shares – Difference in characteristics between the Singapore and Hong Kong stock markets." in this listing document in relation to the relevant risk.

The following table sets forth for the periods indicated the reported highs, lows, month ends and monthly averages of the closing trading prices on the SGX-ST for the Shares from January 1, 2014 until the Latest Practicable Date.

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	<u>High</u>	<u>Low</u>	<u>Month End</u>	<u>Monthly average</u>
	<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>	<u>(SGD)</u>
2014				
January	1.03	0.85	0.92	0.94
February	1.03	0.91	0.92	0.95
March	0.99	0.86	0.86	0.93
April	0.91	0.68	0.84	0.79
May	0.89	0.71	0.76	0.78
June	0.90	0.74	0.83	0.80
July	0.88	0.75	0.82	0.81
August	0.89	0.78	0.83	0.83
September	0.91	0.80	0.86	0.85
October	0.86	0.79	0.85	0.83
November	0.91	0.81	0.85	0.86
December	0.86	0.67	0.69	0.73
2015				
January	0.72	0.62	0.71	0.69
February	0.71	0.65	0.67	0.67
March	0.86	0.66	0.86	0.75
April	1.25	0.84	1.13	1.05
May	1.15	0.98	1.03	1.06
June	1.15	0.94	0.97	1.04
July	0.99	0.77	0.86	0.89
August	0.91	0.76	0.85	0.85
September	0.89	0.75	0.84	0.83
October	0.94	0.82	0.85	0.87
November	0.87	0.76	0.76	0.82
December	0.79	0.72	0.77	0.76
2016				
January	0.78	0.57	0.66	0.68
February	0.70	0.56	0.70	0.64
March	0.71	0.67	0.69	0.68
April	0.77	0.61	0.70	0.69
May	0.70	0.60	0.68	0.65
June	0.69	0.58	0.62	0.63
July	0.66	0.58	0.58	0.62
August	0.62	0.57	0.60	0.59
September	0.67	0.58	0.62	0.63
October	0.66	0.52	0.64	0.62
November	0.64	0.58	0.63	0.61
December	0.63	0.57	0.59	0.60
2017				
January	0.61	0.56	0.59	0.58
February	0.60	0.55	0.56	0.58
March	0.57	0.51	0.56	0.53
April	0.56	0.52	0.53	0.53
May	0.56	0.52	0.54	0.54
June	0.57	0.52	0.52	0.54
July	0.55	0.47	0.49	0.52
August	0.55	0.45	0.54	0.48
September	0.58	0.52	0.54	0.55
October	0.56	0.52	0.53	0.53
November	0.55	0.48	0.49	0.51
December	0.53	0.46	0.52	0.49
2018				
January	0.55	0.51	0.54	0.52
February	0.55	0.48	0.52	0.51
March (up to the Latest Practicable Date)	0.55	0.48	0.50	0.51

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Our Shares commenced trading on the SGX-ST on November 30, 2012. The following table sets forth the average daily trading volume and turnover of each month of our Shares from January 1, 2014 until the Latest Practicable Date:

	Average Daily Trading Volume		Average Daily Turnover
	(Shares in millions)	(as % of total issued Shares)	(SGD in millions)
2014			
January	8.5	0.49%	8.4
February	5.4	0.31%	5.4
March	3.5	0.21%	3.3
April	5.4	0.31%	4.3
May	4.2	0.24%	3.6
June	4.5	0.26%	3.6
July	17.8	1.04%	14.8
August	5.4	0.31%	4.5
September	5.8	0.34%	5.0
October	2.1	0.11%	1.9
November	6.7	0.35%	5.8
December	15.0	0.78%	11.0
2015			
January	7.6	0.40%	5.2
February	4.3	0.23%	3.2
March	9.2	0.48%	7.0
April	14.1	0.73%	14.6
May	5.8	0.26%	6.6
June	3.3	0.15%	3.6
July	6.1	0.27%	5.5
August	2.4	0.11%	2.3
September	1.3	0.06%	1.2
October	3.0	0.14%	2.6
November	7.2	0.32%	5.9
December	1.7	0.08%	1.3
2016			
January	3.7	0.16%	2.4
February	3.0	0.13%	2.1
March	2.8	0.12%	1.9
April	4.5	0.20%	3.1
May	1.4	0.06%	1.0
June	0.7	0.03%	0.5
July	0.5	0.02%	0.4
August	1.1	0.05%	0.7
September	1.8	0.08%	1.2
October	2.8	0.12%	1.7
November	1.3	0.06%	0.8
December	1.7	0.07%	1.0
2017			
January	2.6	0.12%	1.6
February	2.1	0.09%	1.2
March	3.4	0.15%	1.8
April	2.0	0.09%	1.1
May	1.2	0.04%	0.7
June	1.5	0.06%	0.8
July	1.9	0.07%	1.0
August	2.0	0.08%	1.0
September	1.7	0.07%	1.0
October	1.3	0.05%	0.7
November	1.3	0.05%	0.7
December	0.9	0.04%	0.5
2018			
January	0.9	0.04%	0.5
February	1.5	0.06%	0.8
March (up to the Latest Practicable Date)	1.3	0.05%	0.7

Inventory of Shares to meet Hong Kong demand

Taking into account the average daily trading volume of the Shares on the SGX-ST in the two months ended the Latest Practicable Date, the average daily trading volume and accumulated average daily trading volume of certain companies recently listed in Hong Kong by way of introduction within one week, two weeks and one month immediately after their respective listings, as well as the historical (in the one week, two weeks and one month ended the Latest Practicable Date) average daily trading volume and accumulated average daily trading volume of some of the listed companies in the Hong Kong market with market capitalization and turnover similar to that of our Company, the Sole Sponsor believes that the above arrangements should provide a reasonable basis to facilitate the development of an open and orderly market in Hong Kong for the Shares.

FUTURE PLANS AND PROSPECTS

Please see “Business – Our Business Strategies” in this listing document for further details.

REASONS FOR THE DUAL PRIMARY LISTING

Our Directors consider that it is desirable and beneficial for our Company to have dual primary listing status in both Singapore and Hong Kong as our Directors believe that the stock markets in Hong Kong and Singapore attract different investors. Please see “Information About This Listing Document And The Introduction – Information about this Listing Document and the Listing – Reasons for the Introduction” in this listing document for further details. The Introduction does not involve any offering of new Shares or a public offering of any other securities and no new proceeds will be raised pursuant to the Introduction. The key purpose of the Introduction is to add liquidity to our Shares and provide our Company with greater access to international capital through its listing platform in Hong Kong, thereby increasing the financing capacity of our Company.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SIIC ENVIRONMENT HOLDINGS LTD. AND CREDIT SUISSE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-129, which comprises the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 September 2017, the statements of financial position of the Company as at 31 December 2014, 2015 and 2016 and 30 September 2017 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2016 and the nine months ended 30 September 2017 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-129 forms an integral part of this report, which has been prepared for inclusion in the listing document of the Company dated 12 March 2018 (the "Listing Document") in connection with the listing by way of introduction on the Main Board of The Hong Kong Stock Exchange.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017, of the Company's financial position as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 March 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	NOTES	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Revenue	6	1,504,434	1,803,796	2,648,097	1,514,161	3,353,616
Cost of sales		(918,812)	(1,091,666)	(1,835,801)	(964,938)	(2,297,980)
Gross profit		585,622	712,130	812,296	549,223	1,055,636
Other income	7	81,567	109,665	161,251	125,783	173,650
Other gains and losses	8	54,271	(4,692)	162,901	9,768	9,625
Selling and distribution costs		(15,116)	(15,908)	(39,114)	(23,075)	(49,334)
Administrative expenses		(177,493)	(185,591)	(268,907)	(149,331)	(210,323)
Finance costs	9	(151,295)	(169,853)	(234,611)	(141,504)	(384,938)
Share of results of joint ventures		52,732	56,207	60,122	46,002	37,052
Share of results of associates		7,655	22,038	10,579	14,540	(2,758)
Profit before taxation		437,943	523,996	664,517	431,406	628,610
Income tax expense	10	(75,948)	(99,584)	(124,099)	(92,695)	(171,976)
Profit for the year/period	11	<u>361,995</u>	<u>424,412</u>	<u>540,418</u>	<u>338,711</u>	<u>456,634</u>
Profit for the year/period attributable to:						
Owners of the Company		290,708	360,390	454,926	284,661	350,240
Non-controlling interests		71,287	64,022	85,492	54,050	106,394
		<u>361,995</u>	<u>424,412</u>	<u>540,418</u>	<u>338,711</u>	<u>456,634</u>
Earnings per share						
Basic (RMB cents)	15	<u>15.84</u>	<u>16.86</u>	<u>20.16</u>	<u>12.61</u>	<u>14.29</u>
Diluted (RMB cents)	15	<u>15.81</u>	<u>16.86</u>	<u>20.16</u>	<u>12.61</u>	<u>14.29</u>

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period	361,995	424,412	540,418	338,711	456,634
Other comprehensive (expense) income:					
<i>Item that will not be reclassified to profit or loss:</i>					
Exchange differences arising from translation	(70,057)	(86,113)	(20,003)	43,873	79,129
<i>Item that may be subsequently reclassified to profit or loss</i>					
Fair value change on available-for-sale investments	2,099	54,763	16,329	1,722	5,746
Other comprehensive (expense) income for the year/period	(67,958)	(31,350)	(3,674)	45,595	84,875
Total comprehensive income for the year/period	<u>294,037</u>	<u>393,062</u>	<u>536,744</u>	<u>384,306</u>	<u>541,509</u>
Total comprehensive income for the year/period attributable to:					
Owners of the Company	222,750	329,040	451,252	330,256	435,115
Non-controlling interests	71,287	64,022	85,492	54,050	106,394
	<u>294,037</u>	<u>393,062</u>	<u>536,744</u>	<u>384,306</u>	<u>541,509</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 December			At
		2014	2015	2016	30 September
		RMB'000	RMB'000	RMB'000	2017
				RMB'000	
Non-current assets					
Property, plant and equipment	16	107,852	104,921	183,580	189,838
Prepaid lease payments	17	4,917	4,720	6,451	4,377
Investment property	18	–	–	–	–
Goodwill	19	9,550	457,241	457,241	457,241
Other intangible assets	20	1,515,848	3,219,714	6,439,239	6,557,952
Interests in joint ventures	21	657,192	661,128	705,256	724,016
Interests in associates	22	414,525	557,703	82,976	83,398
Available-for-sale investments	23	126,748	191,836	206,288	215,492
Receivables under service concession arrangements – non-current portion	24	3,232,818	4,663,830	10,948,086	12,533,320
Amounts due from associates	25	–	19,543	14,543	14,543
Retention monies	26	2,712	4,118	11,547	62,434
Deposits and prepayments	27	118,545	336,363	68,072	101,327
Deferred tax assets	28	18,357	16,940	22,376	38,649
		<u>6,209,064</u>	<u>10,238,057</u>	<u>19,145,655</u>	<u>20,982,587</u>
Current assets					
Inventories	29	20,887	20,768	73,371	82,050
Trade and other receivables	30	571,618	864,194	1,628,685	2,134,483
Prepayments	27	15,344	14,773	34,387	56,081
Bills receivables	30	2,679	939	3,313	3,383
Amounts due from joint ventures	25	1,437	1,437	137	–
Amounts due from associates	25	–	20,836	37,894	36,708
Receivables under service concession arrangements – current portion	24	92,899	123,816	203,993	240,452
Amounts due from customers for contract work	26	70,017	68,780	57,581	119,798
Held for trading investments	31	–	19,222	26,795	32,120
Pledged bank deposits	32	63,404	76,768	191,918	108,082
Bank balances and cash	32	1,119,272	795,228	1,634,556	1,633,447
		<u>1,957,557</u>	<u>2,006,761</u>	<u>3,892,630</u>	<u>4,446,604</u>
Current liabilities					
Trade and other payables	33	749,098	1,017,417	2,122,531	2,402,190
Bills payables	33	79,320	12,376	18,342	31,925
Amounts due to customers for contract work	26	24,551	20,934	21,386	14,498
Taxation payable		31,563	32,125	55,444	64,662
Bank and other borrowings	34	922,958	1,937,976	3,838,382	3,441,431
Obligations under finance leases	35	33,333	16,667	96,988	70,712
Other liability	36	86,348	–	–	–
		<u>1,927,171</u>	<u>3,037,495</u>	<u>6,153,073</u>	<u>6,025,418</u>
Net current assets (liabilities)		<u>30,386</u>	<u>(1,030,734)</u>	<u>(2,260,443)</u>	<u>(1,578,814)</u>
Total assets less current liabilities		<u>6,239,450</u>	<u>9,207,323</u>	<u>16,885,212</u>	<u>19,403,773</u>
Capital and reserves					
Share capital	38	3,278,603	4,861,138	4,861,138	5,951,889
Reserves		325,676	650,424	1,111,595	1,435,720
Equity attributable to owners of the Company		3,604,279	5,511,562	5,972,733	7,387,609
Non-controlling interests		586,332	1,067,887	2,560,444	2,698,738
Total equity		<u>4,190,611</u>	<u>6,579,449</u>	<u>8,533,177</u>	<u>10,086,347</u>
Non-current liabilities					
Provision of major overhauls	24	12,405	12,601	28,233	28,238
Bank and other borrowings	34	1,702,850	1,768,875	6,275,862	7,078,419
Obligations under finance leases	35	16,667	–	331,433	368,645
Deferred tax liabilities	28	270,122	791,837	1,602,513	1,727,091
Other non-current liabilities	37	46,795	54,561	113,994	115,033
		<u>2,048,839</u>	<u>2,627,874</u>	<u>8,352,035</u>	<u>9,317,426</u>
Total equity and non-current liabilities		<u>6,239,450</u>	<u>9,207,323</u>	<u>16,885,212</u>	<u>19,403,773</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At 31 December			At
					30 September
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	16	220	352	1,697	1,405
Interests in joint ventures	21	517,638	506,029	531,064	541,838
Investments in subsidiaries	48	716,009	2,349,890	2,565,418	5,400,751
Available-for-sale financial instruments	23	–	12,567	13,189	13,456
		<u>1,233,867</u>	<u>2,868,838</u>	<u>3,111,368</u>	<u>5,957,450</u>
Current assets					
Other receivables	30	650	7,228	710	100,685
Prepayments		3,048	1,535	358	17,442
Amounts due from subsidiaries	25	2,093,354	2,088,783	2,114,688	–
Amounts due from joint ventures	25	1,437	1,437	137	–
Bank balances and cash	32	156,022	69,565	8,726	379,372
		<u>2,254,511</u>	<u>2,168,548</u>	<u>2,124,619</u>	<u>497,499</u>
Current liabilities					
Trade and other payables	33	14,141	17,380	23,080	25,170
Amounts due to subsidiaries	25	4,270	133,193	137,132	100,718
Bank and other borrowings	34	10,709	10,469	119,026	245,026
Other liability	36	86,348	–	–	–
		<u>115,468</u>	<u>161,042</u>	<u>279,238</u>	<u>370,914</u>
Net current assets		<u>2,139,043</u>	<u>2,007,506</u>	<u>1,845,381</u>	<u>126,585</u>
Total assets less current liabilities		<u>3,372,910</u>	<u>4,876,344</u>	<u>4,956,749</u>	<u>6,084,035</u>
Capital and reserves					
Share capital		3,278,603	4,861,138	4,861,138	5,951,889
Reserves	54	(32,419)	(98,209)	95,611	132,146
Total equity		<u>3,246,184</u>	<u>4,762,929</u>	<u>4,956,749</u>	<u>6,084,035</u>
NON-CURRENT LIABILITY					
Bank and other borrowings	34	126,726	113,415	–	–
Total equity and non-current liability.		<u>3,372,910</u>	<u>4,876,344</u>	<u>4,956,749</u>	<u>6,084,035</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Treasury shares	Other reserve	Merger reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Sub-total	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,512,500	(96)	(26,370)	(200,315)	-	30,532	73,137	225,549	2,614,937	559,539	3,174,476
Profit for the year	-	-	-	-	-	-	-	290,708	290,708	71,287	361,995
Exchange differences arising from translation	-	-	-	-	-	(70,057)	-	-	(70,057)	-	(70,057)
Fair value change on available-for-sale investments	-	-	-	-	2,099	-	-	-	2,099	-	2,099
Total comprehensive income (expense) for the year	-	-	-	-	2,099	(70,057)	-	290,708	222,750	71,287	294,037
Shares placement, net of direct transaction costs (note 38)	766,103	-	-	-	-	-	-	-	766,103	-	766,103
Transfers	-	-	-	-	-	-	24,738	(24,738)	-	-	-
Acquisition of non-controlling interests	-	-	489	-	-	-	-	-	489	(7,389)	(6,900)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(21,851)	(21,851)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(15,254)	(15,254)
At 31 December 2014	3,278,603	(96)	(25,881)	(200,315)	2,099	(39,525)	97,875	491,519	3,604,279	586,332	4,190,611
Profit for the year	-	-	-	-	-	-	-	360,390	360,390	64,022	424,412
Exchange differences arising from translation	-	-	-	-	-	(86,113)	-	-	(86,113)	-	(86,113)
Fair value change on available-for-sale investments	-	-	-	-	54,763	-	-	-	54,763	-	54,763
Total comprehensive income (expense) for the year	-	-	-	-	54,763	(86,113)	-	360,390	329,040	64,022	393,062
Transfers	-	-	-	-	-	-	54,338	(54,338)	-	-	-
Acquisition of non-controlling interests	-	-	(4,292)	-	-	-	-	-	(4,292)	(103,343)	(107,635)
Acquisition of a subsidiary (note 40(II))	1,490,446	-	-	-	-	-	-	-	1,490,446	540,067	2,030,513
Issuance of consideration shares (note 40(II))	92,089	-	-	-	-	-	-	-	92,089	-	1,490,446
Issuance of earn-out shares (note 36)	-	-	-	-	-	-	-	-	-	-	92,089
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(19,191)	(19,191)
At 31 December 2015	4,861,138	(96)	(30,173)	(200,315)	56,862	(125,638)	152,213	797,571	5,511,562	1,067,887	6,579,449

Attributable to owners of the Company											
	Share capital RMB'000	Treasury shares RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	General reserves RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016	4,861,138	(96)	(30,173)	(200,315)	56,862	(125,638)	152,213	797,571	5,511,562	1,067,887	6,579,449
Profit for the year	-	-	-	-	-	-	-	454,926	454,926	85,492	540,418
Exchange differences arising from translation	-	-	-	-	-	(20,003)	-	-	(20,003)	-	(20,003)
Fair value change on available-for-sale investments	-	-	-	-	16,329	-	-	-	16,329	-	16,329
Total comprehensive income (expense) for the year	-	-	-	-	16,329	(20,003)	-	454,926	451,252	85,492	536,744
Transfers	-	-	-	-	-	-	53,325	(53,325)	-	-	-
Proportional capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	46,000	46,000
Acquisition of non-controlling interests	-	-	9,919	-	-	-	-	-	9,919	(35,519)	(25,600)
Acquisition of subsidiaries (note 40(III))	-	-	-	-	-	-	-	-	-	1,413,638	1,413,638
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(17,054)	(17,054)
At 31 December 2016	4,861,138	(96)	(20,254)	(200,315)	73,191	(145,641)	205,538	1,199,172	5,972,733	2,560,444	8,533,177
Profit for the period	-	-	-	-	-	-	-	350,240	350,240	106,394	456,634
Exchange differences arising from translation	-	-	-	-	-	79,129	-	-	79,129	-	79,129
Fair value change on available-for-sale investments	-	-	-	-	5,746	-	-	-	5,746	-	5,746
Total comprehensive income for the period	-	-	-	-	5,746	79,129	-	350,240	435,115	106,394	541,509
Share placement, net of direct transaction costs (note 38)	1,090,751	-	-	-	-	-	-	-	1,090,751	-	1,090,751
Transfers	-	-	-	-	-	-	2,411	(2,411)	-	-	-
Proportional capital contribution from a non-controlling shareholder upon capitalisation of its advance to the Group	-	-	-	-	-	-	-	-	-	18,000	18,000
Proportional capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	19,365	19,365
Dividends paid	-	-	-	-	-	-	-	(110,990)	(110,990)	-	(110,990)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,465)	(5,465)
At 30 September 2017	5,951,889	(96)	(20,254)	(200,315)	78,937	(66,512)	207,949	1,436,011	7,387,609	2,698,738	10,086,347

	Attributable to owners of the Company										
	Share capital	Treasury shares	Other reserve	Merger reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note i)	(Note ii)	(Note iii)	(Note iv)							
At 1 January 2016	4,861,138	(96)	(30,173)	(200,315)	56,862	(125,638)	152,213	797,571	5,511,562	1,067,887	6,579,449
Profit for the period	-	-	-	-	-	-	-	284,661	284,661	54,050	338,711
Exchange differences arising from translation	-	-	-	-	-	43,873	-	-	43,873	-	43,873
Fair value change on available-for-sale investments	-	-	-	-	1,722	-	-	-	1,722	-	1,722
Total comprehensive income for the period	-	-	-	-	1,722	43,873	-	284,661	330,256	54,050	384,306
Transfers	-	-	-	-	-	-	3,038	(3,038)	-	-	-
Proportional capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	46,000	46,000
Acquisition of subsidiaries (note 40 (III))	-	-	-	-	-	-	-	-	-	137,180	137,180
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(5,090)	(5,090)
At 30 September 2016	4,861,138	(96)	(30,173)	(200,315)	58,584	(81,765)	155,251	1,079,194	5,841,818	1,300,027	7,141,845

Notes:

- (i) Amount represents 56,400 ordinary shares of the Company that are held by the Company. The total amount paid to purchase the shares was RMB96,000.
- (ii) The Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.
- (iii) Merger reserve represents the difference in the fair value of the consideration paid to its intermediate parent, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries/businesses controlled by SIHL in prior years and the share capital of the acquired subsidiaries.
- (iv) The general reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	437,943	523,996	664,517	431,406	628,610
Adjustments for:					
Amortisation of other intangible assets	65,620	105,291	162,235	103,058	195,401
Change in fair value of other liability	(28,292)	5,190	–	–	–
Depreciation of property, plant and equipment	10,578	11,162	13,368	9,049	16,115
Fair value gain on held for trading investments	–	(278)	(1,105)	(633)	(5,892)
Finance costs	151,295	169,853	234,611	141,504	384,938
Gain from bargain purchase of investment in a subsidiary	(4,469)	–	–	–	–
Gain from revaluation of previously held interest in an associate	–	–	(155,389)	–	–
Gain on disposal of available-for-sale investments	–	–	(10,628)	(10,628)	–
Impairment loss on trade receivables	545	906	2,158	684	1,388
Impairment loss on other receivables	3,510	92	–	–	–
Impairment loss (reversal of impairment loss) on inventories	–	1,046	(7)	(7)	–
Interest income	(48,847)	(10,441)	(11,357)	(7,205)	(12,078)
Net gain on disposal of other intangible assets	–	–	(2,529)	(2,551)	–
Net gain on disposal of interests in subsidiaries	(5,227)	–	–	–	–
Net loss (gain) on disposal/written off of property, plant and equipment	1,950	(873)	139	276	59
Release of prepaid lease payments	406	197	256	189	147
Reversal of impairment loss on trade receivables	(3,139)	(762)	(1,652)	(1,254)	(14,593)
Reversal of impairment loss on other receivables	(4,788)	(9,095)	(8,307)	(8,232)	(20)
Reversal of provision for foreseeable loss	(558)	–	(11)	–	–
Share of results of associates	(7,655)	(22,038)	(10,579)	(14,540)	2,758
Share of results of joint ventures	(52,732)	(56,207)	(60,122)	(46,002)	(37,052)
Unrealised foreign exchange (gains) losses	(4,215)	(8,570)	(10,783)	1,154	(3,748)
Written off of bad debts	48	–	170	–	–
Operating cash flows before movements in working capital	511,973	709,469	804,985	596,268	1,156,033
Increase in inventories	(3,116)	(722)	(30,692)	(1,179)	(8,067)
(Increase) decrease in trade and other receivables	(147,655)	(118,778)	303,394	164,584	(597,550)
(Increase) decrease in bills receivables	(2,138)	2,040	(2,374)	(2,881)	(70)
Increase in receivables under service concession arrangements	(66,445)	(609,495)	(1,208,856)	(405,194)	(1,341,731)
Net movement in amounts due from (to) customers for contract work	8,066	(2,576)	37,715	(87,634)	(69,664)
Decrease (increase) in amounts due from associates	89	(20,243)	(41,943)	(6,620)	(122,628)
(Increase) decrease in amounts due from joint ventures	(1,437)	(150)	1,080	125	916
(Decrease) increase in trade and other payables	(81,530)	100,116	104,269	95,686	138,332
Increase (decrease) in bills payables	62,257	(66,944)	5,966	(2,134)	8,977
Cash generated from (used in) operations	280,064	(7,283)	(26,456)	351,021	(835,452)
Interest received	48,846	8,729	8,485	5,293	10,948
Income tax paid	(44,561)	(65,112)	(67,287)	(53,661)	(86,135)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	284,349	(63,666)	(85,258)	302,653	(910,639)

	Notes	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)
INVESTING ACTIVITIES						
Acquisition of a joint venture		(530,000)	-	-	-	-
Acquisition of an associate		(405,000)	-	(150)	(150)	(3,500)
Acquisition of subsidiaries	40	(228,542)	(598,542)	(156,365)	43,480	(212,993)
Purchase of other intangible assets		(134,533)	(41,230)	(72,303)	(54,184)	(68,144)
Investment in available-for-sale investments. . .		(122,255)	(12,567)	-	-	-
Purchase of property, plant and equipment . . .		(17,884)	(21,257)	(20,117)	(13,872)	(24,997)
Proceeds from government grants		50,023	7,300	-	-	-
Dividends received from joint ventures		38,771	36,454	41,835	28,596	31,932
Disposal of subsidiaries (net of cash and cash equivalents disposed of).	41	12,303	-	-	-	-
Increase (decrease) in deposits paid on acquisition of property, plant and equipment and other intangible assets		11,921	(3,620)	(445)	(1,479)	(4,091)
Proceeds from disposal of property, plant and equipment.		941	16,375	438	347	717
Deposit paid on acquisition of a subsidiary . . .		-	(288,188)	-	-	-
Investment in held-for-trading investments . . .		-	(18,476)	-	-	-
Proceeds from disposal of available-for-sale investments		-	-	30,906	-	-
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(1,324,255)	(923,751)	(176,201)	2,738	(281,076)
FINANCING ACTIVITIES						
Proceeds from shares placements, net of direct transaction costs		750,516	-	-	-	1,090,751
Bank and other borrowings raised		747,787	1,485,525	5,209,793	555,750	2,687,927
Repayment of bank and other borrowings		(903,375)	(531,791)	(2,049,179)	(377,832)	(2,244,509)
Interest paid		(153,718)	(174,732)	(231,115)	(113,263)	(314,778)
Dividends paid to former shareholders		(43,163)	-	-	-	-
(Increase) decrease in pledged bank deposits		(36,703)	(9,364)	(112,145)	(89,274)	88,442
Repayment of obligations under finance leases		(34,330)	(33,333)	(10,902)	(16,667)	(109,064)
Dividends paid to non-controlling interests . . .	47	(15,254)	(18,591)	(12,154)	(5,090)	(10,365)
Acquisition of non-controlling interests		(6,900)	(107,635)	(5,000)	-	-
Advanced contributions by non-controlling interests for future additional capital injection of a subsidiary		-	46,000	-	-	-
Repayment of payables due to a former shareholder		-	-	(1,698,050)	-	-
Proceeds from sales and lease back arrangements		-	-	-	-	120,000
Capital contribution by non-controlling interests		-	-	-	-	19,365
Dividends paid		-	-	-	-	(110,990)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		304,860	656,079	1,091,248	(46,376)	1,216,779
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(735,046)	(331,338)	829,789	259,015	25,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		1,878,834	1,119,272	795,228	795,228	1,634,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(24,516)	7,294	9,539	1,476	(26,173)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		1,119,272	795,228	1,634,556	1,055,719	1,633,447

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company is a public limited company incorporated in the Republic of Singapore (“Singapore”) and its shares are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporation Information” in the Listing Document. Its immediate and ultimate holding companies are S.I. Infrastructure Holdings Limited (“S.I. Infrastructure”), a private limited company incorporated in the British Virgin Islands (the “BVI”) and Shanghai Industrial Investment (Holdings) Co., Ltd, a private limited company incorporated in Hong Kong, respectively.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 48, 21 and 22, respectively.

The functional currency of the Company is Singapore dollar (“S\$”) and the Historical Financial Information is presented in RMB as the Group’s operations are substantially based in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRSs issued by the IASB.

At 31 December 2015 and 2016 and 30 September 2017, the Group had net current liabilities of approximately RMB1,031 million, RMB2,260 million and RMB1,579 million, respectively. In preparing the Historical Financial Information, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the Group’s capital expenditure plan for its future business development; and (ii) the availability of banking facilities. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the Historical Financial Information is appropriate.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 40	Transfer of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

IFRS 9 “Financial Instruments”

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. 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 generally measured at fair value through other comprehensive income (“FVTOCI”). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, 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 fair value through profit or loss (“FVTPL”), IFRS 9 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. Under IAS 39, the entire amount of the change in fair value of the financial liability designated as FVTPL is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 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 IAS 39. Under IFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on an analysis of the Group’s financial assets and financial liabilities as at 30 September 2017, the directors of the Company anticipated the following potential impact on initial application of IFRS 9:

Classification and measurement

- Listed equity securities classified as available-for-sale investments carried at fair value and unlisted equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 23: these securities will be measured at fair value under IFRS 9. Based on the assessment by the directors of the Company and the fact that the whole amount of listed equity securities carried at fair value are subsequently disposed of in December 2017, the initial application of IFRS 9 would not affect the Group’s financial position and performance. For unlisted equity securities carried at cost less impairment, based on the assessment by the directors of the Company, upon initial application of IFRS 9, the fair value gain or loss relating to these securities to be adjusted to retained profits as at 1 January 2018 would be insignificant.
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon the application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be increased as compared to the accumulated amount recognized under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018 but will not have a material adverse impact on the Group's financial performance in the foreseeable futures.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 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 contract(s) 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 IFRS 15, 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company anticipate that the application of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised in the respective reporting periods and consolidated financial statements in the foreseeable future.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease

modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

As at 30 September 2017, the Group had non-cancellable operating lease commitments of RMB55,123,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirement may result changes in measurement and presentation as indicated above but will not have a material adverse impact on the Group's financial performance in the foreseeable futures.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The directors of the Company anticipate that the application of the other new standards and amendments to IFRSs upon their respective effective date will have no material impact on the future financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange ("the Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies set out below.

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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 statements of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, 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, a gain or loss is recognised in profit or loss and 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to retained profits as specified/permitted by applicable IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits”, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 “Share-based Payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard.

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

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

When 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 included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. 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 facts and circumstances that existed at 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 to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain

or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree 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 was 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 at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger accounting for business combination involving entities under common control

Business combination involving entities under common control 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 under the heading of merger reserve.

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses 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 net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the Historical Financial Information are presented as if the businesses had been combined at the end of previous reporting period or when they first came under common control, whichever is shorter.

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 purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit (or group of cash generating units) may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

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

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

Investments 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 of the arrangement have rights to the net assets of the joint arrangement. Joint control is the 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 and joint ventures are incorporated in the Historical Financial Information using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used 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, an investment in an associate or a joint venture is initially recognised in the consolidated statements 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 joint venture exceeds the Group's 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 IAS 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 IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IAS 39, 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. 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 disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for 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 or 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 or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a 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 an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

Service concession arrangements

The Group has entered into a number of service concession arrangements with certain governmental authorities or their designees (the "Grantors").

Under these service concession arrangements:

- the Grantors control or regulate the services the Group must provide with the infrastructure, to whom it must provide them, and at what price; and
- the Grantors control, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement, or the infrastructure is used for its entire useful life under the arrangements, or both the Group's practical ability to sell or pledge the infrastructure is restricted and continuing right of use of the infrastructure is given to the Grantors throughout the period of the arrangements.

The Group's infrastructure includes leasehold land, buildings, plant and machinery that are acquired from the Grantors and/or are derecognised by the Group (when the directors of the Company consider that the significant risks and rewards of these assets have been passed to the Grantors) upon the service concession arrangements established.

Consideration given by the grantor

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

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible asset (operating concession) is stated at cost less accumulated amortisation and any accumulated impairment loss. Amortisation is provided 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 IAS 11 "Construction Contracts". The Group recognises 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 recognises 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 and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" 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.

Construction contracts

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

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customers returns, rebates and other similar allowance.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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 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.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. The interest income from receivables under service concession arrangements is included in the financial income under 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.

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the Historical Financial Information at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate

categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the derecognition of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the 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.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statements of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of net investment.

For the purposes of presenting Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, 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 arrangements 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.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis 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 in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/stated-managed retirement benefit schemes/the Central Provident Fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expenses unless another IFRS required or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Equity-settled share-based payment transactions

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

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

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury share. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Taxation

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, interests in 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. 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 the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Intangible assets

Intangible assets acquired separately excluding operating concessions

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill 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 IFRIC 12 "Service Concession Arrangements; (ii) the rights under the service concession arrangements for the wastewater treatment allows the Group to receive and treat wastewater above the minimum amount of guaranteed volume, at a predetermined tariff rate during the concessionary period acquired in a business combination; and (iii) the rights to operate and manage wastewater treatment plants acquired in a business combination.

The operating concessions are initially measured at cost and subsequent to initial recognition, 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 – 50 years.

Research expenditure

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

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 acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of impairment losses on tangible and intangible assets other than goodwill below).

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, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined by the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated cost to completion and costs necessary to make the sale.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when 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 term;
- on initial recognition it is a part of a portfolio of identified 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;
- 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
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 50(c).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from associates, retention monies, joint ventures, receivables under service concession arrangements, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables, where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL or loans and receivables.

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

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

Impairment of financial assets

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

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

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

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of a range of 0 to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

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 in the period.

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified 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 or contingent consideration that may be paid by an acquirer as part of a business combination 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 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 IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, bills payables, bank and other borrowings, obligations under finance leases and other liability are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the

effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Equity instruments

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

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 profits” 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.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

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

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

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 that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a 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, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

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 IFRIC 12, 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 4, 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 the key source of estimation certainty in respect of service concession arrangements below).

Determination of functional currency of the entities in the Group

IAS 21 "The Effects of Changes in Foreign Exchange Rates" requires the Company and the entities in the Group to determine their functional currency to prepare the financial statements. When determining their functional currency, the Company and the entities in the Group consider the primary economic environment in which they operate, i.e. the one in which they primarily generate and expend cash. The Company and the entities in the Group may also consider the funding sources. Management applied their 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 interests

For purposes of meeting the requirements under IFRS 12 "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 their judgement in determining the material subsidiaries, joint ventures and associates; and non-wholly owned subsidiaries with material non-controlling interests. During the Track Record Period, management assess the disclosure requirements of non-wholly owned subsidiaries with material non-controlling interests. The assessment resulted in such disclosure to be made at a sub-group level instead of individual entity level which will further enhance the disclosure. Information as required under IFRS 12 are disclosed under notes 48, 21 and 22.

Key sources of estimation uncertainty

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

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 fair value of identifiable assets and liabilities (including contingent liabilities) requires the Group to estimate the expected future cash flow and the discount rate used for the discounted cash flow model.

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in note 40.

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 reporting period. 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/period in which the change is made and in subsequent years/periods. 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 26.

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the Group has recognised revenue amounting to RMB441,604,000, RMB523,373,000, RMB1,030,663,000, RMB512,737,000 (unaudited) and RMB1,508,106,000 from construction contracts, respectively, of which RMB231,900,000, RMB472,734,000, RMB982,808,000, RMB400,116,000 (unaudited) and RMB1,390,182,000, respectively, relates to revenue recognised for the third party constructed infrastructure in relation to service concession arrangements.

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 the 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 costs in the PRC which is a reasonable proxy of the grantor's incremental borrowing rate for the Group as a whole.

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's financial receivables and intangible assets arising from service concession arrangements at the end of the reporting period is disclosed in notes 24 and 20, respectively.

Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the wastewater 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 wastewater and water treatment plants, except for any upgrade element, are recognised and measured in accordance with IAS 37 "Provision, Contingent Liabilities and Contingent Assets", i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the provision for major overhauls amounted to RMB12,405,000, RMB12,601,000, RMB28,233,000 and RMB28,238,000, respectively (note 24).

Estimated impairment of loans and receivables

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the Group has written back allowance for doubtful receivables (net of allowance during the year/period) amounting to RMB3,872,000, RMB8,859,000, RMB7,801,000, RMB8,802,000 (unaudited) and RMB13,225,000, respectively.

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 24, 25 and 30.

Estimated impairment of non-financial assets and available-for-sale financial instruments carried at cost

The Group assesses whether there is any indicator of impairment for all available-for-sale financial instruments carried at cost and non-financial assets including investments in subsidiaries, interests in joint ventures and associates, property, plant and equipment, intangible assets, prepaid lease payments 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.

For non-financial assets, impairment exists when the carrying value of that 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. For available-for-sale instruments carried at cost, impairment exists when the carrying value of that asset exceeds the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial assets. 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 19. The carrying amounts of the available-for-sale financial instruments and non-financial assets are disclosed in notes 16, 17, 19, 20, 21, 22 and 23.

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, interests in associates and 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 28.

Income tax

The Group is subjected to income taxes in Singapore and the 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. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amount of the Group's income tax payable are RMB31,563,000, RMB32,125,000, RMB55,444,000 and RMB64,662,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)				
Construction revenue	441,604	523,373	1,030,663	512,737	1,508,106
Operating and maintenance income from service concession arrangements.	697,008	751,172	952,752	622,561	1,130,274
Financial income from service concession arrangements.	216,656	336,171	395,187	243,454	517,175
Service income.	116,568	117,986	118,671	86,193	91,375
Others	32,598	75,094	150,824	49,216	106,686
	<u>1,504,434</u>	<u>1,803,796</u>	<u>2,648,097</u>	<u>1,514,161</u>	<u>3,353,616</u>

The Group's operating segments based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

(i) Construction

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

(ii) Wastewater treatment

Principal activities include construction, management and operation of wastewater related infrastructure under service concession arrangements and management and operation of wastewater related infrastructure under non-service concession arrangements and financial income under service concession arrangements.

(iii) Water supply

Principal activities include construction, management and operation of water supply related infrastructure under service concession arrangements.

(iv) Waste incineration

Principal activities include construction, management and operation of waste incineration related infrastructure under service concession arrangements.

Construction, wastewater treatment, water supply and waste incineration also represent the Group's reportable segments.

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 during the Track Record Period.

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.

The accounting policies of the operating segments are the same as the Group's accounting policies as described in note 4. 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 are managed on a Group basis and are not allocated to operating segments. Unallocated assets and 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 Track Record Period 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.

Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Year ended 31 December 2014

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales	209,704	862,155	354,619	45,358	1,471,836	32,598	–	1,504,434
Segment operating (loss) profit	(2,418)	366,964	64,826	19,312	448,684	(4,219)	(15,174)	429,291
Interest income	–	36,376	1,474	–	37,850	–	10,997	48,847
Finance costs	–	–	–	–	–	–	(151,295)	(151,295)
Other corporate income, gains and losses	–	9,819	2,906	–	12,725	–	33,519	46,244
Gain from bargain purchase of investment in a subsidiary	–	4,469	–	–	4,469	–	–	4,469
Share of results of joint ventures	–	–	–	52,732	52,732	–	–	52,732
Share of results of associates	–	8,245	–	–	8,245	(590)	–	7,655
Segment (loss) profit before taxation	(2,418)	425,873	69,206	72,044	564,705	(4,809)	(121,953)	437,943

Year ended 31 December 2015

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales	50,639	1,329,015	305,031	44,017	1,728,702	75,094	–	1,803,796
Segment operating profit (loss)	8,241	457,068	74,429	14,546	554,284	16,740	(28,566)	542,458
Interest income	–	–	–	–	–	–	10,441	10,441
Finance costs	–	–	–	–	–	–	(169,853)	(169,853)
Other corporate income, gains and losses	–	61,915	1,497	3,970	67,382	–	513	67,895
Other expenses	–	–	–	–	–	–	(5,190)	(5,190)
Share of results of joint ventures	–	–	–	56,207	56,207	–	–	56,207
Share of results of associates	–	22,703	–	–	22,703	(665)	–	22,038
Segment profit (loss) before taxation	8,241	541,686	75,926	74,723	700,576	16,075	(192,655)	523,996

Year ended 31 December 2016

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales	17,158	1,979,895	406,339	93,881	2,497,273	150,824	–	2,648,097
Segment operating profit (loss).	3,990	472,733	73,055	23,515	573,293	33,065	(57,641)	548,717
Interest income	–	–	–	–	–	–	11,357	11,357
Finance costs	–	–	–	–	–	–	(234,611)	(234,611)
Other corporate income, gains and losses	–	76,701	15,972	7,396	100,069	367	12,528	112,964
Gain from revaluation of previously held interest in an associate	–	155,389	–	–	155,389	–	–	155,389
Share of results of joint ventures	–	–	–	60,122	60,122	–	–	60,122
Share of results of associates.	–	11,312	–	–	11,312	(733)	–	10,579
Segment profit (loss) before taxation	3,990	716,135	89,027	91,033	900,185	32,699	(268,367)	664,517

Nine months ended 30 September 2016 (unaudited)

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales	5,503	1,145,604	277,010	36,828	1,464,945	49,216	–	1,514,161
Segment operating profit (loss).	1,386	330,755	54,273	13,301	399,715	27,222	(23,489)	403,448
Interest income	–	–	–	–	–	–	7,205	7,205
Finance costs	–	–	–	–	–	–	(141,504)	(141,504)
Other corporate income, gains and losses	–	76,982	2,354	5,631	84,967	5,098	11,650	101,715
Share of results of joint ventures	–	–	–	46,002	46,002	–	–	46,002
Share of results of associates.	–	14,223	–	–	14,223	317	–	14,540
Segment profit (loss) before taxation	1,386	421,960	56,627	64,934	544,907	32,637	(146,138)	431,406

Nine months ended 30 September 2017

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales . . .	1,987	2,672,595	445,457	126,892	3,246,931	106,685	–	3,353,616
Segment operating profit (loss) . . .	641	725,313	98,634	31,116	855,704	29,299	(48,443)	836,560
Interest income . . .	–	–	–	–	–	–	12,078	12,078
Finance costs . . .	–	–	–	–	–	–	(384,938)	(384,938)
Other corporate income, gains and losses	–	85,060	27,153	4,974	117,187	5,098	8,331	130,616
Share of results of joint ventures . . .	–	–	–	37,052	37,052	–	–	37,052
Share of results of associates	–	(2,447)	–	–	(2,447)	(311)	–	(2,758)
Segment profit (loss) before taxation	641	807,926	125,787	73,142	1,007,496	34,086	(412,972)	628,610

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2014

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	270,099	4,683,546	1,509,933	1,096,888	7,560,466	273,056	333,099	8,166,621
Segment liabilities	145,882	1,712,354	799,193	247,564	2,904,993	301,448	769,569	3,976,010

At 31 December 2015

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	320,456	8,636,058	1,397,910	1,080,719	11,435,143	361,446	448,229	12,244,818
Segment liabilities . .	199,636	2,313,093	652,359	221,949	3,387,037	236,757	2,041,575	5,665,369

At 31 December 2016

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	128,634	17,849,796	2,994,077	1,196,318	22,168,825	318,724	550,736	23,038,285
Segment liabilities . .	166,584	8,855,875	1,397,709	208,350	10,628,518	445,074	3,431,516	14,505,108

At 30 September 2017

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	116,859	19,951,000	3,053,177	1,157,812	24,278,848	431,231	719,112	25,429,191
Segment liabilities . .	136,624	10,226,439	1,379,471	174,405	11,916,939	621,137	2,804,768	15,342,844

Other segment information

Year ended 31 December 2014

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segments	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure . . .	62	9,729	117,100	461	127,352	1,130	31	128,513
Change in fair value of other liability . . .	–	(28,292)	–	–	(28,292)	–	–	(28,292)
Depreciation and amortisation	2,622	17,901	46,328	8,959	75,810	586	208	76,604
Gain from bargain purchase of investment in a subsidiary	–	(4,469)	–	–	(4,469)	–	–	(4,469)
Impairment loss on trade receivables . . .	–	–	264	–	264	–	281	545
Impairment loss on other receivables . . .	3,502	–	8	–	3,510	–	–	3,510
Net (gain) loss on disposal of interests in subsidiaries	(9,048)	–	–	–	(9,048)	–	3,821	(5,227)
Reversal of impairment loss on trade receivables . . .	(2,720)	(184)	–	–	(2,904)	(235)	–	(3,139)
Reversal of impairment loss on other receivables . . .	–	(1)	(81)	–	(82)	(4,706)	–	(4,788)
Reversal of provision for foreseeable loss . .	(558)	–	–	–	(558)	–	–	(558)
Written off of bad debts	48	–	–	–	48	–	–	48

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interests in joint ventures	–	–	–	657,192	657,192	–	–	657,192
Interests in associates . .	–	403,142	–	–	403,142	11,383	–	414,525
Available-for-sale investments	–	–	–	–	–	–	126,748	126,748
Income tax expense	182	64,890	6,264	255	71,591	1,930	2,427	75,948

Year ended 31 December 2015

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segments	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure . . .	321	12,710	38,991	200	52,222	1,944	2,142	56,308
Change in fair value of other liability . . .	-	5,190	-	-	5,190	-	-	5,190
Depreciation and amortisation	2,130	54,587	50,443	8,507	115,667	615	368	116,650
Fair value gain on held for trading investments.	-	-	-	-	-	-	(278)	(278)
Impairment loss on trade receivables . . .	-	-	906	-	906	-	-	906
Impairment loss on inventories	1,046	-	-	-	1,046	-	-	1,046
Impairment loss on other receivables . . .	-	-	92	-	92	-	-	92
Reversal of impairment loss on trade receivables . . .	(100)	(632)	(30)	-	(762)	-	-	(762)
Reversal of impairment loss on other receivables . . .	-	(95)	-	-	(95)	-	(9,000)	(9,095)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interests in joint ventures	-	-	-	661,128	661,128	-	-	661,128
Interests in associates . . .	-	546,984	-	-	546,984	10,719	-	557,703
Available-for-sale investments.	-	-	-	-	-	-	191,836	191,836
Held for trading investments.	-	-	-	-	-	-	19,222	19,222
Income tax (credit) expense	(416)	78,635	12,444	(1,499)	89,164	5,760	4,660	99,584

Year ended 31 December 2016

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segments	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure	112	5,031	62,490	585	68,218	317	1,787	70,322
Depreciation and amortisation	1,875	73,790	80,438	8,348	164,451	210	11,198	175,859
Fair value gain on held for trading investments	-	-	-	-	-	-	(1,105)	(1,105)
Gain from revaluation of previously held interest in an associate	-	(155,389)	-	-	(155,389)	-	-	(155,389)
Impairment loss on trade receivables	-	1,354	804	-	2,158	-	-	2,158
Reversal of impairment loss on trade receivables	-	(1,526)	(126)	-	(1,652)	-	-	(1,652)
Reversal of impairment loss on inventories	(7)	-	-	-	(7)	-	-	(7)
Reversal of impairment loss on other receivables	-	(161)	-	-	(161)	-	(8,146)	(8,307)
Reversal of provision for foreseeable loss	(11)	-	-	-	(11)	-	-	(11)
Written off of bad debts	-	170	-	-	170	-	-	170
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:								
Interests in joint ventures	-	-	-	705,256	705,256	-	-	705,256
Interests in associates	-	72,990	-	-	72,990	9,986	-	82,976
Available-for-sale investments	-	10,400	-	-	10,400	500	195,388	206,288
Held for trading investments	-	-	-	-	-	6,149	20,646	26,795
Income tax expense	870	82,468	26,162	3,542	113,042	6,170	4,887	124,099

Nine months ended 30 September 2016 (unaudited)

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segments	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure	391	12,735	23,674	17	36,817	–	1,661	38,478
Depreciation and amortisation	1,336	61,792	42,829	6,033	111,990	–	306	112,296
Fair value gain on held for trading investments	–	–	–	–	–	–	(633)	(633)
Impairment loss on trade receivables	–	–	684	–	684	–	–	684
Reversal of impairment loss on trade receivables	(1,166)	–	(88)	–	(1,254)	–	–	(1,254)
Reversal of impairment loss on inventories	(7)	–	–	–	(7)	–	–	(7)
Reversal of impairment loss on other receivables	–	(8,176)	(56)	–	(8,232)	–	–	(8,232)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interests in joint ventures	–	–	–	702,491	702,491	–	–	702,491
Interests in associates	–	588,278	–	–	588,278	10,273	–	598,551
Available-for-sale investments	–	–	–	–	–	500	182,545	183,045
Held for trading investments	–	–	–	–	–	–	21,600	21,600
Income tax expense	141	76,987	11,638	2,294	91,060	–	1,635	92,695

Nine months ended 30 September 2017

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segments	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure . . .	319	194,987	20,430	94	215,830	202	17	216,049
Depreciation and amortisation	1,562	115,816	79,270	6,310	202,958	287	8,418	211,663
Fair value gain on held for trading investments	-	-	-	-	-	1,358	(7,250)	(5,892)
Impairment loss on trade receivables . . .	423	-	965	-	1,388	-	-	1,388
Reversal of impairment loss on trade receivables . . .	-	(12,850)	-	-	(12,850)	(1,743)	-	(14,593)
Reversal of impairment loss on other receivables . . .	-	-	-	-	-	(20)	-	(20)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:

Interests in joint ventures	-	-	-	724,016	724,016	-	-	724,016
Interests in associates	-	73,724	-	-	-	9,674	-	83,398
Available-for-sale investments	-	-	-	-	-	500	214,992	215,492
Held for trading investments	-	-	-	-	-	4,791	27,329	32,120
Income tax expenses	141	138,945	21,235	3,589	163,910	6,309	1,757	171,976

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers					Non-current assets			
	Year ended 31 December			Nine months ended 30 September		At 31 December			At 30 September
	2014	2015	2016	2016	2017	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)								
PRC	1,504,434	1,803,796	2,648,097	1,514,161	3,353,616	2,828,209	5,341,438	7,941,118	8,116,744
Singapore	-	-	-	-	-	220	352	1,697	1,405
	<u>1,504,434</u>	<u>1,803,796</u>	<u>2,648,097</u>	<u>1,514,161</u>	<u>3,353,616</u>	<u>2,828,429</u>	<u>5,341,790</u>	<u>7,942,815</u>	<u>8,118,149</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, revenue from PRC government amounted to RMB743,677,000, RMB1,429,630,000, RMB1,972,591,000, RMB882,429,000 (unaudited) and RMB1,833,661,000, respectively, arises from wastewater treatment and water supply and waste incineration segments.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest income on bank balances	8,911	8,728	8,452	4,730	9,007
Interest income on late settlement of certain trade receivables (<i>Note i</i>)	37,850	–	–	–	–
Other interest income	2,086	1,713	2,905	2,475	3,071
	48,847	10,441	11,357	7,205	12,078
Compensation for relocation of a water treatment plant	–	–	21,150	21,150	5,651
Government subsidies (<i>Note ii</i>)	12,725	54,471	74,967	65,197	117,640
Installation of water meters . . .	12,965	17,716	22,028	13,717	24,061
Others	7,030	27,037	31,749	18,514	14,220
	81,567	109,665	161,251	125,783	173,650

Notes:

- (i) During the year ended 31 December 2014, the Group received interest income from a customer relating to overdue payment on certain trade receivables of a wastewater treatment plant and the interest was charged at interest rate ranging from 6.86% to 8.57% per annum.
- (ii) Amounts mainly represented value-added tax refund from PRC local tax authorities for the purpose of giving immediate financial support to the Group with no future related costs or obligations.

8. OTHER GAINS AND LOSSES

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Change in fair value of other liability (note 36)	28,292	(5,190)	–	–	–
Fair value gain on held for trading investments	–	278	1,015	633	5,892
Gain from bargain purchase of investment in a subsidiary (note 40).	4,469	–	–	–	–
Gain from revaluation of previously held interest in an associate	–	–	155,389	–	–
Gain on disposal of available-for-sale investments	–	–	10,628	10,628	–
Net gain on disposal of interests in subsidiaries (note 41).	5,227	–	–	–	–
Net foreign exchange gain (loss)	16,283	220	(4,131)	(1,493)	3,733
	<u>54,271</u>	<u>(4,692)</u>	<u>162,901</u>	<u>9,768</u>	<u>9,625</u>

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest expenses on bank and other borrowings	148,042	166,826	230,920	138,775	382,508
Less: amounts capitalised in the cost of qualifying assets	(3,470)	–	–	–	–
	<u>144,572</u>	<u>166,826</u>	<u>230,920</u>	<u>138,775</u>	<u>382,508</u>
Financial expense on amortisation of retention monies	686	–	493	383	334
Financial expense on amortisation of benefits to ex-employees	1,262	1,662	1,548	1,161	1,059
Others	4,775	1,365	1,650	1,185	1,037
	<u>151,295</u>	<u>169,853</u>	<u>234,611</u>	<u>141,504</u>	<u>384,938</u>

Interest expense of RMB3,470,000 arising from borrowings directly attributable to the construction of property, plant and equipment was capitalised at borrowing rates ranging from 6.15% to 6.55% per annum and was included in “additions” to construction in progress during the year ended 31 December 2014. Except for the above, there was no other capitalisation in the Track Record Period.

10. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current tax					
– PRC	58,735	62,634	74,878	50,847	96,248
– Singapore	–	4,660	4,887	1,634	1,759
	<u>58,735</u>	<u>67,294</u>	<u>79,765</u>	<u>52,481</u>	<u>98,007</u>
(Over)underprovision in prior years – PRC	(91)	1,604	(245)	(87)	72
Deferred taxation (<i>note 28</i>)					
– current year	23,614	32,827	45,492	40,982	74,992
– (over)underprovision	(6,310)	(2,141)	(913)	(681)	(1,095)
	<u>17,304</u>	<u>30,686</u>	<u>44,579</u>	<u>40,301</u>	<u>73,897</u>
	<u><u>75,948</u></u>	<u><u>99,584</u></u>	<u><u>124,099</u></u>	<u><u>92,695</u></u>	<u><u>171,976</u></u>

During the Track Record Period:

- (i) The corporate income tax applicable to the Singapore companies of the Group is 17%.
- (ii) Under the Law of the 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 Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit before taxation	437,943	523,996	664,517	431,406	628,610
Tax at the domestic rates applicable to in the countries where the Group operates (<i>Note</i>)	92,921	118,416	157,035	93,044	143,506
Tax effect of share of results of joint ventures and associates	(15,097)	(19,795)	(17,858)	(15,220)	(8,661)
Tax effect of expenses not deductible for tax purpose . .	17,045	8,467	20,056	7,945	17,875
Tax effect of income not taxable for tax purpose	(15,094)	(1,076)	(41,009)	(2,554)	(308)
Overprovision in prior years	(6,401)	(537)	(1,158)	(768)	(1,023)
Tax effect of deductible temporary differences not recognised as deferred tax assets	5,213	6,675	11,524	11,024	22,828
Utilisation of deductible temporary differences previously not recognised as deferred tax assets	(5,821)	(12,573)	(5,260)	(777)	(1,846)
Tax effect of temporary differences recognised upon undistributed earnings of PRC entities	3,224	–	–	–	–
Others	(42)	7	769	1	(395)
Income tax expense for the year/period	75,948	99,584	124,099	92,695	171,976

Note: The reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Profit for the year/period has been arrived at after charging (crediting):					
Directors' remuneration (<i>note 13</i>)	4,858	4,335	3,621	2,723	2,897
Other staff costs:					
Wages, salaries and other allowances	149,610	188,408	269,878	156,624	242,306
Retirement benefit scheme contributions	29,144	39,183	59,051	39,524	76,010
Total staff costs	183,612	231,926	332,550	198,871	321,213
Less: Staff cost included in cost of sales	(82,571)	(115,664)	(156,941)	(96,393)	(163,844)
Staff cost included in selling and distribution costs and administrative expenses	101,041	116,262	175,609	102,478	157,369
Amortisation of other intangible assets	65,620	105,291	162,235	103,058	195,401
Depreciation of property, plant and equipment	10,578	11,162	13,368	9,049	16,115
Release of prepaid lease payments	406	197	256	189	147
Total depreciation and amortisation	76,604	116,650	175,859	112,296	211,663
Auditor's remuneration	8,166	6,099	7,891	2,994	2,952
Bad debts written off	48	–	170	–	–
Cost of inventories recognised as an expense	121,229	102,741	135,492	50,425	120,433
Impairment loss on trade receivables	545	906	2,158	684	1,388
Impairment loss on other receivables	3,510	92	–	–	–
Impairment loss (reversal of impairment loss) on inventories	–	1,046	(7)	(7)	–
Net gain on disposal of other intangible assets	–	–	(2,529)	(2,551)	–
Net loss (gain) on disposal/written off of property, plant and equipment	1,950	(873)	139	276	59
Operating lease rentals in respect of land and buildings	5,563	5,571	7,303	5,255	6,315
Research expenditure	1,739	2,350	1,829	997	3,720
Reversal of impairment loss on trade receivables	(3,139)	(762)	(1,652)	(1,254)	(14,593)
Reversal of impairment loss on other receivables	(4,788)	(9,095)	(8,307)	(8,232)	(20)
Reversal of provision for foreseeable loss	(558)	–	(11)	–	–

12. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Dividends for ordinary shareholders of the Company recognised as distribution during the year/period: 2016 Final – S\$0.01 per share	–	–	–	–	110,990

No interim dividend was paid or proposed for ordinary shareholders of the Company for the nine months ended 30 September 2017, nor has any dividend been proposed subsequent to 30 September 2017.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable by the Group to the directors and the chief executive of the Company, during the Track Record Period for their services rendered to the companies comprising the Group are as follows:

	Zhou Jun	Feng Jun	Liu Yujie	Yang Changmin	Zhang Chao	Zou Jiefu	Yang Yihua	Xu Xiaobing	Xu Zhan	Li Zengfu	Yeo Kwang Kwang	Tay Ah Kong Bernard	Tan Chong Huat	Tan Gim Soo	Total
	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
Year ended 31 December 2014															
Executive directors:															
Directors' fee and committee remuneration	485	490	-	-	81	81	-	-	-	-	-	-	-	-	1,137
Basic salaries and allowances	-	-	743	293	-	-	-	-	-	-	-	-	-	-	1,036
Bonuses	-	-	840	73	-	-	-	-	-	-	-	-	-	-	913
Retirement benefits scheme contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	461	485	413	413	1,772
Total directors' emoluments	485	490	1,583	366	81	81	-	-	-	-	461	485	413	413	4,858
Year ended 31 December 2015															
Executive directors:															
Directors' fee and committee remuneration	452	226	-	-	-	-	226	226	226	-	-	-	-	-	1,356
Basic salaries and allowances	-	-	-	303	-	-	-	-	-	-	-	-	-	-	303
Bonuses	-	226	-	347	-	-	-	-	-	-	-	-	-	-	573
Retirement benefits scheme contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	430	905	384	384	2,103
Total directors' emoluments	452	452	-	650	-	-	226	226	226	-	430	905	384	384	4,335
Year ended 31 December 2016															
Executive directors:															
Directors' fee and committee remuneration	482	241	-	-	-	-	89	241	241	152	-	-	-	-	1,446
Basic salaries and allowances	-	-	-	336	-	-	-	-	-	-	-	-	-	-	336
Bonuses	-	-	-	81	-	-	-	-	-	-	-	-	-	-	81
Retirement benefits scheme contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	458	482	409	409	1,758
Total directors' emoluments	482	241	-	417	-	-	89	241	241	152	458	482	409	409	3,621

	Zhou Jun	Feng Jun	Liu Yujie	Yang Changmin	Zhang Chao	Zou Jiefu	Yang Yihua	Xu Xiaobing	Xu Zhan	Li Zengfu	Yeo Kwang Kwang	Tay Ah Kong Bernard	Tan Chong Huat	Tan Gim Soo	Total
	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
Nine months ended 30 September 2016 (unaudited)															
Executive directors:															
Directors' fee and committee remuneration	360	180	-	-	-	-	89	180	180	93	-	-	-	-	1,082
Basic salaries and allowances	-	-	-	245	-	-	-	-	-	-	-	-	-	-	247
Bonuses	-	-	-	82	-	-	-	-	-	-	-	-	-	-	80
Retirement benefits scheme contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	342	360	306	306	1,314
Total directors' emoluments	360	180	-	327	-	-	89	180	180	93	342	360	306	306	2,723
Nine months ended 30 September 2017															
Executive directors:															
Directors' fee and committee remuneration	368	184	-	-	-	-	-	184	184	184	-	-	-	-	1,104
Basic salaries and allowances	-	-	-	256	-	-	-	-	-	-	-	-	-	-	256
Bonuses	-	-	-	196	-	-	-	-	-	-	-	-	-	-	196
Retirement benefits scheme contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors:															
Directors' fees and committee remuneration	-	-	-	-	-	-	-	-	-	-	349	368	312	312	1,341
Total directors' emoluments	368	184	-	452	-	-	-	184	184	184	349	368	312	312	2,897

Notes:

- (i) Mr. Yang Yihua was appointed as a director of the Company on 11 August 2014 and resigned as a director of the Company on 12 May 2016.
- (ii) Mr. Xu Xiaobing and Mr. Xu Zhan were appointed as the directors of the Company on 5 November 2014.
- (iii) Mr. Li Zengfu was appointed as a director of the Company on 12 May 2016.
- (iv) Ms. Liu Yujie resigned as a director of the Company on 8 August 2014.
- (v) Mr. Zhang Chao and Mr. Zou Jiefu retired as the directors of the Company on 29 April 2014.
- (vi) The executive director's emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.
- (vii) The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.
- (viii) Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.
- (ix) In the Track Record Period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors of the Company has waived any emoluments during the Track Record Period.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group included one, Nil, Nil, Nil (unaudited) and Nil executive directors of the Company (details of whose emoluments are set out in note 13 above) for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 respectively. Details of the emoluments of the remaining four, five, five, five (unaudited) and five individuals for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries and other allowances	3,407	3,178	5,821	2,593	4,742
Bonuses	880	991	2,000	448	100
Retirement benefits scheme contributions . . .	161	334	231	172	112
	<u>4,448</u>	<u>4,503</u>	<u>8,052</u>	<u>3,213</u>	<u>4,954</u>

The emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
				(unaudited)	
Nil to HK\$1,000,000 (in equivalent to nil to RMB868,000)	2	3	–	4	2
HK\$1,000,001 to HK\$1,500,000 (in equivalent to RMB868,001 to RMB1,301,000)	–	2	–	1	2
HK\$1,500,001 to HK\$2,000,000 (in equivalent to RMB1,301,001 to RMB1,735,000)	2	–	4	–	1
HK\$2,500,000 to HK\$3,000,000 (in equivalent to RMB2,169,000 to RMB2,603,000)	–	–	1	–	–
	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS PER SHARE

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

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Earnings for the purposes of basic and diluted earnings per share (profit for the year/period attributable to owners of the Company) . . .	290,708	360,390	454,926	284,661	350,240
Number of shares					
	'000	'000	'000	'000	'000
				(unaudited)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,835,317	2,136,918	2,256,589	2,256,589	2,451,461
Effect of dilutive potential ordinary shares					
– Contingent “earn-out” consideration in relation to the acquisition of Nanfang Water Group (<i>note 36</i>)	2,970	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,838,287	2,136,918	2,256,589	2,256,589	2,451,461

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold buildings and improvements	Furniture, fittings and equipment	Motor vehicles	Plant and machinery	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2014	48,982	9,892	22,682	51,658	–	133,214
Exchange adjustments	(20)	(5)	–	–	–	(25)
Acquisition of subsidiaries (note 40(I))	–	4,500	565	–	7,337	12,402
Additions	249	1,166	5,116	555	11,220	18,306
Transfer/reclassification	2,119	267	1,231	6,228	(7,227)	2,618
Government grants	–	–	–	(4,500)	–	(4,500)
Disposals/written off	(554)	(116)	(4,384)	(760)	–	(5,814)
Disposal of subsidiaries (note 41)	(55)	(187)	(510)	(11)	–	(763)
At 31 December 2014	50,721	15,517	24,700	53,170	11,330	155,438
Exchange adjustments	(20)	(4)	–	–	–	(24)
Acquisition of subsidiaries (note 40(II))	2,570	13	538	12	–	3,133
Additions	–	1,200	4,584	480	14,343	20,607
Transfer/reclassification	16,520	107	–	5,888	(22,515)	–
Disposals/written off	(6,706)	(526)	(1,021)	(16,097)	(70)	(24,420)
At 31 December 2015	63,085	16,307	28,801	43,453	3,088	154,734
Exchange adjustments	42	5	–	–	–	47
Acquisition of subsidiaries (note 40(III))	19,887	13,721	8,219	6,126	26,584	74,537
Additions	5,382	3,806	3,735	1,724	5,144	19,791
Transfers/reclassification	105	(136)	136	20,101	(21,897)	(1,691)
Disposals/written off	–	(197)	(3,370)	(40)	–	(3,607)
At 31 December 2016	88,501	33,506	37,521	71,364	12,919	243,811
Exchange adjustments	49	14	–	–	–	63
Additions	371	2,803	2,663	2,991	15,780	24,608
Transfers/reclassification	(1,443)	736	136	–	(932)	(1,503)
Disposals/written off	–	(180)	(1,561)	–	–	(1,741)
At 30 September 2017	87,478	36,879	38,759	74,355	27,767	265,238
ACCUMULATED DEPRECIATION						
At 1 January 2014	13,394	6,147	9,559	8,431	–	37,531
Exchange adjustments	(19)	(3)	–	–	–	(22)
Provided for the year	2,964	1,427	2,583	3,604	–	10,578
Transfers	60	267	1,231	1,060	–	2,618
Eliminated on disposals/written off	(70)	(75)	(2,495)	(225)	–	(2,865)
Eliminated on disposals of subsidiaries (note 41)	(23)	(72)	(153)	(6)	–	(254)
At 31 December 2014	16,306	7,691	10,725	12,864	–	47,586
Exchange adjustments	(14)	(3)	–	–	–	(17)
Provided for the year	3,491	1,554	2,989	3,128	–	11,162
Eliminated on disposals/written off	(2,211)	(433)	(773)	(5,501)	–	(8,918)
At 31 December 2015	17,572	8,809	12,941	10,491	–	49,813
Exchange adjustments	41	7	–	–	–	48
Provided for the year	4,722	1,853	3,139	3,654	–	13,368
Eliminated on disposals/written off	–	(168)	(2,821)	(9)	–	(2,998)
At 31 December 2016	22,335	10,501	13,259	14,136	–	60,231
Exchange adjustments	24	5	–	–	–	29
Provided for the period	4,365	3,217	3,680	4,853	–	16,115
Eliminated on disposals/written off	–	(88)	(887)	–	–	(975)
At 30 September 2017	26,724	13,635	16,052	18,989	–	75,400
CARRYING VALUES						
At 31 December 2014	34,415	7,826	13,975	40,306	11,330	107,852
At 31 December 2015	45,513	7,498	15,860	32,962	3,088	104,921
At 31 December 2016	66,166	23,005	24,262	57,228	12,919	183,580
At 30 September 2017	60,754	23,244	22,707	55,366	27,767	189,838

The Company

	Furniture, fittings and equipment	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2014.	159	888	1,047
Exchange adjustments	(5)	(20)	(25)
Additions	31	–	31
At 31 December 2014	185	868	1,053
Exchange adjustments	(4)	(20)	(24)
Additions	335	–	335
Written off	(27)	–	(27)
At 31 December 2015	489	848	1,337
Exchange adjustments	4	42	46
Additions	211	1,547	1,758
At 31 December 2016	704	2,437	3,141
Exchange adjustments	14	50	64
At 30 September 2017	718	2,487	3,205
ACCUMULATED DEPRECIATION			
At 1 January 2014.	98	548	646
Exchange adjustments	(3)	(19)	(22)
Provided for the year	29	180	209
At 31 December 2014	124	709	833
Exchange adjustments	(3)	(14)	(17)
Provided for the year	33	153	186
Written off	(17)	–	(17)
At 31 December 2015	137	848	985
Exchange adjustments	6	41	47
Provided for the year	121	291	412
At 31 December 2016	264	1,180	1,444
Exchange adjustments	6	24	30
Provided for the period.	89	237	326
At 30 September 2017	359	1,441	1,800
CARRYING VALUES			
At 31 December 2014	61	159	220
At 31 December 2015	352	–	352
At 31 December 2016	440	1,257	1,697
At 30 September 2017	359	1,046	1,405

Note: The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis less residual values at the following rates per annum:

Leasehold buildings and improvements	3 to 35 years
Furniture, fittings and equipment.	3 to 20 years
Motor vehicles	4 to 10 years
Plant and machinery	5 to 25 years

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise land use rights over state-owned land in the PRC and are amortised on a straight-line basis over the lease terms of 20 to 50 years. The land use rights are not transferrable.

18. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2014.	4,928
Disposals (<i>Note iii</i>)	(4,928)
At 31 December 2014, 2015 and 2016 and 30 September 2017	–
ACCUMULATED DEPRECIATION	
At 1 January 2014.	519
Disposals (<i>Note iii</i>)	(519)
At 31 December 2014, 2015 and 2016 and 30 September 2017	–
CARRYING VALUES	
At 31 December 2014, 2015 and 2016 and 30 September 2017	–

Notes:

- (i) *The Group's investment property was situated in the PRC with an estimated useful lives of 30 years. The Group had no restriction on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.*
- (ii) *During the year ended 31 December 2014, there was no property rental income earned by the Group from its investment property. The direct operating expense was negligible.*
- (iii) *During the year ended 31 December 2014, the Group disposed of the investment property for a consideration of RMB4,409,000.*

19. GOODWILL

	RMB'000
COST	
At 1 January 2014 and 31 December 2014.	45,908
Arising on acquisition of subsidiaries (<i>note 40(II)</i>).	447,691
At 31 December 2015, 31 December 2016 and 30 September 2017.	493,599
ACCUMULATED IMPAIRMENT	
At 1 January 2014, 31 December 2014, 31 December 2015 and 31 December 2016 and 30 September 2017	36,358
CARRYING VALUES	
At 31 December 2014	9,550
At 31 December 2015, 31 December 2016 and 30 September 2017.	457,241

For the purposes of impairment testing, goodwill arising on business combinations as set out above was allocated, at acquisition, to three individual cash-generating units ("CGUs"), comprising one subsidiary in the construction segment, two subsidiaries in wastewater treatment segment and one subsidiary in the waste incineration segment, that are expected to benefit from these business combinations as follows:

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

Name of subsidiaries	CGUs	Carrying values of goodwill before recognition of impairment				Carrying values of goodwill after recognition of impairment			
		At 31 December		At 30 September		At 31 December		At 30 September	
		2014	2015	2016	2017	2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SIIC Environment Holdings (Wuhan) Co., Ltd.	Municipal EPC	36,358	36,358	36,358	36,358	-	-	-	-
Lap Yin International Limited (Note)	Waste incineration power generation	6,692	6,692	6,692	6,692	6,692	6,692	6,692	6,692
Taizhou Kaidi Waste Water Treatment Co., Ltd. (Note)	Wastewater treatment	2,858	2,858	2,858	2,858	2,858	2,858	2,858	2,858
Fudan Water Engineering and Technology Co., Ltd. ("Fudan Water") (Note)	Wastewater treatment	-	447,691	447,691	447,691	-	447,691	447,691	447,691
		<u>45,908</u>	<u>493,599</u>	<u>493,599</u>	<u>493,599</u>	<u>9,550</u>	<u>457,241</u>	<u>457,241</u>	<u>457,241</u>

Note: Value in use was determined by discounting the future cash flows to be generated from continuing use of wastewater treatment plants/waste incineration power generation plant over the service concession periods ranging from 20 to 25 years, using pre-tax discount rates of 9.0%, 10.5%, 9.0% and 9.0% for the years ended 31 December 2014, 2015, 2016 and the nine months ended 30 September 2017, respectively. Management believes that these forecast periods are 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 amounts to be below the carrying values of the CGUs.

The sensitivity analysis below has been determined based on the exposure to discount rate and tariff growth rate, representing the key inputs applied to the determination of the recoverable amounts of the Fudan Water wastewater treatment CGU, which is considered a significant CGU by the management of the Group. If the discount rate had been 1% higher/lower and all other variables were held constant, the recoverable amount at 31 December 2015 and 2016 and 30 September 2017 would (decrease)/increase by approximately RMB(621) million/RMB491 million, RMB(819) million/RMB637 million and RMB(748) million/RMB728 million. If the tariff growth rate had been 5% higher/lower and all other variables were held constant, the recoverable amount at 31 December 2015 and 2016 and 30 September 2017 would increase or decrease by approximately RMB167 million, RMB209 million, 225 million.

In relation to the Fudan Water wastewater treatment CGU, as at 31 December 2015 and 2016 and 30 September 2017, its recoverable amount of approximately RMB2,874 million, RMB3,404 million and RMB3,348 million exceeded its carrying value of approximately RMB2,290 million, RMB2,340 million and RMB2,394 million, representing a headroom of approximately RMB584 million, RMB1,064 million and RMB954 million, respectively. A respective increase of discount rate from 10.5%, 9.0% and 9.0% by 1.2%, 1.8% and 1.4% to 11.7%, 10.8% and 10.4% or a decrease in tariff growth rate by 17.5%, 25.4% and 21.2% of the original tariff growth rate, would remove the remaining headroom.

20. OTHER INTANGIBLE ASSETS

	Operating concessions	Patent and licensing rights	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2014.	1,188,917	4,781	5,260	1,198,958
Acquisition of subsidiaries (note 40(I)).	453,574	–	6	453,580
Additions	162,878	–	32	162,910
Government grants	(45,523)	–	–	(45,523)
Reclassification	1,157	–	(1,157)	–
Disposals	(23,174)	–	(115)	(23,289)
Disposals of subsidiaries (note 41).	(29,887)	–	(269)	(30,156)
At 31 December 2014	1,707,942	4,781	3,757	1,716,480
Acquisition of a subsidiary (note 40(II)).	1,773,456	–	–	1,773,456
Additions	35,431	–	270	35,701
At 31 December 2015	3,516,829	4,781	4,027	3,525,637
Acquisition of a subsidiary (note 40(III)).	3,335,369	1,864	1,410	3,338,643
Additions	49,963	–	568	50,531
Disposals	(8,894)	–	(15)	(8,909)
At 31 December 2016	6,893,267	6,645	5,990	6,905,902
Acquisition of subsidiaries (note 40(IV)).	120,686	–	–	120,686
Additions	192,859	–	509	193,368
Reclassification	60	–	–	60
At 30 September 2017	7,206,872	6,645	6,499	7,220,016
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2014.	136,729	3,737	3,105	143,571
Charge for the year	64,681	735	204	65,620
Reclassification	213	–	(213)	–
Eliminated on disposals	(6,489)	–	(27)	(6,516)
Eliminated on disposals of subsidiaries (note 41)	(1,978)	–	(65)	(2,043)
At 31 December 2014	193,156	4,472	3,004	200,632
Charge for the year	104,779	309	203	105,291
Reclassification	213	–	(213)	–
At 31 December 2015	298,148	4,781	2,994	305,923
Charge for the year	161,803	98	334	162,235
Eliminated on disposals	(1,482)	–	(13)	(1,495)
At 31 December 2016	458,469	4,879	3,315	466,663
Charge for the period.	194,551	441	409	195,401
At 30 September 2017	653,020	5,320	3,724	662,064
CARRYING VALUES				
At 31 December 2014	1,514,786	309	753	1,515,848
At 31 December 2015	3,218,681	–	1,033	3,219,714
At 31 December 2016	6,434,798	1,766	2,675	6,439,239
At 30 September 2017	6,553,852	1,325	2,775	6,557,952

The above items are amortised on a straight-line basis at the following rates per annum:

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

Operating concessions not yet available for use as at 31 December 2015 and 2016 and 30 September 2017 are tested for impairment annually. For the purposes of impairment testing, value in use was determined by discounting the future cash flows to be generated from continuing use of wastewater treatment plants over the service concession periods, using pre-tax discount rates of 14.5%, 13.0% and 13.0% for the years ended 31 December 2015, 2016 and the nine months ended 30 September 2017, respectively. Management believes that these forecast periods are 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 amounts to be below the carrying values of the operating concessions not yet available for use.

The sensitivity analysis below have been determined based on the exposure to discount rate and tariff growth rate, representing the key inputs to the determination of the recoverable amount. If the discount rate had been 1% higher and all other variables were held constant, the aggregate recoverable amount of operating concessions not yet available for use at 31 December 2015 and 2016 and 30 September 2017 would decrease by approximately RMB116 million, RMB133 million and RMB138 million. If the tariff growth rate had been 5% lower and all other variables were held constant, the aggregate recoverable amount of operating concessions not yet available for use at 31 December 2015 and 2016 and 30 September 2017 would decrease by approximately RMB25 million, RMB22 million and RMB24 million.

As at 31 December 2015 and 2016 and 30 September 2017, the aggregate recoverable amount of operating concessions not yet available for use amounting to approximately RMB976 million, RMB1,195 million and RMB1,267 million exceeded its carrying value of approximately RMB878 million, RMB878 million and RMB878 million, respectively, representing a headroom of approximately RMB98 million, RMB317 million and RMB389 million, respectively. A respective increase of discount rate from the original rate of 14.5%, 13.0% and 13.0% by percentage ranging from 0.1% to 1.4%, 1.4% to 8.7% and 2.2% to 11.3 or a decrease in tariff growth rate by a percentage ranging from 0.8% to 35.7%, 20.2% to 77.0% and 28.0% to 85.1% of the original tariff rate, would remove the remaining headroom.

21. INTERESTS IN JOINT VENTURES

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Cost of unlisted investments in joint ventures	657,840	657,840	657,840	657,840
Share of post-acquisition (loss) profit and other comprehensive (expense) income, net of dividends received/declared.	(648)	3,288	47,416	66,176
	<u>657,192</u>	<u>661,128</u>	<u>705,256</u>	<u>724,016</u>

The Company

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment in joint ventures	530,000	530,000	530,000	530,000
Foreign exchange difference.	(12,362)	(23,971)	1,064	11,838
	<u>517,638</u>	<u>506,029</u>	<u>531,064</u>	<u>541,838</u>

Particulars of the Group's joint ventures at 31 December 2014, 2015 and 2016 and 30 September 2017 and at the date of this report are as follows:

Name of joint venture	Place of establishment and operation	Proportion of registered capital attributable to the Group				Principal activities
		At 31 December			At	
		2014	2015	2016	30 September 2017	
Shanghai Pucheng Thermal Power Energy Co., Ltd. ("Pucheng")	The PRC	50% (Note)	50%	50%	50%	Waste incineration power generation
Wenling Hanyang Resources Power Co., Ltd.	The PRC	50%	50%	50%	50%	Waste incineration power generation

Note: In January 2014, the Company acquired 50% equity interest in Pucheng for purchase consideration of RMB530 million. The purchase price allocation of acquisition of Pucheng was completed and finalised in 2014. The fair value of net identifiable assets (as determined by AVA Associates Limited, an independent qualified professional valuers located at Unit 2104, 21/F, Easey Commercial Building, 253-261 Hennessy Road, Wanchai, Hong Kong) of Pucheng at date of completion approximated to the purchase consideration. Accordingly, no goodwill was recognised.

Summarised financial information in respect of the Group's material interest in a joint venture, namely Pucheng, is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements and/or management accounts prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in the Historical Financial Information.

Pucheng

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Current assets	617,888	636,249	669,773	698,758
Non-current assets	521,178	527,990	528,200	530,278
Current liabilities	(54,983)	(49,259)	(55,404)	(96,509)
Non-current liabilities	(77,722)	(83,916)	(87,717)	(84,757)
Non-controlling interests	(4,559)	(5,334)	(6,253)	(4,555)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	578,354	595,346	602,379	605,073
Current financial liabilities (excluding trade and other payables and provision)	(137)	(137)	–	–
Non-current financial liabilities (excluding trade and other payables and provision)	–	–	–	–

	Year ended 31 December			Nine months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Revenue	257,884	288,984	289,363	193,507	175,122
Profit and total comprehensive income for the year/period	75,787	82,303	83,997	69,514	55,328
Dividends paid during the year/period	65,048	55,840	59,061	59,061	60,717

The above profit for the year/period include the following:

	Year ended 31 December			Nine months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)
Depreciation and amortisation	(17,638)	(17,708)	(15,215)	(11,325)	(12,415)
Interest income	19,438	19,703	15,930	12,119	8,799
Income tax expense	(25,312)	(24,464)	(31,942)	(27,189)	(18,666)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the Historical Financial Information:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Equity attributable to owners of the joint venture	1,001,802	1,025,730	1,048,599	1,043,215
Proportion of the Group's ownership interest	50%	50%	50%	50%
	500,901	512,865	524,299	521,608
Fair value adjustment arisen from purchase price allocation	31,944	30,323	28,705	27,492
Other adjustments	(13,012)	(23,970)	1,064	11,838
Carrying amount of the Group's interest in the joint venture	<u>519,833</u>	<u>519,218</u>	<u>554,068</u>	<u>560,938</u>

Information of the joint venture that is not individually material:

	Year ended 31 December			Nine months ended	
	2014	2015	2016	30 September	
	RMB'000	RMB'000	RMB'000	2016	2017
				(unaudited)	
The Group's share of profit and total comprehensive income	<u>17,363</u>	<u>17,943</u>	<u>20,775</u>	<u>12,718</u>	<u>10,598</u>

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Carrying amount of the Group's interest in this joint venture	<u>137,359</u>	<u>141,910</u>	<u>151,188</u>	<u>163,078</u>

22. INTERESTS IN ASSOCIATES

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Cost of unlisted investments in associates	418,905	563,786	104,272	107,772
Share of post-acquisition loss and other comprehensive expense, net of dividend received/declared	(4,380)	(6,083)	(21,296)	(24,374)
	<u>414,525</u>	<u>557,703</u>	<u>82,976</u>	<u>83,398</u>

Particulars of the Group's associates at 31 December 2014, 2015 and 2016 and 30 September 2017 and at the date of this report are as follows:

Name of associate	Place of establishment and operations	Percentage of registered capital attributable to the Group				Principal activities
		At 31 December			At 30 September	
		2014	2015	2016	2017	
Longjiang Environmental Protection Group Co., Ltd. ("Longjiang") . . .	The PRC	25.3% (Note i)	25.3%	– (Note iv)	– (Note iv)	Wastewater treatment and water supply
Linwu County Nanfang Water Co., Ltd. ("Linwu Nanfang")	The PRC	15.3%	18.2% (Note ii)	18.2%	18.2%	Wastewater treatment
Sichuan SIIC Environment Investment Development Co., Ltd.	The PRC	30.0%	30.0%	30.0%	30.0%	Investment holding
Dongguan Changan Jinxia Sanzhou Water Purification Co., Ltd. ("Changan Sanzhou") . . .	The PRC	–	35.5% (Note iii)	35.5%	35.5%	Wastewater treatment
Dongguan Changan Xinmin Water Purification Co., Ltd. ("Changan Xinmin")	The PRC	–	30.4% (Note iii)	30.4%	30.4%	Wastewater treatment
Yiliuqing (Shanghai) Environment Technology Co., Ltd. ("Yiliuqing") . . .	The PRC	–	23.0% (Note iii)	23.0%	23.0%	Supply of wastewater treatment equipment
Kunming Puzhao Water Purification Co., Ltd. ("Kunming Puzhao")	The PRC	–	–	27.4% (Note v)	27.4%	Wastewater treatment
Ningan City Dong Haiyang Water Supply Co., Ltd. ("Ningan City Dong Haiyang")	The PRC	–	–	–	25.9% (Note vi)	Water supply

Notes:

- (i) In June and November 2014, the Group's wholly owned subsidiary, Thrive Far Limited, acquired 13.1% and 12.2% of equity interests in Longjiang for purchase considerations of RMB210 million and RMB195 million, respectively. The Group exercises significant influence over Longjiang by virtue of its contractual right to appoint two out of nine directors to the board of that company. The purchase price allocation to determine the fair value of the assets and liabilities of Longjiang Environmental Protection as at date of completion has been completed in 2015. The fair value of net identifiable assets (as determined by Ernst & Young (China) Advisory Limited, an independent qualified professional valuers located at 50/F, Shanghai World Financial Center, 100 Century Avenue, Pudong New Area, Shanghai) of Longjiang at date of completion approximated to the purchase consideration. Accordingly, no goodwill is recognised.
- (ii) Nanfang Water, a subsidiary of the Company, held 20% equity interest in Linwu Nanfang. During the year ended 31 December 2015, the Group's effective equity interest in Nanfang Water increased by 14.8%, from 76.4% to 91.2%. Consequently, the effective equity interest held by the Group in Linwu Nanfang increased from 15.3% to 18.2%.
- (iii) Fudan Water owns 38.5% equity interest in Changan Sanzhou, 33.0% equity interest in Changan Xinmin and 25.0% equity interest in Yiliuqing. During the year ended 31 December 2015, the Group completed the acquisition of 92.2% equity interest in Fudan Water. Upon the acquisition, Changan Sanzhou, Changan Xinmin and Yiliuqing became associates of the Group and the effective equity interests held by the Group are 35.5%, 30.4% and 23.0%, respectively.

- (iv) In November 2016, the Group's wholly owned subsidiaries, Thrive Far Limited and SIIC Environment Holdings (Shenzhen) Co., Ltd., acquired 30.8% and 1.9% of additional equity interests in Longjiang for purchase considerations of RMB788 million and RMB48 million, respectively. Consequently, Longjiang becomes a subsidiary of the Group.
- (v) Kunming Puzhao's 27.4% effective equity interest was held by Nanfang Water. Kunming Puzhao was established during the year ended 31 December 2016. The Group exercises significant influence via direct controlling interest in its immediate holding company, Nanfang Water.
- (vi) Ningan City Dong Haiyang's 25.9% effective equity interest was held by Longjiang. Ningan City Dong Haiyang was established during the nine months ended 30 September 2017. The Group exercises significant influence via direct controlling interest in its immediate holding company, Longjiang.

Summarised financial information in respect of the Group's material associate, namely Longjiang, is set out below. The summarised financial information below represents amounts shown in the associate's financial statements and/or management accounts prepared in accordance with IFRSs.

There is no material associate for the year ended 31 December 2016 and the nine months ended 30 September 2017.

Longjiang

	At 31 December			At 30 September	
	2014	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	
Current assets	907,995	1,161,589	N/A	N/A	
Non-current assets	3,792,289	4,246,514	N/A	N/A	
Current liabilities	(2,004,154)	(2,622,752)	N/A	N/A	
Non-current liabilities	(1,727,255)	(1,695,054)	N/A	N/A	
Non-controlling interest	(5,226)	(5,730)	N/A	N/A	

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note)	(Note)	(Note)	(unaudited)	
Revenue	1,055,201	1,089,636	1,042,210	880,623	N/A
Profit for the year/period	113,051	121,422	89,691	95,020	N/A
Total comprehensive income for the year/period	113,051	121,422	89,691	95,020	N/A

Note: The amounts represented the results for the years ended 31 December 2014, 2015 and the ten months ended 31 October 2016 before Longjiang became a subsidiary of the Group.

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information.

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Equity attributable to owners of the associate	963,649	1,084,567	N/A	N/A
Proportion of the Group's ownership interest	25.3125%	25.3125%	N/A	N/A
	243,923	274,531	N/A	N/A
Fair value adjustment arisen from purchase price allocation	223,482	217,705	N/A	N/A
Other adjustments	(67,327)	(21,461)	N/A	N/A
Carrying amount of the Group's interest in the associate	400,078	470,775	N/A	N/A

Aggregate information of associates that are not individually material:

	Year ended 31 December			Nine months ended	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group's share of (loss) profit and total comprehensive (expense) income	(87)	(2,792)	10,579	(2,170)	(2,758)

(unaudited)

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Aggregate carrying amount of the Group's interests in these associates	14,447	86,928	82,976	83,398

23. AVAILABLE-FOR-SALE INVESTMENTS

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Listed equity securities (Note i) . . .	124,354	176,376	179,806	188,482
Unlisted equity securities (Note ii). .	2,394	15,460	26,482	27,010
	126,748	191,836	206,288	215,492
Fair values of listed equity investments.	124,354	176,376	179,806	188,482

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Unlisted equity securities (<i>Note ii</i>). .	–	12,567	13,189	13,456

Notes:

- (i) *The amount represents 3.3%, 3.3%, 2.8% and 2.8% equity interests in Canvest Environmental Protection Group Company Limited at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. At the end of the reporting period, the investment is stated at its fair value, which is determined by reference to bid prices quoted on the Stock Exchange.*
- (ii) *These investments represent ordinary and preference shares in private companies which measured at cost less impairment at the end of the reporting period because the range of fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.*

24. SERVICE CONCESSION ARRANGEMENTS/PROVISION FROM MAJOR OVERHAULS**(I) Nature of arrangements**

The Group through its subsidiaries engages in the businesses of wastewater and sludge treatment, water supply and waste incineration in the PRC (the “operator”) and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a BOT, TOT, BOO or TOO basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct wastewater 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 wastewater 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 wastewater treatment, water supply, waste incineration and sludge treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services to be provided by the Group in relation to wastewater treatment, water supply, waste incineration and sludge treatment plants, and retain the beneficial entitlement to any residual interest in the wastewater 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 wastewater 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 2014, 2015 and 2016 and 30 September 2017, the Group had 34, 42, 84 and 105 service concession arrangements on wastewater treatment, 4, 4, 7 and 7 service concession arrangements on water treatment and distribution, 1, 1, 2 and 2 service concession arrangements on waste incineration and Nil, 1, 8 and 9 service concession arrangements on sludge treatment, respectively. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Practical processing capacity tons/day	Service concession period
哈爾濱文太升龍江環保水務有限責任公司	Sewage treatment project in Wenchang, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務局	BOT (Financial assets)	650,000	29 years from 2012 to 2040
牡丹江龍江環保供水有限公司	Water supply project in Mudanjiang	Mudanjiang, Heilongjiang Province	牡丹江市人民政府	TOT (Intangible assets)	360,000	30 years from 2011 to 2040
佳木斯龍江環保供水有限公司	Water supply project in Jiamusi	Jiamusi, Heilongjiang Province	佳木斯市人民政府	TOT (Intangible assets)	360,000	30 years from 2012 to 2041
龍江環保集團股份有限公司	Sewage treatment project in Taipin, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務局	BOT (Financial assets)	325,000	25 years from 2005 to 2029
龍江環保集團股份有限公司	Sewage treatment project in Wenchang, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務局	TOT (Financial assets)	325,000	30 years from 2011 to 2040
益陽市自來水有限公司	Water supply project in Yiyang	Yiyang, Hunan Province	益陽市住房和城鄉建設局	BOT (Intangible assets)	320,000	28 years from 2016 to 2044
濰坊市自來水有限公司	Water supply project in Weifang	Weifang, Shandong Province	濰坊市人民政府	BOT (Intangible assets)	320,000	25 years from 2007 to 2032
惠州市南方水務有限公司	Phase I, phase II and phase III of water treatment project in Meihu, Huizhou	Huizhou, Guangdong Province	惠州市環保局	BOT and TOT (Financial assets)	300,000	25 years from 2005 to 2030
武漢黃陂凱迪水務有限公司	Water supply project in Huangpi, Wuhan	Wuhan, Hubei Province	武漢市黃陂區政府	BOT (Intangible assets)	220,000	30 years from 2008 to 2038

As described in the accounting policy for “Service concession arrangements” set out in note 4, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concessions) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in note 20, and the financial asset component is as follows:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Receivables under service concession arrangements	3,325,717	4,787,646	11,152,079	12,773,772
Less: current portion classified as current assets	(92,899)	(123,816)	(203,993)	(240,452)
Non-current portion	<u>3,232,818</u>	<u>4,663,830</u>	<u>10,948,086</u>	<u>12,533,320</u>
Expected collection schedule is analysed as follows:				
Within one year	92,899	123,816	203,993	240,452
More than one year, but not exceeding five years	466,898	487,346	1,021,637	1,190,513
Over five years.	2,785,920	4,176,484	9,926,449	11,342,807
	<u>3,325,717</u>	<u>4,787,646</u>	<u>11,152,079</u>	<u>12,773,772</u>

During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the Group recognised financial income of RMB216,656,000, RMB336,171,000, RMB395,187,000, RMB243,454,000 (unaudited) and RMB517,175,000, respectively, and construction revenue of RMB350,802,000, RMB493,682,000, RMB1,009,358,000, RMB507,234,000 (unaudited) and RMB1,506,120,000, respectively as revenue from service concession arrangements. During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the effective interest rate applied ranges from 5.76% to 7.83%, 5.40% to 7.83%, 4.90% to 7.83%, 4.90% to 7.83% (unaudited) and 4.90% to 7.83% per annum, respectively.

The relevant assets pledged by the Group are disclosed in note 44.

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the wastewater 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 wastewater treatment, water supply, waste incineration and sludge treatment plants, except for any upgrade element, are recognised and measured in accordance with IAS 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:

	Year ended 31 December			Nine months ended
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
At beginning of the year/period.	7,026	12,405	12,601	28,233
Acquisition of subsidiaries (note 40(III)).	–	–	15,558	–
Provision made during the year/period	5,379	196	74	5
At end of the year/period	<u>12,405</u>	<u>12,601</u>	<u>28,233</u>	<u>28,238</u>

25. AMOUNTS DUE FROM ASSOCIATES/JOINT VENTURES/SUBSIDIARIES

The amounts are non-trade, unsecured, non-interest bearing and repayable on demand, except for an amount due from an associate amounting to Nil, RMB34,543,000, RMB34,543,000 and RMB34,325,000 which bears interest at 6% per annum at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. Out of which, Nil, RMB19,543,000, RMB14,543,000 and RMB14,543,000, respectively are not expected to be repaid within the next 12 months, from the respective reporting period end.

26. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/RETENTION MONIES**(I) Amounts due from (to) customers for contract work**

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognised profits less recognised losses	409,876	405,829	524,631	576,804
Less: progress billings	(364,410)	(357,983)	(488,436)	(471,504)
	<u>45,466</u>	<u>47,846</u>	<u>36,195</u>	<u>105,300</u>
Analysed for reporting purposes as:				
Amounts due from customers for contract work	70,017	68,780	57,581	119,798
Amounts due to customers for contract work	(24,551)	(20,934)	(21,386)	(14,498)
	<u>45,466</u>	<u>47,846</u>	<u>36,195</u>	<u>105,300</u>

At 31 December 2014, 2015 and 2016 and 30 September 2017, advances received from customers for contract work amounted to RMB87,982,000, RMB105,826,000, RMB160,156,000 and RMB212,688,000, respectively are classified under other payables.

Amounts due from customers for contract work included provision for foreseeable losses of RMB36,000, RMB36,000, RMB25,000 and RMB25,000, respectively as at 31 December 2014, 2015 and 2016 and 30 September 2017.

(II) Retention monies

The amounts represent the gross retentions held by customers for contract works.

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Analysed for reporting purposes as:				
Current portion (included in trade receivables) (Note i).	1,682	1,425	1,425	1,425
Non-current portion (as retention monies) (Note ii).	2,712	4,118	11,547	62,434
	<u>4,394</u>	<u>5,543</u>	<u>12,972</u>	<u>63,859</u>

Notes:

- (i) At 31 December 2014, 2015 and 2016 and 30 September 2017, the allowance for doubtful retention monies amounted to RMB1,525,000, RMB1,425,000, RMB1,425,000 and RMB1,425,000, respectively.
- (ii) The non-current portion of retention monies are carried at amortised cost using a weighted average effective interest rate of 6.15%, 4.90%, 4.90%, 4.90% (unaudited) and 4.90% per annum during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, respectively.

27. DEPOSITS AND PREPAYMENTS**(I) Deposits and prepayments (non-current)**

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Prepayments for assets relating to service concession arrangements (Note i).	118,095	47,802	62,724	91,347
Deposit paid on acquisition of a subsidiary (Note ii).	–	288,188	–	–
Deposits paid on acquisition of other intangible assets.	450	99	4,939	9,678
Deposits paid on acquisition of property, plant and equipment . . .	–	274	409	302
	<u>118,545</u>	<u>336,363</u>	<u>68,072</u>	<u>101,327</u>

Notes:

- (i) The amount represents prepayments made for certain infrastructures relating to BOT and TOT service concession arrangements entered into during the Track Record Period.
- (ii) The amount represents a deposit paid by the Group on the acquisition of 90% equity interest in Yiyang City Tap Water Co., Ltd. The acquisition has been completed in March 2016.

(II) Prepayments

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Prepayments to suppliers	10,372	9,276	20,908	18,931
Others (Note)	4,972	5,497	13,479	37,150
	<u>15,344</u>	<u>14,773</u>	<u>34,387</u>	<u>56,081</u>

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Others (Note)	3,048	1,535	358	17,442

Note: Included in the amount at 30 September 2017 is prepaid listing expense of approximately RMB11 million. Such amount will be fully charged to the profit or loss subsequently.

28. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the Track Record Period:

	Service	Tax losses	Fair value	Undistributed	Others	Total
	concession		adjustments			
	arrangements		on business	PRC entities		
	RMB'000	RMB'000	combinations	RMB'000	RMB'000	RMB'000
At 1 January 2014	94,662	(3,448)	77,329	15,999	(14,973)	169,569
Exchange adjustments	-	-	-	4	-	4
Additions through acquisition of subsidiaries (note 40(I))	30,672	-	40,525	-	-	71,197
Disposal of subsidiaries (note 41)	-	-	(6,977)	-	668	(6,309)
Charge (credit) to profit or loss	26,306	1,738	(4,353)	792	(7,179)	17,304
At 31 December 2014	151,640	(1,710)	106,524	16,795	(21,484)	251,765
Acquisition of a subsidiary (note 40(II))	38,768	-	456,468	-	(2,790)	492,446
Charge (credit) to profit or loss	40,768	(2,661)	(14,157)	-	6,736	30,686
At 31 December 2015	231,176	(4,371)	548,835	16,795	(17,538)	774,897
Acquisition of subsidiaries (note 40(III))	185,328	(2,119)	583,761	-	(6,309)	760,661
Charge (credit) to profit or loss	78,596	(10,327)	(22,380)	-	(1,310)	44,579
At 31 December 2016	495,100	(16,817)	1,110,216	16,795	(25,157)	1,580,137
Acquisition of a subsidiary (note 40(IV))	11,783	-	22,625	-	-	34,408
Charge (credit) to profit or loss	79,777	(2,875)	(19,146)	-	16,141	73,897
At 30 September 2017	<u>586,660</u>	<u>(19,692)</u>	<u>1,113,695</u>	<u>16,795</u>	<u>(9,016)</u>	<u>1,688,442</u>

Notes:

- (i) For the purpose of presentation in the consolidated 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:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Deferred tax liabilities	270,122	791,837	1,602,513	1,727,091
Deferred tax assets	(18,357)	(16,940)	(22,376)	(38,649)
	<u>251,765</u>	<u>774,897</u>	<u>1,580,137</u>	<u>1,688,442</u>

- (ii) At 31 December 2014, 2015 and 2016 and 30 September 2017, the Group had unused tax losses of RMB64,166,000, RMB69,191,000, RMB401,840,000 and RMB558,175,000 available for offset against future assessable profits, respectively.

At 31 December 2014, 2015 and 2016 and 30 September 2017, deferred tax assets amounting to RMB1,710,000, RMB4,371,000, RMB16,817,000 and RMB19,692,000, respectively, in respect of tax losses amounting to approximately RMB6,840,000, RMB17,484,000, RMB67,268,000, and RMB78,768,000, respectively, were recognised. No deferred tax asset was recognised in respect of the remaining tax losses 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. At 31 December 2014, 2015 and 2016 and 30 September 2017, the PRC tax losses of certain subsidiaries of RMB64,166,000, RMB69,191,000, RMB401,840,000 and RMB558,175,000, respectively, will expire in the following years:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
2015	4,203	–	–	–
2016	14,743	6,553	–	–
2017	7,512	1,174	6,373	6,373
2018	21,821	5,780	19,804	20,141
2019	15,887	23,118	63,144	64,862
2020	–	32,566	101,695	98,106
2021	–	–	210,824	249,638
2022	–	–	–	119,055
	<u>64,166</u>	<u>69,191</u>	<u>401,840</u>	<u>558,175</u>

- (iii) Under Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At 31 December 2014, 2015 and 2016 and 30 September 2017, deferred tax liabilities amounting to RMB16,795,000, RMB16,795,000, RMB16,795,000 and RMB16,795,000 were recognised, respectively, in respect of temporary differences associated with undistributed earnings of PRC entities. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of PRC entities for which deferred tax liabilities have not been recognised was Nil, RMB216,256,000, RMB86,232,000 and RMB81,461,000 at 31 December 2014, 2015, 2016 and 30 September 2017, respectively. No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29. INVENTORIES

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Consumable supplies held for internal use.	20,887	20,768	73,371	82,050

30. TRADE AND OTHER RECEIVABLES/BILLS RECEIVABLES

(I) Trade and other receivables

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Trade receivables (including retention monies (note 26)).	423,233	538,727	890,195	1,281,301
Less: allowance for doubtful debts.	(11,458)	(22,491)	(40,131)	(24,261)
	411,775	516,236	850,064	1,257,040
Other receivables	173,407	360,665	784,097	882,899
Less: allowance for doubtful debts.	(13,564)	(12,707)	(5,476)	(5,456)
	159,843	347,958	778,621	877,443
	571,618	864,194	1,628,685	2,134,483

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Trade receivables (including retention monies (note 26)).	272	–	–	–
Less: allowance for doubtful debts.	(272)	–	–	–
	–	–	–	–
Dividend receivables	–	–	–	100,069
Other receivables	650	7,228	710	616
	650	7,228	710	100,685
	650	7,228	710	100,685

Notes:

- (i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past due nor impaired has no default payment history.

- (ii) During the Track Record Period, the Group generally allows credit periods up to 180 days to its trade customers (excluding retention monies). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December			At 30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	99,353	124,162	222,731	243,546
Within 31 – 60 days	83,088	63,085	80,220	111,800
Within 61 – 90 days	36,056	41,709	65,531	103,444
Within 91 – 180 days	58,600	79,807	138,272	190,150
Within 181 – 365 days	76,024	139,830	118,947	268,219
Over 365 days	58,654	67,643	224,363	339,881
	<u>411,775</u>	<u>516,236</u>	<u>850,064</u>	<u>1,257,040</u>

- (iii) At 31 December 2014, 2015 and 2016 and 30 September 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of RMB291,765,000, RMB307,486,000, RMB350,563,000 and RMB572,017,000, respectively, which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

- (iv) Ageing of trade receivables which were past due but not impaired.

	At 31 December			At 30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	42,347	31,398	23,849	27,431
Within 31 to 60 days	65,694	24,288	27,041	38,250
Within 61 to 90 days	23,749	20,524	31,498	58,838
Within 91 to 180 days	50,541	69,680	65,011	240,031
Within 181 to 365 days	69,750	120,254	76,776	110,007
Over 365 days	39,684	41,342	126,388	97,460
	<u>291,765</u>	<u>307,486</u>	<u>350,563</u>	<u>572,017</u>

(v) *Movements in the allowance for doubtful debts***The Group**(a) *Trade receivables*

	<i>Year ended 31 December</i>			<i>Nine months ended 30 September</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Balance at beginning of the year/period</i>	14,971	11,458	22,491	40,131
<i>Impairment losses recognised</i>	545	906	2,158	1,388
<i>Reversal of impairment losses</i>	(3,139)	(762)	(1,652)	(14,593)
<i>Amounts written off as uncollectible</i>	–	(272)	–	(2,665)
<i>Acquisition of a subsidiary</i>	163	11,161	17,134	–
<i>Disposal of a subsidiary</i>	(1,072)	–	–	–
<i>Exchange adjustments</i>	(10)	–	–	–
<i>Balance at end of the year/period</i>	<u>11,458</u>	<u>22,491</u>	<u>40,131</u>	<u>24,261</u>

(b) *Other receivables*

	<i>Year ended 31 December</i>			<i>Nine months ended 30 September</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Balance at beginning of the year/period</i>	14,839	13,564	12,707	5,476
<i>Impairment losses recognised</i>	3,510	92	–	–
<i>Reversal of impairment losses</i>	(4,788)	(9,095)	(8,307)	(20)
<i>Acquisition of a subsidiary</i>	3	8,146	1,076	–
<i>Balance at end of the year/period</i>	<u>13,564</u>	<u>12,707</u>	<u>5,476</u>	<u>5,456</u>

The Company*(a) Trade receivables*

	<i>Year ended 31 December</i>			<i>Nine months ended</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>30 September</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Balance at beginning of the year/period</i>	–	272	–	–
<i>Impairment losses recognised</i>	272	–	–	–
<i>Amounts written off as uncollectible</i>	–	(272)	–	–
<i>Balance at end of the year/period</i>	<u>272</u>	<u>–</u>	<u>–</u>	<u>–</u>

- (vi) *At 31 December 2014, 2015 and 2016 and 30 September 2017, included in the Group's other receivables were (a) refundable deposits of RMB19,909,000, RMB100,000,000, Nil and 33,000,000, respectively; (b) amounts of Nil, RMB52,300,000, RMB176,000,000 and Nil, respectively, advanced to related companies which are unsecured, interest-free and repayable on demand; (c) amounts of RMB60,000,000, RMB91,854,000, RMB32,000,000 and RMB5,150,000, respectively, due from third parties which are unsecured, interest-free and repayable on demand; (d) government grants receivable of RMB36,970,000, RMB36,970,000, RMB36,970,000 and RMB36,970,000, respectively; (e) value added tax refund of Nil, RMB11,000,000, RMB29,000,000 and RMB36,415,000, respectively and (f) compensation receivables of Nil, Nil, RMB359,000,000 and RMB321,460,000, respectively.*

(II) Bills receivables

The amounts are non-interest bearing with credit periods ranging from 90 days to 180 days during the Track Record Period.

31. HELD FOR TRADING INVESTMENTS

	<i>At 31 December</i>			<i>At</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>30 September</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2017</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity securities	–	19,222	26,795	32,120

The investments above include investments in listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year/period.

32. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

- (i) *At 31 December 2014, 2015 and 2016 and 30 September 2017, bank deposits with maturity of less than one year of RMB63,404,000, RMB76,768,000, RMB191,918,000 and RMB108,082,000, respectively, were pledged to secure the Group's general banking facilities and therefore classified as current assets. During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, the pledged bank deposits carried interest at (a) fixed interest rates ranging from 2.30% to 3.0%, 2.05% to 3.25%, 0.3% to 2.6%, 2.05% to 3.25% (unaudited) and 0.3% to 2.6% per annum, respectively and (b) floating interest rates ranging from 0.35% to 2.75%, 0.35%, 0.35%, 0.35% (unaudited) and 0.35%, respectively. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.*

- (ii) During the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.01% to 1.0%, 0.01% to 1.27%, 0.01% to 0.35%, 0.01% to 1.265% (unaudited) and 0.01% to 0.35%, respectively.
- (iii) At 31 December 2014, 2015 and 2016 and 30 September 2017, the Group had cash and cash equivalents of approximately RMB935 million, RMB714 million, RMB1,389 million and RMB1,245 million, respectively, which are held with PRC banks and are subject to certain restrictions based on rules and regulations issued by State Administration of Foreign Exchange in the PRC.

33. TRADE AND OTHER PAYABLES/BILLS PAYABLES

(I) Trade and other payables

The Group

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (<i>Note i</i>)	241,930	366,031	1,123,436	1,467,061
Consideration payables for acquisition of subsidiaries	80,000	70,000	–	–
Other payables (<i>Note ii</i>)	427,168	581,386	999,095	935,129
	<u>749,098</u>	<u>1,017,417</u>	<u>2,122,531</u>	<u>2,402,190</u>

The Company

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Other payables	<u>14,141</u>	<u>17,380</u>	<u>23,080</u>	<u>25,170</u>

Notes:

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

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 30 days	28,940	151,550	401,161	569,853
Within 31 to 60 days	15,259	15,449	75,143	72,344
Within 61 to 90 days	13,795	24,639	11,511	91,172
Within 91 to 180 days	35,708	40,812	48,713	96,955
Within 181 to 365 days	55,162	45,121	225,986	200,908
Over 365 days	93,066	88,460	360,922	435,829
	<u>241,930</u>	<u>366,031</u>	<u>1,123,436</u>	<u>1,467,061</u>

The credit period of our trade payables generally up to 180 days.

- (ii) At 31 December 2014, 2015 and 2016 and 30 September 2017, included in the Group's other payables were (a) customer advances received of RMB102,930,000, RMB122,033,000, RMB189,104,000 and RMB255,328,000, respectively; (b) amounts due to non-controlling shareholders of RMB4,900,000, RMB92,000,000, RMB247,841,000 and RMB214,066,000 of which Nil, RMB44,449,000, RMB101,957,000 and RMB53,293,000 carrying interests at fixed interest rates ranging from 4.35% to 5.5% per annum, respectively; (c) amount due to an associate of Nil, RMB7,080,000, RMB7,080,000 and RMB4,646,000, respectively and (d) sundry payables of RMB176,393,000, RMB210,057,000, RMB278,442,000 and RMB381,582,000, respectively, which mainly represent monies received on behalf of third parties including PRC government.

(II) Bills payables

The amounts are interest-free and secured by certain bank deposits pledged with the issuing banks.

34. BANK AND OTHER BORROWINGS

The Group

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	2,054,062	2,417,333	7,044,554	7,277,350
Other borrowings (note iv).	513,511	1,245,743	2,535,190	2,706,377
Government loans	58,235	43,775	148,657	148,177
Bond (note v).	–	–	385,843	387,946
	<u>2,625,808</u>	<u>3,706,851</u>	<u>10,114,244</u>	<u>10,519,850</u>
Analysed as:				
Secured/guaranteed	1,881,456	2,551,794	8,128,029	8,153,179
Unsecured/unguaranteed	744,352	1,155,057	1,986,215	2,366,671
	<u>2,625,808</u>	<u>3,706,851</u>	<u>10,114,244</u>	<u>10,519,850</u>
Carrying amount repayable:				
Within one year	922,958	1,937,976	3,838,382	3,441,431
More than one year but not more than two years	407,791	567,387	984,472	1,132,101
More than two years but not more than five years	925,722	950,231	1,980,808	2,013,305
Over five years	369,337	251,257	3,310,582	3,933,013
	<u>2,625,808</u>	<u>3,706,851</u>	<u>10,114,244</u>	<u>10,519,850</u>
Less: amount due within one year shown under current liabilities . . .	(922,958)	(1,937,976)	(3,838,382)	(3,441,431)
	<u>1,702,850</u>	<u>1,768,875</u>	<u>6,275,862</u>	<u>7,078,419</u>

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Bank loans	137,435	123,884	119,026	245,026
Analysed as:				
Unsecured	137,435	123,884	119,026	245,026
Carrying amount repayable:				
Within one year	10,709	10,469	119,206	245,026
More than one year but not more than two years	126,726	113,415	–	–
	137,435	123,884	119,206	245,026
Less: amount due within one year shown under current liabilities . . .	(10,709)	(10,469)	(119,206)	(245,026)
	126,726	113,415	–	–

Notes:

- (i) *The table below summarises the interest rate categories of the Group's borrowings at the end of the reporting period:*

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Fixed-rate borrowings	1,032,760	2,131,568	3,846,821	3,291,315
Variable-rate borrowings	1,589,926	1,572,308	6,264,906	7,226,093
Interest-free borrowing	3,122	2,975	2,517	2,442
	2,625,808	3,706,851	10,114,244	10,519,850

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Variable-rate borrowings	137,435	123,884	119,026	245,026

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

The Group

	At 31 December			At 30 September
	2014	2015	2016	2017
Effective interest rate:				
Fixed-rate borrowings	4.35% to 7.20%	1.20% to 7.38%	0.80% to 6.04%	0.80% to 6.04%
Variable-rate borrowings	<u>2.55% to 8.16%</u>	<u>1.80% to 7.80%</u>	<u>0.23% to 7.80%</u>	<u>0.80% to 5.39%</u>

The Company

	At 31 December			At 30 September
	2014	2015	2016	2017
Effective interest rate:				
Variable-rate borrowings	<u>3.31%</u>	<u>4.03%</u>	<u>4.13%</u>	<u>2.75%</u>

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% and repriced at intervals ranging from monthly to annually.

- (iii) At 31 December 2014, 2015 and 2016 and 30 September 2017, the Group's bank loans included related party loans of the Group's subsidiaries arranged through certain loan arrangements with intermediary banks of approximately RMB360 million, RMB972 million, RMB847 million and RMB932 million, respectively, which the underlying funding was provided by the Group's related parties.
- (iv) At 31 December 2014, 2015 and 2016 and 30 September 2017, included in the Group's other borrowings were (a) amount due to S.I. Infrastructure of RMB217,440,000, RMB217,440,000, RMB217,440,000 and RMB217,440,000, respectively and (b) amount due to SIHL Finance Limited ("SIHL Finance") of RMB296,071,000, RMB1,028,303,000, RMB2,317,750,000 and RMB1,556,937,000, respectively. S.I. Infrastructure and SIHL Finance are wholly owned subsidiaries of the Company's intermediate holding company, SIHL.
- (v) The bond was issued on 15 August 2016 by a subsidiary of the Group and will be redeemed in full on 15 April 2021. The bond carries interest at a fixed interest rate of 3.49% per annum.

Details of the assets pledged for the secured bank borrowings are further set out in note 44.

35. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December			At	At 31 December			At
	2014	2015	2016	30 September	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases:								
Within one year	35,640	17,026	115,784	92,230	33,333	16,667	96,988	70,712
More than one year but not more than two years	17,052	-	96,988	92,230	16,667	-	79,114	74,405
More than two years but not more than five years	-	-	230,405	206,798	-	-	202,766	175,660
More than five years	-	-	54,979	128,654	-	-	49,553	118,580
	52,692	17,026	498,156	519,912	50,000	16,667	428,421	439,357
Less: future finance charges	(2,692)	(359)	(69,735)	(80,555)				
Present value of lease obligations	50,000	16,667	428,421	439,357				
Less: Amounts due for settlement within twelve months (shown under current liabilities)					(33,333)	(16,667)	(96,988)	(70,712)
Amounts due for settlement after twelve months					16,667	-	331,433	368,645

The Group leased certain of its own property, plant and equipment and assets attributable to service concession arrangements under finance leases or sale and lease back arrangement. The effective interest rates for the finance leases are at/ranged from 6.15%, 5.75%, 4.90% to 5.64% and 4.90% to 6.79% per annum for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017, respectively. The contractual interest rates are 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.

The relevant assets pledged under the finance leases comprise certain receivables under service concession agreements, investment in a subsidiary and other intangible assets, as disclosed under note 44.

36. OTHER LIABILITY

On 23 July 2012, the Group acquired 100% equity interest in Rise Wealth Investment Ltd ("Rise Wealth", together with its subsidiaries and associates, collectively referred to as the "Rise Wealth Group"). In addition to the purchase consideration, the vendor will also be entitled to receive an additional earn-out amount, by way of issuance and allotment of up to 133,652,038 new shares (Note) subject to certain conditions being met (the "Contingent Consideration").

Rise Wealth indirectly owns 69.378% equity interest in Nanfang Water, which together with its subsidiaries and an associate (collectively referred to as the "Nanfang Water Group"). Nanfang Water Group is principally engaged in the business of environmental protection, including wastewater treatment, tap water treatment, reclaimed water treatment, project investment, operation and management of water treatment facilities in the PRC.

The conditions of the Contingent Consideration are as follows:

- (a) 59,400,905 ordinary shares to be issued, if the Nanfang Water Group generates profit after tax for the year ended 31 December 2012 of RMB40 million or more;
- (b) 59,400,905 ordinary shares to be issued, if the Nanfang Water Group generates profit after tax for the year ended 31 December 2013 of RMB40 million or more; and
- (c) 14,850,228 ordinary shares to be issued, if the Nanfang Water Group generates profit after tax for the year ended 31 December 2014 of RMB50 million or more.

Note: Being the number of share before the share consolidation on 25 September 2015 as detailed in note 38. After the share consolidation, the adjusted number of shares are 11,880,181, 11,880,181 and 2,970,045 for the years ended 31 December 2012, 2013 and 2014, respectively, totalling 26,730,407 shares.

At the acquisition date, the Group concluded that the earn-out targets for the three financial years were interdependent and not mutually exclusive that the Company may need to either issue 0, 59,400,905, 74,251,133, 118,801,810 or 133,652,038 ordinary shares in aggregate according to different earn-out targets that being met. As such, the Contingent Consideration was accounted for as a financial liability. Accordingly, the Group measured the Contingent Consideration at fair value at the end of each reporting period and accounted for any changes in fair value in profit or loss. The fair value of the Contingent Consideration was calculated using the probability-weighted pay-out approach and applying a probability of 95% of achieving the earn-out targets. The change in fair value of Contingent Consideration was recognised under the line item "Other gains and losses".

At 31 December 2015, the Group settled its obligation of the Contingent Consideration by the issuance of 26,730,407 ordinary shares.

The summarised effects are as follows:

The Group and the Company

	At 31 December			At 30 September	
	2014	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	
Contingent Consideration arising from earn-out shares	86,348	–	–	–	–

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Changes in fair value of the Contingent Consideration	28,292	(5,190)	–	–	–

37. OTHER NON-CURRENT LIABILITIES

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Accruals for benefits due to ex-employees	38,924	38,866	41,137	41,137
Contingent consideration (note 40 (III))	–	–	50,000	50,000
Grant received in advance	5,082	7,300	–	15,007
Others	2,789	8,395	22,857	8,889
	<u>46,795</u>	<u>54,561</u>	<u>113,994</u>	<u>115,033</u>

38. SHARE CAPITAL

	Number of	Amount
	ordinary shares	RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2014.	8,589,574,132	2,512,500
Shares placement (net of direct transaction costs) (Note ii) . . .	1,000,000,000	766,103
At 31 December 2014	9,589,574,132	3,278,603
Shares consolidation (Note iii)	(7,671,659,413)	–
Issuance of consideration shares (note 40(II))	312,000,000	1,490,446
Issuance of earn-out shares (note 36)	26,730,407	92,089
At 31 December 2015 and 2016	2,256,645,126	4,861,138
Shares placement (net of direct transactions costs) (Note iv) . .	350,000,000	1,090,751
At 30 September 2017	<u>2,606,645,126</u>	<u>5,951,889</u>

Notes:

- (i) 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.
- (ii) On 8 July 2014, the Company entered into a placing agreement with two placement agents, who are independent third parties of the Group, in relation to its placement of 1,000,000,000 new ordinary shares, representing approximately 10.43% of the enlarged capital of the Company, at the placement price of S\$0.158 per share.
- (iii) On 25 September 2015, the Company consolidated every five existing issued ordinary shares into one ordinary share in the capital of the Company.
- (iv) On 5 May 2017, the Company completed the placement of 350,000,000 new ordinary shares of the Company at a placement price of S\$0.63 per share to SIHL and/or such nominee as designated by SIHL, being its wholly owned subsidiary Triumph Power Limited.

39. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company are as follows:

The Company has adopted the SIIC Environment Share Option Scheme 2012 (the "ESOS 2012") and the SIIC Environment Share Award Scheme (the "ESAS") 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 from the date on which the ESOS is approved by shareholders of the Company and the shareholders of SIHL, being 27 April 2012. The ESAS shall continue in force at the discretion of the remuneration committee, subject to a maximum period of ten years commencing from the date on which the ESAS is approved by the shareholders of the Company, being 27 April 2012, provided always that the ESAS may continue beyond the foregoing stated period with the approval of shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The principal terms of the ESOS 2012 and the ESAS are set out below.

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 associates 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 associates 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 SGX-ST 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 Track Record Period, neither ESOS 2012 Options nor ESAS Awards were granted or outstanding.

40. ACQUISITION OF SUBSIDIARIES

(I) Acquisition of subsidiaries during the year ended 31 December 2014

During the year ended 31 December 2014, the Group acquired the following subsidiaries for the expansion of its business.

- (i) On 11 February 2014, the Group acquired 100% equity interest in Gold Wisdom Holdings Limited (which together with its subsidiaries, are collectively referred to as the "Gold Wisdom Group") from an independent third party for a consideration of RMB119,000,000. Gold Wisdom Group is principally engaged in the business of refuse disposal and waste incineration power generation in the PRC.

- (ii) On 18 February 2014, the Group acquired 100% equity interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Limited (“Shanghai Qingpu”) from an independent third party for a consideration of RMB180,070,000. Shanghai Qingpu is principally engaged in the business of wastewater treatment in the PRC.
- (iii) On 10 September 2014, the Group acquired 100% equity interest in Dongguan Fenggang Yantian Fangzhong Water Services Co., Ltd. (“Dongguan Fenggang”) from an independent third party for a consideration of RMB78,570,000. Dongguan Fenggang is principally engaged in the business of wastewater treatment in the PRC.
- (iv) On 10 September 2014, the Group acquired 100% equity interest in Dongguan Shijie Shayao Water Purification Co., Ltd. (“Dongguan Shijie”) from an independent third party for a consideration of RMB87,985,000. Dongguan Shijie is principally engaged in the business of wastewater treatment in the PRC.

	Gold Wisdom Group	Shanghai Qingpu	Dongguan Fenggang	Dongguan Shijie	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Consideration transferred</i>					
Cash	109,000	54,021	42,644	53,911	259,576
Deferred consideration	10,000	–	35,926	34,074	80,000
Deposit paid on acquisition of a subsidiary	–	126,049	–	–	126,049
	<u>119,000</u>	<u>180,070</u>	<u>78,570</u>	<u>87,985</u>	<u>465,625</u>
<i>Assets acquired and liabilities recognised at the dates of acquisition are as follows:</i>					
Property, plant and equipment.	740	11,549	98	15	12,402
Other intangible assets	273,196	24,656	78,472	77,256	453,580
Retention monies	–	–	520	532	1,052
Receivables under service concession arrangements	132,910	275,749	46,260	65,416	520,335
Inventories	447	111	30	61	649
Trade and other receivables	10,161	3,207	39,832	41,775	94,975
Prepayments	248	–	23	43	314
Pledged bank deposits	6,053	–	–	–	6,053
Bank balances and cash	4,307	24,991	851	885	31,034
Trade and other payables.	(88,333)	(16,360)	(33,825)	(55,561)	(194,079)
Taxation payable.	–	–	(103)	(213)	(316)
Bank and other borrowings	(216,658)	(111,550)	(32,000)	(20,000)	(380,208)
Deferred tax liabilities	(4,071)	(23,314)	(21,588)	(22,224)	(71,197)
Other non-current liabilities	–	(4,500)	–	–	(4,500)
	<u>119,000</u>	<u>184,539</u>	<u>78,570</u>	<u>87,985</u>	<u>470,094</u>
<i>Bargain purchase gain arising on acquisition</i>					
Consideration transferred.	119,000	180,070	78,570	87,985	465,625
Less: net assets required	(119,000)	(184,539)	(78,570)	(87,985)	(470,094)
	<u>–</u>	<u>(4,469)</u>	<u>–</u>	<u>–</u>	<u>(4,469)</u>
<i>Net cash outflow arising on acquisition</i>					
Cash consideration paid	109,000	54,021	42,644	53,911	259,576
Less: bank balances and cash acquired.	(4,307)	(24,991)	(851)	(885)	(31,034)
	<u>104,693</u>	<u>29,030</u>	<u>41,793</u>	<u>53,026</u>	<u>228,542</u>

The transaction costs related to the above acquisitions amounted to RMB808,000 have been recognised in the “administrative expenses” line item in the Group’s profit or loss for the year ended 31 December 2014.

The contribution to the Group’s revenue or financial performance of the above acquired subsidiaries for the year ended 31 December 2014 are as follows:

- (i) Included in the profit for year ended 31 December 2014 were revenue of RMB37,399,000 and loss of RMB383,000 attributable to the additional business generated by the Gold Wisdom Group.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB1,505,375,000, and profit for the year would have been RMB359,137,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

- (ii) Included in the profit for year ended 31 December 2014 were revenue of RMB19,605,000 and profit of RMB13,228,000 attributable to the additional business generated by Shanghai Qingpu.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB1,585,723,000, and profit for the year would have been RMB361,978,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

- (iii) Included in the profit for year ended 31 December 2014 were revenue of RMB3,434,000 and profit of RMB960,000 attributable to the additional business generated by Dongguan Fenggang.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB1,511,302,000, and profit for the year would have been RMB363,915,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

- (iv) Included in the profit for year ended 31 December 2014 were revenue of RMB5,426,000 and profit of RMB4,017,000 attributable to the additional business generated by Dongguan Shijie.

Had the acquisition been completed on 1 January 2014, total group revenue for the year ended 31 December 2014 would have been RMB1,512,280,000, and profit for the year would have been RMB370,029,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

(II) Acquisition of a subsidiary during the year ended 31 December 2015

On 22 May 2015, the Group completed its acquisition of an indirect 92.15% equity interest in Fudan Water Engineering and Technology Co., Ltd. (“Fudan Water”) through acquisition of entire interest of intermediate holding company of Fudan Water, Global Envirotech Investment Ltd., from an independent third party. Fudan Water is principally engaged in the business of construction, design, supervision and operation of water treatment projects and operation of wastewater treatment plants in the PRC.

The consideration for the acquisition is RMB2,116,508,000, which includes cash consideration of RMB626,062,000 and the allotment and issue of an aggregate of 1,560,000,000 ordinary shares of the Company. The fair value of consideration shares at the date of acquisition amounted to RMB1,490,446,000 based on the closing market price in the SGX-ST at the date of acquisition.

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

	RMB'000
<i>Assets acquired and liabilities recognised at the date of acquisition are as follows:</i>	
Property, plant and equipment	3,133
Other intangible assets	1,773,456
Receivables under service concession arrangements	828,775
Interests in associates	90,217
Available-for-sale investments	500
Inventories	12
Trade and other receivables	182,356
Prepayments	890
Pledged bank deposits	4,000
Bank balances and cash	27,520
Trade and other payables	(141,094)
Taxation payable	(1,435)
Bank and other borrowings	(67,000)
Deferred tax liabilities	(492,446)
Amount due to an intermediate holding company	(479,180)
	<u>1,729,704</u>
<i>Goodwill arising on acquisition</i>	
Consideration transferred	2,116,508
Add: non-controlling interests	540,067
Less: net assets required	(1,729,704)
Less: shareholders' loan novated	(479,180)
	<u>447,691</u>
<i>Net cash outflow arising on acquisition</i>	
Cash consideration paid	626,062
Less: bank balances and cash acquired	(27,520)
	<u>598,542</u>

The non-controlling interests in Fudan Water recognised at the acquisition date was measured with reference to the proportionate share of the fair value of the net assets at that date and the non-controlling interests of those acquired subsidiaries.

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

Goodwill arose in the acquisition of Fudan Water because the cost of the combination effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Fudan Water. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for year ended 31 December 2015 were revenue of RMB121,815,000 and profit of RMB33,087,000 attributable to the additional business generated by Fudan Water.

Had the acquisition been completed on 1 January 2015, total group revenue for the year ended 31 December 2015 would have been RMB1,912,424,000, and profit for the year would have been RMB464,890,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(III) Acquisition of subsidiaries for the year ended 31 December 2016

During the year ended 31 December 2016, the Group acquired the following subsidiaries.

- (i) On 21 February 2016, the Group completed its acquisition of 90% equity interest in Yiyang City Tap Water Co., Ltd. ("Yiyang City") through its wholly owned subsidiary, SIIC Environment Holdings (Shenzhen) Co., Ltd., from an independent third party at a cash consideration of RMB288,188,000. Yiyang City is principally engaged in the business of water supply, construction, design, supervision and operation of water supply projects and operation of water supply plants in the PRC.
- (ii) On 8 August 2016, the Group through its 92.15% owned subsidiary, Fudan Water, acquired 90% equity interest in Wulian Xinneng Waste Power Plant Co., Ltd. ("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.

- (iii) On 20 September 2016, the Group through its 92.15% owned subsidiary, Fudan Water, acquired 75% equity interest in Henan Zhonghui Lianhe Investment Co., Ltd. ("Henan Zhonghui") for a total consideration of RMB225,000,000 through subscription of new shares issued by Henan Zhonghui. Henan Zhonghui is engaged principally in the business of sludge treatment and wastewater treatment in the PRC.

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.

- (iv) On 31 October 2016, the Group through its wholly owned subsidiary, Thrive Far Limited and SIIC Environment Holdings (Shenzhen) Co., Ltd., acquired a 30.8% and 1.9% of additional equity interests in Longjiang, a former associate of the Group, at considerations of RMB788,000,000 and RMB48,000,000, respectively. Upon completion of the acquisitions in the same month, the Group holds a total of approximately 58.0% equity interest in Longjiang which then become a non-wholly owned subsidiary of the Group.
- (v) On 12 December 2016, the Group completed the acquisition of 60% equity interest in Ranhill Water (Hong Kong) Co., Ltd. ("Ranhill") through its wholly owned subsidiary, Asia Wisdom Investments Limited, from an independent third party for a purchase consideration comprising (i) cash consideration of RMB223,900,000; and (ii) additional earn-out amount of up to RMB50,000,000, subject to certain conditions being met. The management has determined that the fair value of the contingent consideration amounted to RMB50,000,000. Ranhill and its subsidiaries are principally engaged in undertaking industrial wastewater treatment services, providing consultancy services on potable water, wastewater technologies and project management, and conducting design, comprising construction and operation of wastewater treatment and environmental protection facilities.

	<u>Yiyang City</u>	<u>Wulian Xinneng</u>	<u>Henan Zhonghui</u>	<u>Longjiang</u>	<u>Ranhill</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
		<i>(Note iii)</i>	<i>(Note iv)</i>			
Consideration transferred						
Cash	–	–	–	836,000	223,900	1,059,900
Contingent consideration	–	–	–	–	50,000	50,000
Deposit paid as at 31 December 2015	288,188	–	–	–	–	288,188
Interest in an associate <i>(Note i)</i>	–	–	–	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>
Assets acquired and liabilities recognised at the date of acquisition are as follows:						
Property, plant and equipment	2,337	–	1,214	69,879	1,107	74,537
Prepared lease payments	1,987	–	–	–	–	1,987
Other intangible assets	531,882	–	109,620	2,544,249	152,892	3,338,643
Receivables under service concession arrangements	–	2,205	277,070	4,105,581	785,186	5,170,042
Available-for-sale investments	–	–	–	10,400	–	10,400
Inventories	3,068	–	351	18,062	634	22,115
Trade and other receivables	6,715	99	19,359	1,048,980	26,997	1,102,150
Prepayments	1,649	2,614	24,546	28,223	5,470	62,502
Amounts due from customers for contract work	–	–	–	25,839	–	25,839

	Yiyang City	Wulian Xinneng	Henan Zhonghui	Longjiang	Ranhill	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note iii)	(Note iv)			
Held for trading investments	–	–	–	5,783	–	5,783
Pledged bank deposits	–	–	3,005	–	–	3,005
Bank balances and cash	28,190	135	9,737	854,143	11,330	903,535
Trade and other payables	(114,700)	(53)	(121,142)	(2,367,879)	(252,670)	(2,856,444)
Taxation (payable) recoverable	(368)	–	8	(15,441)	(173)	(15,974)
Bank and other borrowings	(62,882)	–	(210,291)	(2,684,201)	(205,297)	(3,162,670)
Obligations under finance leases	–	–	–	(422,655)	–	(422,656)
Provision for major overhauls	–	–	–	(15,558)	–	(15,558)
Other non-current liabilities	(6,762)	–	–	(6,281)	–	(13,043)
Deferred tax liabilities	(70,908)	–	(12,881)	(607,896)	(68,976)	(760,661)
	<u>320,208</u>	<u>5,000</u>	<u>100,596</u>	<u>2,591,228</u>	<u>456,500</u>	<u>3,473,532</u>
Goodwill arising on acquisition						
Consideration transferred	288,188	–	–	1,497,806	273,900	2,059,894
Add: non-controlling interests (Note ii)	32,020	5,000	100,596	1,093,422	182,600	1,413,638
Less: net assets acquired	(320,208)	(5,000)	(100,596)	(2,591,228)	(456,500)	(3,473,532)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash (inflow) outflow arising on acquisition						
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)
	<u>(28,190)</u>	<u>(135)</u>	<u>(9,737)</u>	<u>(18,143)</u>	<u>212,570</u>	<u>156,365</u>

Notes:

- (i) The previously held interest in Longjiang was remeasured at fair value at the date of acquisition and the resulting gain of RMB155,389,000 was recognised in profit or loss.
- (ii) Included in the amounts are the non-controlling interests of the subsidiaries acquired recognised at the respective acquisition dates were measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets at those dates and the non-controlling interests of those acquired subsidiaries, except that the non-controlling interest in Longjiang 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.
- (iii) 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 year ended 31 December 2016.
- (iv) Subsequent to the date of acquisition, the Group has subscribed to new shares in Henan Zhonghui amounting to RMB74,690,000. At end of the Track Record Period, the Group has yet to subscribe to the remaining shares amounting to RMB150,310,000.

The transaction costs related to these acquisitions amounting to RMB28,000 and RMB9,940,000 have been recognised in the “administrative expenses” line item in the Group’s profit or loss for the years ended 31 December 2015 and 2016, respectively.

The contribution to the Group’s revenue or financial performance of the above acquired subsidiaries for the year ended 31 December 2016 are as follows:

- (i) Included in the profit for year ended 31 December 2016 were revenue of RMB80,605,000 and profit of RMB1,374,000 attributable to the additional business generated by Yiyang City.

Had the acquisition been completed on 1 January 2016, total group revenue for the year ended 31 December 2016 would have been RMB2,658,499,000, and profit for the year would have been RMB530,277,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

- (ii) Included in the profit for year ended 31 December 2016 were revenue of RMB44,314,000 and profit of RMB4,015,000 attributable to the additional business generated by Wulian Xinneng.

Prior to the acquisition, Wulian Xinneng has not commenced operation.

- (iii) Included in the profit for year ended 31 December 2016 were revenue of RMB60,587,000 and profit of RMB8,036,000 attributable to the additional business generated by Henan Zhonghui.

Had the acquisition been completed on 1 January 2016, total group revenue for the year ended 31 December 2016 would have been RMB2,694,784,000, and profit for the year would have been RMB545,609,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

- (iv) Included in the profit for year ended 31 December 2016 were revenue of RMB445,357,000 and profit of RMB26,805,000 attributable to the additional business generated by Longjiang.

Had the acquisition been completed on 1 January 2016, total group revenue for the year ended 31 December 2016 would have been RMB3,697,104,000, and profit for the year would have been RMB630,109,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

- (v) No revenue and profit included in the profit for the year ended 31 December 2016 for the acquisition of Ranhill is prepared as the acquisition was completed in December 2016 and the directors of the Company are of the opinion that Ranhill had no significant contribution to the Group’s revenue or financial performance for the one month period in December 2016.

Had the acquisition been completed on 1 January 2016, total group revenue for the year ended 31 December 2016 would have been RMB2,824,680,000, and profit for the year would have been RMB567,891,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

(IV) Acquisition of subsidiaries for the nine months ended 30 September 2017

During the nine months ended 30 September 2017, the Group acquired the following subsidiaries:

- (i) In January 2017, the Group through its 58.0% owned subsidiary, Longjiang, acquired 100% equity interest in Longjiang Environmental Water Resource (Hegang) Co., Ltd. (previously named as Citic Envirotech Water Resource (Hegang) Co., Ltd.) (“Hegang Longjiang”) at a consideration of RMB111,870,000. Hegang Longjiang is engaged principally in the operation of two wastewater treatment plants and one reclaimed water project in the PRC.
- (ii) In July 2017, the Company acquired 100% equity interest in Pinghu Dushan Wastewater Treatment Co., Ltd. (“Pinghu Dushan”) at a consideration of RMB9,113,000. Pinghu Dushan is engaged principally in the business of wastewater treatment in the PRC.

- (iii) In August 2017, the Group through its 58.0% owned subsidiary, Longjiang, acquired 100% equity interest in Jiaohe Jiaxin Water Co., Ltd. ("Jiaohe Jiaxin") at a consideration of RMB95,000,000. Jiaohe Jiaxin is engaged principally in the business of environmental protection, wastewater treatment, technology development, technical services in the PRC.

	Hegang Longjiang	Pinghu Dushan	Jiaohe Jiaxin	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Note)</i>	<i>(Note)</i>	<i>(Note)</i>	
Consideration transferred				
Cash	111,870	9,113	95,000	215,983
Assets acquired and liabilities recognised at the date of acquisition are as follows:				
Other intangible assets	5,271	18,996	96,419	120,686
Receivables under service concession arrangements	174,942	134,349	48,706	357,997
Inventories	–	4,607	–	4,607
Trade and other receivables	59,670	3,319	1,767	64,756
Pledged bank deposits	–	20	34	54
Bank balances and cash	1,000	577	1,413	2,990
Trade and other payables	(127,296)	(85,912)	(22,392)	(235,600)
Bills payables	–	(4,606)	–	(4,606)
Bank and other borrowings	–	(56,000)	–	(56,000)
Other non-current liabilities	–	–	(4,493)	(4,493)
Deferred tax liabilities	(1,717)	(6,237)	(26,454)	(34,408)
	<u>111,870</u>	<u>9,113</u>	<u>95,000</u>	<u>215,983</u>
Goodwill arising on acquisition				
Consideration transferred	111,870	9,113	95,000	215,983
Less: net assets acquired	(111,870)	(9,113)	(95,000)	(215,983)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash inflow arising on acquisition				
Cash consideration paid	111,870	9,113	95,000	215,983
Less: bank balances and cash acquired	(1,000)	(577)	(1,413)	(2,990)
	<u>110,870</u>	<u>8,536</u>	<u>93,587</u>	<u>212,993</u>

Note: The initial accounting of these acquisitions are not yet completed by the end of the Track Record Period and the assets acquired and liabilities recognised and the amounts recognised in the Historical Financial Information for these acquisitions have been determined provisionally.

The transaction costs related to these acquisitions amounting to RMB826,000 have been recognised in the "administrative expenses" line item in the Group's profit or loss for the nine months ended 30 September 2017.

The contribution to the Group's revenue or financial performance of the above acquired subsidiaries for the nine months ended 30 September 2017 are as follows:

- (i) Included in the profit for the nine months ended 30 September 2017 were revenue of RMB14,285,000 and profit of RMB1,009,000 attributable to the additional business generated by Hegang Longjiang.

No pro forma information for the acquisition of Hegang Longjiang is prepared as the acquisition was completed in January 2017 as the directors of the Company are of the opinion that Hegang Longjiang had no significant contribution to the Group's revenue or financial performance for the one month period in January 2017.

- (ii) Included in the profit for the nine months ended 30 September 2017 were revenue of RMB4,622,000 and loss of RMB2,453,000 attributable to the additional business generated by Pinghu Dushan.

Had the acquisition been completed on 1 January 2017, total group revenue for the nine months ended 30 September 2017 would have been RMB3,362,745,000, and profit for the nine months ended 30 September 2017 would have been RMB439,652,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

- (iii) Included in the profit for the nine months ended 30 September 2017 were revenue of RMB3,927,000 and profit of RMB1,669,000 attributable to the additional business generated by Jiaohe Jiaxin.

Had the acquisition been completed on 1 January 2017, total group revenue for the nine months ended 30 September 2017 would have been RMB3,362,894,000, and profit for the nine months ended 30 September 2017 would have been RMB459,424,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

41. DISPOSAL OF SUBSIDIARIES

Disposal of subsidiaries for the year ended 31 December 2014

- (i) In March 2014, the Group completed the disposal of its 52% equity interest in Kunming Nanfang Water Co., Ltd. ("Kunming Nanfang") to a non-controlling shareholder of Kunming Nanfang for a consideration of RMB14,503,000. Kunming Nanfang is principally engaged in the business of wastewater treatment in the PRC.
- (ii) In August 2014, the Group completed the disposal of its 100% equity interest in Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi") to independent third parties for a consideration of RMB16,782,000. Wuhan Kaidi is principally engaged in the business of engineering, procurement and commissioning of water purification and treatment systems and facilities in the PRC.

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

	Kunming Nanfang	Wuhan Kaidi	Total
	RMB'000	RMB'000	RMB'000
<i>Consideration</i>			
Offset of trade and other payables	14,503	–	14,503
Cash received.	–	16,782	16,782
	<u>14,503</u>	<u>16,782</u>	<u>31,285</u>
<i>Analysis of assets and liabilities over which control was lost</i>			
Property, plant and equipment.	281	228	509
Other intangible assets	27,912	201	28,113
Inventories	65	560	625
Trade and other receivables	18,546	43,786	62,332
Prepayments	–	1,215	1,215
Amounts due from customers for contract works	–	8,571	8,571
Pledged bank deposits	–	3,333	3,333

	Kunming Nanfang	Wuhan Kaidi	Total
	RMB'000	RMB'000	RMB'000
Bank balances and cash	368	4,111	4,479
Deferred tax (liabilities) assets	(6,977)	668	(6,309)
Trade and other payables.	(20)	(51,069)	(51,089)
Amount due to customer for contract works	–	(3,870)	(3,870)
	<u>40,175</u>	<u>7,734</u>	<u>47,909</u>
<i>(Loss) gain on disposal</i>			
Consideration.	14,503	16,782	31,285
Net assets disposed of	(40,175)	(7,734)	(47,909)
Non-controlling interests	21,851	–	21,851
	<u>(3,821)</u>	<u>9,048</u>	<u>5,227</u>
<i>Net cash (outflow) inflow arising on disposal</i>			
Cash consideration received	–	16,782	16,782
Less: bank balances and cash disposed of	(368)	(4,111)	(4,479)
	<u>(368)</u>	<u>12,671</u>	<u>12,303</u>

42. OPERATING LEASE COMMITMENTS

(I) The Group as lessee

The Group as lessee had made minimum lease payments of RMB5,563,000, RMB5,571,000, RMB7,303,000, RMB5,255,000 (unaudited) and RMB6,315,000 under operating leases during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, respectively, in respect of its office and factory properties.

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:

	At 31 December			At 30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	5,159	6,301	7,473	6,920
In the second to fifth year inclusive	14,194	17,548	17,357	16,046
After five years	41,028	37,750	34,554	32,157
	<u>60,381</u>	<u>61,599</u>	<u>59,384</u>	<u>55,123</u>

Operating lease payments represent rentals payable by the Group for certain land, office and factory properties. Leases are negotiated for an average term of 6 years and rentals are fixed for a lease term of 1 to 30 years.

(II) The Group as lessor

Rental income earned by the Group was RMB2,084,000, RMB2,662,000, RMB3,027,000, RMB2,139,000 (unaudited) and RMB3,585,000 for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017, respectively. At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of commercial property leases on its office premises and factory properties:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Within one year	1,577	1,993	3,116	3,964
In the second to fifth year inclusive	4,396	2,204	2,139	2,083
After five years	1,473	3,401	1,609	1,249
	<u>7,446</u>	<u>7,598</u>	<u>6,864</u>	<u>7,296</u>

43. CAPITAL COMMITMENTS

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of				
– additions in construction in progress relating to service concession arrangements	119,682	580,946	1,149,597	717,312
– capital injection into an associate	48,000	48,000	48,000	48,000
– investment in an available-for-sale investment	–	13,064	13,064	13,287
– additions in property, plant and equipment (other than construction in progress)	–	–	–	3,239
	<u>167,682</u>	<u>642,010</u>	<u>1,210,661</u>	<u>781,838</u>

44. PLEDGE OF ASSETS

The following assets were pledged by the Group to secure banking facilities granted by banks:

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
Property, plant and equipment	–	18,675	17,139	15,988
Other intangible assets	317,882	82,554	1,331,651	1,308,820
Receivables under service concession arrangements	1,725,742	1,683,710	7,137,684	7,146,583
Prepaid lease payments	–	1,486	1,370	1,282
Trade receivables	153,717	129,588	–	–
Pledged bank deposits	63,404	76,768	191,918	107,196
	<u>2,260,745</u>	<u>1,992,781</u>	<u>8,679,762</u>	<u>8,579,869</u>

45. RETIREMENT BENEFITS SCHEMES

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. The Company and its subsidiaries in Singapore operate a defined contribution retirement benefits scheme, the Central Provident Fund, for their qualifying employees. The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government.

The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

46. RELATED PARTY TRANSACTIONS AND BALANCES**(I) Related parties**

The significant transactions with related parties during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 and significant balances with them as at 31 December 2014, 2015 and 2016 and 30 September 2017, are as follows:

Related parties	Nature of transactions	Year ended 31 December			Nine months ended 30 September	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Wholly owned subsidiaries of the Company's intermediate holding company, SIHL	Interest paid for borrowings:					
	- SIHL Finance Limited	16,751	30,460	45,891	31,184	54,124
	- S.I. Infrastructure	9,600	9,480	9,616	7,292	7,197
	- Shanghai Shen-Yu Development Co., Ltd.	2,952	9,977	7,079	8,831	-
	- Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.	1,366	9,998	16,145	5,910	3,265
	- SIIC Management (Shanghai) Ltd.	168	-	-	-	-
	- Shanghai Lu Qiao Development Co., Ltd.	-	11,062	28,320	15,724	29,892

Details of amounts due from joint ventures and associates and other borrowings are set out in notes 25 and 34, respectively.

The Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in above, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company other than the service concession arrangements with governmental authorities as described in note 24, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors of the Company consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

(II) Compensation of key management personnel

The remuneration of directors and other members of key management during the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 was as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Short-term benefits	16,948	16,573	20,395	12,076	19,758
Retirement benefits scheme contributions . . .	996	1,087	1,585	1,149	1,650
	<u>17,944</u>	<u>17,660</u>	<u>21,980</u>	<u>13,225</u>	<u>21,408</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(III) 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 amounts of fees in relation to legal and corporate secretarial services provided for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2016 and 2017 were RMB1,453,000, RMB1,163,000, RMB781,000, RMB643,000 (unaudited) and RMB1,532,000. At 31 December 2014, 2015 and 2016 and 30 September 2017, amounts of Nil, RMB7,000, RMB3,000 and Nil were outstanding to pay, respectively.

47. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following non-cash transactions:

- (i) During the year ended 31 December 2014, the Group disposed of its subsidiary, Kunming Nanfang for proceeds of RMB14,503,000 (note 41) to its non-controlling shareholder, of which the entire amount was offset against trade and other payables.
- (ii) During the year ended 31 December 2014, the Group disposed of certain intangible assets for proceeds of RMB26,402,000, of which the entire amount was not received as at 31 December 2014 and recorded under other receivables. The entire amount had been received during the year ended 31 December 2015.
- (iii) During the year ended 31 December 2014, the Group disposed of its investment property for proceeds of RMB4,409,000 (note 18), of which the entire amount was not received as at 31 December 2014 and recorded under other receivables. The entire amount had been received during the year ended 31 December 2015.
- (iv) During the year ended 31 December 2014, the Group's subsidiaries had declared dividend of RMB15,254,000 to non-controlling interests, of which RMB10,354,000 had been paid and remaining RMB4,900,000 has been paid during the year ended 31 December 2015.
- (v) During the year ended 31 December 2015, the Group's subsidiaries have declared dividend of RMB19,191,000 to non-controlling interests, of which RMB13,691,000 has been paid and the remaining RMB5,500,000 is unsettled as at 30 September 2017.
- (vi) During the year ended 31 December 2016, the Group's subsidiaries have declared dividend of RMB17,054,000 to non-controlling interests, of which RMB12,154,000 has been paid and the remaining of RMB4,900,000 has been paid during the nine months ended 30 September 2017.
- (vii) During the 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 RMB45,000,000 and RMB74,690,000, respectively (note 40(III)).

48. INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Unlisted investments in subsidiaries at cost	716,009	2,349,890	2,565,418	2,626,562
Deemed investments (note)	–	–	–	2,774,189
	<u>716,009</u>	<u>2,349,890</u>	<u>2,565,418</u>	<u>5,400,751</u>

note: As at 30 September 2017, the directors of the Company reassessed the terms of the amounts due from subsidiaries and resolved that such amounts to be in substance form part of the net investments in subsidiaries, and thus the amounts are classified as deemed investments.

During the Track Record Period and as at the date of this report, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name of subsidiary	Place and date of establishment/ operations	Registered capital	Percentage of issued share/registered capital held by the Company					At date of this report	Principal activities	Notes
			At 31 December			At	At date of this report			
			2014	2015	2016	30 September 2017				
Huizhou City Nanfang Water Co., Ltd.	The PRC 19 September 2005	RMB65,000,000	76.4%	91.2%	91.2%	91.2%	91.2%	Wastewater treatment	(b)	
Shenzhen City Nanfang Water Co., Ltd.	The PRC 11 March 2009	RMB150,000,000	76.4%	91.2%	91.2%	91.2%	91.2%	Wastewater treatment	(b)	
SIIC Environment Holdings (Weifang) Co., Ltd. ("SIIC Weifang")	The PRC 21 December 2004	RMB464,900,000	75.5%	75.5%	75.5%	75.5%	75.5%	Investment holding, wastewater treatment and reclaimed water treatment	(b)	
Weifang City Tap Water Co., Ltd.	The PRC 10 December 1990	RMB153,125,000	51.3%	51.3%	51.3%	51.3%	51.3%	Treatment and supply of potable water	(b)	
Wuhan Hanxi Wastewater Treatment Co., Ltd.	The PRC 21 June 2004	RMB330,000,000	80.0%	80.0%	80.0%	80.0%	80.0%	Wastewater treatment	(c)	
Wuhan Huang-Pi Kaidi Water Services Co., Ltd.	The PRC 15 August 2007	RMB242,500,000	100.0%	100.0%	100.0%	100.0%	100.0%	Treatment and supply of potable water	(c)	
Fudan Water	The PRC 29 January 2002	RMB300,000,000	–	92.2%	92.2%	92.2%	92.2%	Provision of management and consultancy services	(d)	
Longjiang ⁽¹⁾	The PRC 8 May 2004	RMB320,000,000	–	–	58.0%	58.0%	58.0%	Operation of water related and environment protection business in the PRC	(e)	
Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd. ⁽¹⁾	The PRC 7 April 2010	RMB260,000,000	–	–	58.0%	58.0%	58.0%	Treatment and supply of potable water	(e)	
Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd. ⁽¹⁾	The PRC 31 July 2012	RMB240,000,000	–	–	58.0%	58.0%	58.0%	Treatment and supply of potable water	(e)	

Notes:

- (1) In 2015, the Group held 25.3% equity interest in Longjiang and its subsidiaries and accounted for the investment as an associate. In November 2016, the Group acquired an additional 32.7% equity interest (note 40 (III)) and obtained control of the entity. Accordingly, Longjiang and its subsidiaries became subsidiaries of the Group.
- (2) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (a) Each of the Company and its subsidiaries has adopted 31 December as its financial year end date.
- (b) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 瑞華會計師事務所, certified public accountants registered in the PRC.
- (c) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 致同會計師事務所, certified public accountants registered in the PRC.
- (d) The statutory financial statements for the years ended 31 December 2015 and 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 瑞華會計師事務所, certified public accountants registered in the PRC.
- (e) The statutory financial statements for the year ended 31 December 2016 were prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC and were audited by 瑞華會計師事務所, certified public accountants registered in the PRC.

At the end of the Track Record Period, the Group has other subsidiaries that are not material to the Group. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

None of the subsidiaries had issued any debt securities during the Track Record Period.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests				Profit allocated to non-controlling interests					Accumulated non-controlling interests			
		At 31 December		At 30 September		Year ended 31 December			Nine months ended 30 September		At 31 December		At 30 September	
		2014	2015	2016	2017	2014	2015	2016	2016	2017	2014	2015	2016	2017
RMB'000														
(unaudited)														
SIIC Weifang	The PRC	24.5	24.5	24.5 ⁽ⁱ⁾	24.5 ⁽ⁱ⁾	38,837	34,258	N/A	25,222	N/A	344,841	375,409	N/A ⁽ⁱ⁾	N/A ⁽ⁱ⁾
Longjiang	The PRC	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	42.0	42.0	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	11,409	N/A ⁽ⁱⁱ⁾	27,852	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	1,104,831	1,150,766
Individually immaterial subsidiaries with non-controlling interests											241,491	692,478	1,455,613	1,547,972
											586,332	1,067,887	2,560,444	2,698,738

Notes:

- (i) The directors of the Company assessed the non-controlling interests of SIIC Weifang as immaterial for the year ended 31 December 2016 and the nine months ended 30 September 2017.
- (ii) Longjiang was an associate of the Group as at 31 December 2014 and 2015. It becomes a subsidiary of the Group since November 2016.

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intra-group eliminations.

SIIC Weifang (Consolidated)

	At 31 December			At 30 September	
	2014	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	RMB'000	
			(Note i)	(Note i)	
Current assets	566,645	492,012	N/A	N/A	
Non-current assets	1,555,896	1,652,409	N/A	N/A	
Current liabilities	(530,036)	(651,543)	N/A	N/A	
Non-current liabilities	(519,935)	(302,406)	N/A	N/A	
Equity attributable to owners of the Company	965,679	1,081,353	N/A	N/A	
Non-controlling interests	106,891	109,119	N/A	N/A	

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	(Note i)	
Revenue	525,198	575,220	N/A	322,285	N/A
Profit and total comprehensive income for the year/period attributable to the owners of the Company	119,645	115,674	N/A	84,193	N/A
Profit and total comprehensive income for the year/period attributable to the non-controlling interests	9,524	5,918	N/A	4,595	N/A
Profit and total comprehensive income for the year/period	129,169	121,592	N/A	88,788	N/A
Dividends paid to non-controlling interests	1,280	3,690	N/A	490	N/A
Net cash inflow from operating activities	76,811	14,360	N/A	219,138	N/A
Net cash outflow from investing activities	(133,293)	(32,429)	N/A	(25,552)	N/A
Net cash inflow (outflow) from financing activities	75,213	(162,481)	N/A	79,437	N/A
Net cash inflow (outflow)	18,731	(180,550)	N/A	273,023	N/A

Note i: The directors of the Company assessed the non-controlling interests of SIIC Weifang as immaterial for the year ended 31 December 2016 and the nine months ended 30 September 2017.

Longjiang (Consolidated)

	At 31 December			At
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note ii)	(Note ii)		
Current assets	N/A	N/A	1,500,527	1,657,805
Non-current assets	N/A	N/A	5,180,801	5,835,198
Current liabilities	N/A	N/A	(1,219,631)	(1,383,091)
Non-current liabilities	N/A	N/A	(4,254,906)	(4,782,135)
Equity attributable to owners of the Company	N/A	N/A	1,200,065	1,301,138
Non-controlling interests	N/A	N/A	6,726	26,639

	Year ended 31 December			Nine months ended	
				30 September	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note ii)	(Note ii)		(unaudited)	
Revenue	N/A	N/A	445,357	N/A	988,130
Profit and total comprehensive income for the year/period attributable to the owners of the Company	N/A	N/A	26,546	N/A	101,073
Profit and total comprehensive income for the year/period attributable to the non-controlling interests	N/A	N/A	259	N/A	2,047
Profit and total comprehensive income for the year/period	N/A	N/A	26,805	N/A	103,120
Dividends paid to non-controlling interests	N/A	N/A	–	N/A	–
Net cash outflow from operating activities	N/A	N/A	(233,233)	N/A	(273,860)
Net cash outflow from investing activities	N/A	N/A	(11,673)	N/A	(275,787)
Net cash (outflow) inflow from financing activities	N/A	N/A	(348,192)	N/A	570,868
Net cash (outflow) inflow	N/A	N/A	(593,098)	N/A	21,221

Note ii: Longjiang was an associate of the Group as at 31 December 2014 and 2015. It becomes a subsidiary of the Group since November 2016.

49. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes bills payables, bank and other borrowings and obligations under finance leases disclosed in notes 33, 34 and 35, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	5,086,839	6,570,709	14,674,672	16,786,852
Available-for-sale investments	126,748	191,836	206,288	215,492
Held for trading investments	–	19,222	26,795	32,120
	<u>5,213,587</u>	<u>6,781,767</u>	<u>14,907,755</u>	<u>17,034,464</u>
Financial liabilities				
Amortised cost	3,442,794	4,678,325	12,593,231	13,237,806
Other liability at fair value	86,348	–	–	–
	<u>3,529,142</u>	<u>4,678,325</u>	<u>12,593,231</u>	<u>13,237,806</u>

The Company

	At 31 December			At
	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	2017
				RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	2,251,463	2,167,013	2,124,261	3,254,246
Available-for-sale investments	–	12,567	13,189	13,456
	<u>2,251,463</u>	<u>2,179,580</u>	<u>2,137,450</u>	<u>3,267,702</u>
Financial liabilities				
Amortised cost	155,846	274,457	279,238	370,914
Other liability at fair value	86,348	–	–	–
	<u>242,194</u>	<u>274,457</u>	<u>279,238</u>	<u>370,914</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, receivables under service concession arrangements, amounts due from associates/joint ventures, retention monies, trade and other receivables, bills receivables, held for trading investments, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, bank and other borrowings, obligations under finance leases and other liability. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*(i) Currency risk*

The Group's sales and purchases are all transacted in the functional currency of the respective group entities and the Group's trade receivables and payables at the end of the reporting period have limited foreign currency exposure. Therefore, the Group is exposed to limited foreign currency risk in its daily operations and business activities. Currently, the Group has not entered into any hedge due to the limited transactional foreign currency exposure.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the Group entities ("foreign currency") are as follows:

The Group

	Assets				Liabilities			
	At 31 December			At	At 31 December			At
	2014	2015	2016	30 September	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SGD (against RMB) . .	632,847	674,589	620,333	826,609	525,427	535,264	777,852	963,446
SGD (against USD) . .	8,567	17,014	16,091	15,926	–	–	–	–
SGD (against HKD) . .	95,388	239,679	291,042	1,245,038	122,528	248,979	251,925	177,194
RMB (against USD) . .	8,263	681	6,491	4,274	14,193	14,301	27,197	–
HKD (against SGD) . .	–	–	–	–	16,566	9,068	100,505	109,637
HKD (against USD) . .	5	513,457	549,141	522,247	10	718,522	768,438	730,763
HKD (against RMB) . .	312,074	316,360	549,546	735,154	403,964	403,964	412,229	412,229

The Company

	Assets				Liabilities			
	At 31 December			At	At 31 December			At
	2014	2015	2016	30 September	2014	2015	2016	30 September
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
SGD (against RMB) . .	86,236	586,850	507,596	30,030	1,211	1,247	5,534	5,534
SGD (against USD) . .	1,403	16,914	15,975	15,805	–	–	–	–
SGD (against HKD) . .	102,268	5,403	13,223	340,483	2,752	101,479	94,168	51,548

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of each group entity against the above foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year/period end for a 5% increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

If the foreign currency increase/decrease 5% against the functional currency of the Company, the Group's equity for the nine months ended 30 September 2017 would increase/decrease by RMB58,261,000. This is mainly attributable to the Group's exposure to foreign currency on its loans to foreign operations that form part of a net investment.

The Group

	Year ended 31 December			Nine months ended
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in profit before tax				
SGD (against RMB).	5,371	6,966	(7,876)	(6,842)
SGD (against USD).	428	850	805	796
SGD (against HKD).	(1,357)	(465)	(1,956)	53,392
RMB (against USD).	(297)	(681)	(1,035)	214
HKD (against SGD).	(828)	(453)	(5,025)	(5,482)
HKD (against USD).	–	(10,255)	(10,956)	(10,427)
HKD (against RMB).	(4,595)	(4,380)	6,866	16,146

The Company

	Year ended 31 December			Nine months ended
				30 September
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in profit before tax				
SGD (against RMB).	4,251	29,280	25,103	1,225
SGD (against USD).	70	846	799	790
SGD (against HKD).	4,976	(4,804)	(4,047)	14,447

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due from/to certain joint ventures/associates and fixed-rate bank and other borrowings have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

The Group's policy is to manage interest cost using a mix of fixed and variable-rate debts.

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. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

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/period. A 50 basis point increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's profit after taxation for the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 would decrease/increase by RMB6,643,000, RMB6,109,000, RMB25,479,000 and RMB20,884,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

(iii) Price risk

The Group is exposed to price risk through its listed investments classified as available-for-sale investments or held for trading investments. The management strictly monitors this exposure by maintaining a portfolio of investments with different level of risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor the price risk and hedging against such risk exposures will be made should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group:

If the prices of the respective quoted equity instruments had been 5% higher/lower:

- Profit after taxation for the year ended 31 December 2014, 2015 and 2016 and for the nine months ended 30 September 2017 would increase/decrease by Nil, RMB961,000, RMB1,340,000 and RMB1,606,000, respectively as a result of the changes in fair value of held for trading investments; and
- Investment revaluation reserve as at 31 December 2014, 2015 and 2016 and 30 September 2017 would increase/decrease by RMB6,218,000, RMB8,819,000, RMB8,990,000 and RMB9,424,000, respectively as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Group's principal financial assets are receivables under service concession arrangements, pledged bank deposits, bank balances and cash and trade and other receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statements of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to the credit risk of the Group's treasury operations, all bank balances and cash of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimise the Group's credit risk exposures.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The Group's concentration of credit risk by geographical locations of customers are in the PRC which accounted for all of the trade receivables and receivables under service concession arrangements as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively.

The credit risk on bank balances is limited because the counterparties are banks with good reputation.

Liquidity risk

The Group's liquidity position are monitored closely by management. At 31 December 2015 and 2016 and 30 September 2017, the Group had net current liabilities of approximately RMB1,031 million, RMB2,260 million and RMB1,579 million, respectively. In preparing the Historical Financial Information, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the Group's capital expenditure plan for its future business development; and (ii) the availability of banking facilities. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the Historical Financial Information is appropriate.

The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables 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 reporting period.

The Group

	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2014
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014								
Non-interest bearing . . .	–	254,623	80,867	479,254	24,904	35,787	875,435	856,456
Fixed interest rate instruments	5.29	10,261	26,062	650,132	401,493	–	1,087,948	1,032,760
Variable interest rate instruments	7.14	50,217	46,775	300,728	1,200,765	420,805	2,019,290	1,639,926
		<u>315,101</u>	<u>153,704</u>	<u>1,430,114</u>	<u>1,627,162</u>	<u>456,592</u>	<u>3,982,673</u>	<u>3,529,142</u>
	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2015
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2015								
Non-interest bearing . . .	–	352,217	102,626	398,940	25,210	38,711	917,704	913,333
Fixed interest rate instruments	4.61	45,300	9,388	1,719,695	441,013	42,404	2,257,800	2,176,017
Variable interest rate instruments	5.22	51,462	27,359	266,064	1,250,829	228,300	1,824,014	1,588,975
		<u>448,979</u>	<u>139,373</u>	<u>2,384,699</u>	<u>1,717,052</u>	<u>309,415</u>	<u>4,999,518</u>	<u>4,678,325</u>
	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016								
Non-interest bearing . . .	–	343,866	222,385	1,327,210	37,300	28,619	1,959,380	1,951,126
Fixed interest rate instruments	3.73	6,063	8,832	3,098,993	909,682	126,266	4,149,836	3,948,778
Variable interest rate instruments	4.80	62,308	196,891	1,016,360	3,266,343	4,196,668	8,738,570	6,693,327
		<u>412,237</u>	<u>428,108</u>	<u>5,442,563</u>	<u>4,213,325</u>	<u>4,351,553</u>	<u>14,847,786</u>	<u>12,593,231</u>
	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 30.09.2017
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2017								
Non-interest bearing . . .	–	652,168	243,244	1,256,665	89,432	28,619	2,270,128	2,222,156
Fixed interest rate instruments	4.03	3,448	178,999	2,164,661	1,067,136	136,195	3,550,439	3,350,200
Variable interest rate instruments	4.66	72,274	160,571	1,118,736	3,633,711	5,129,285	10,114,577	7,665,450
		<u>727,890</u>	<u>582,814</u>	<u>4,540,062</u>	<u>4,790,279</u>	<u>5,294,099</u>	<u>15,935,144</u>	<u>13,237,806</u>

The Company

	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2014
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014								
Non-interest bearing . . .	-	104,759	-	-	-	-	104,759	104,759
Variable interest rate instruments	3.31	-	6,474	8,602	131,655	-	146,731	137,435
		<u>104,759</u>	<u>6,474</u>	<u>8,602</u>	<u>131,655</u>	<u>-</u>	<u>251,490</u>	<u>242,194</u>

	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2015
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2015								
Non-interest bearing . . .	-	150,573	-	-	-	-	150,573	150,573
Variable interest rate instruments	4.03	-	5,285	9,966	114,506	-	129,757	123,884
		<u>150,573</u>	<u>5,285</u>	<u>9,966</u>	<u>114,506</u>	<u>-</u>	<u>280,330</u>	<u>274,457</u>

	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 31.12.2016
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2016								
Non-interest bearing . . .	-	160,212	-	-	-	-	160,212	160,212
Variable interest rate instruments	4.13	-	120,255	-	-	-	120,255	119,026
		<u>160,212</u>	<u>120,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,467</u>	<u>279,238</u>

	Weighted average interest rate	Less than 1 month or on demand	1 – 3 months	3 months to 1 year	1 – 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount at 30.09.2017
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2017								
Non-interest bearing . . .	-	125,888	-	-	-	-	125,888	125,888
Variable interest rate instruments	2.75	-	-	250,080	-	-	250,080	245,026
		<u>125,888</u>	<u>-</u>	<u>250,080</u>	<u>-</u>	<u>-</u>	<u>375,968</u>	<u>370,914</u>

(c) Fair value measurement of financial instruments

Other than the financial assets and financial liabilities carried at fair value as detailed in the following table, the directors of the Company consider that the carrying amounts of trade and other receivables, bills receivables, pledged bank deposits, bank balances and cash, trade and other payables, bills payables and bank and other borrowings that are recorded at amortised cost in the Historical Financial Information approximate their fair values, which are all categorised under level 3 for fair value measurement. The fair values of these financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

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

Financial assets	Fair value as at				Fair value hierarchy	Valuation technique and key inputs	Significant unobservable input
	31 December			30 September			
	2014	2015	2016	2017			
	RMB'000	RMB'000	RMB'000	RMB'000			
Available-for-sale investments							
Listed equity securities . . .	124,354	176,376	179,806	188,482	Level 1	Quoted bid price in an active market	N/A
Held for trading investments							
Listed equity securities . . .	–	19,222	26,795	32,120	Level 1	Quoted bid price in an active market	N/A

(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

	At 31 December						At 30 September	
	2014		2015		2016		2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Receivables under service concession arrangements ^(b) . . .	3,325,717	3,482,865	4,787,646	5,314,144	11,152,079	12,257,726	12,773,772	13,890,375
Available-for-sale financial instruments:								
– Unlisted equity security ^(a) . . .	2,394	N/A	15,460	N/A	26,482	N/A	27,010	N/A
Financial liabilities								
Bank and other borrowings:								
– Fixed rate borrowings ^(b) . . .	(1,032,760)	(1,026,919)	(2,176,017)	(2,171,797)	(3,948,778)	(3,888,460)	(3,350,200)	(3,257,815)
Other non-current liabilities ^(b) . . .	(41,713)	(41,681)	(40,812)	(40,770)	(92,562)	(88,684)	(93,576)	(89,715)

(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 as disclosed in note 23.

(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.

(d) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank and other borrowings	Obligations under finance leases	Amount due to non- controlling shareholders	Amount due to a former shareholder	Interest payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Note)	(Note)	
At 1 January 2014	2,389,008	84,330	4,900	–	9,414	2,487,652
Financing cash flows	(155,588)	(34,330)	(15,254)	–	(153,718)	(358,890)
<i>Non-cash changes</i>						
Dividend declared (note 47)	–	–	15,254	–	–	15,254
Acquisition of subsidiaries (note 40(I))	380,208	–	–	–	–	380,208
Finance costs recognised	–	–	–	–	151,295	151,295
Exchange difference	12,180	–	–	–	4,315	16,495
At 31 December 2014	2,625,808	50,000	4,900	–	11,306	2,692,014
Financing cash flows	953,734	(33,333)	(18,591)	–	(174,732)	727,078
<i>Non-cash changes</i>						
Dividend declared (note 47)	–	–	19,191	–	–	19,191
Acquisition of subsidiaries (note 40(II))	67,000	–	–	–	–	67,000
Finance costs recognised	–	–	–	–	169,853	169,853
Exchange difference	60,309	–	–	–	3,666	63,975
At 31 December 2015	3,706,851	16,667	5,500	–	10,093	3,739,111
Financing cash flows	3,160,614	(10,902)	(12,154)	(1,698,050)	(231,115)	1,208,393
<i>Non-cash changes</i>						
Dividend declared (note 47)	–	–	17,054	–	–	17,054
Acquisition of subsidiaries (note 40(III))	3,162,670	422,656	–	1,698,050	–	5,283,376
Finance costs recognised	–	–	–	–	234,611	234,611
Exchange difference	84,109	–	–	–	4,377	88,486
At 31 December 2016	10,114,244	428,421	10,400	–	17,966	10,571,031
Financing cash flows	443,418	10,936	(10,365)	–	(314,778)	129,211
<i>Non-cash changes</i>						
Dividend declared (note 47)	–	–	5,465	–	–	5,465
Acquisition of subsidiaries (note 40(IV))	56,000	–	–	–	–	56,000
Finance costs recognised	–	–	–	–	384,938	384,938
Exchange difference	(93,812)	–	–	–	(13,968)	(107,780)
At 30 September 2017	10,519,850	439,357	5,500	–	74,158	11,038,865
Unaudited						
At 1 January 2016	3,706,851	16,667	5,500	–	10,093	3,739,111
Financing cash flows	177,918	(16,667)	(5,090)	–	(113,263)	42,898
<i>Non-cash changes</i>						
Dividend declared	–	–	5,090	–	–	5,090
Acquisition of subsidiaries	272,434	–	–	–	–	272,434
Finance costs recognised	–	–	–	–	141,504	141,504
Exchange difference	37,009	–	–	–	(12,777)	24,232
At 30 September 2016	4,194,212	–	5,500	–	25,557	4,225,269

Note: Amount due to a former shareholder and interest payable are included in other payables.

51. PRE-ACQUISITION FINANCIAL INFORMATION OF THE ACQUIRED SUBSIDIARY

As stated in note 40(III) to the Historical Financial Information, the Group acquired the assets and liabilities of Longjiang on 31 October 2016.

The financial information of Longjiang Environmental Protection for each of the two years ended 31 December 2015 and the ten months ended 31 October 2016 (the date prior to Longjiang becoming a subsidiary of the Group) (“Predecessor Track Record Period”) (the “Pre-Acquisition Financial Information”) has been prepared by the directors of Longjiang in accordance with the accounting policies set out in note 4 to the Historical Financial Information, which conform with IFRSs.

The Pre-Acquisition Financial Information is presented in RMB, which is also the functional currency of Longjiang.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 December		Ten months ended
		2014	2015	31 October
		RMB'000	RMB'000	2016
				RMB'000
Revenue	(i)	1,055,201	1,089,636	1,042,210
Cost of sales		(689,318)	(712,722)	(709,073)
Gross profit		365,883	376,914	333,137
Other income, gains and losses		76,897	96,138	99,735
Selling and distribution costs		(28,188)	(29,592)	(26,465)
Administrative expenses		(74,532)	(86,106)	(53,737)
Finance costs		(195,040)	(195,780)	(199,498)
Profit before taxation		145,020	161,574	153,172
Income tax expense	(ii)	(31,969)	(40,152)	(63,481)
Profit and total comprehensive income for the year/period	(iii)	<u>113,051</u>	<u>121,422</u>	<u>89,691</u>
Profit and total comprehensive income for the year/period attributable to Owners of Longjiang Environmental Protection		112,860	120,918	88,953
Non-controlling interests		191	504	738
		<u>113,051</u>	<u>121,422</u>	<u>89,691</u>

Consolidated Statements of Financial Position

	NOTES	At 31 December		At
		2014	2015	31 October
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	(iv)	31,734	48,042	69,622
Other intangible assets	(v)	980,141	957,952	930,228
Available-for-sale investments		10,400	10,400	10,400
Receivables under service concession arrangements – non-current portion	(vi)	2,766,497	3,224,165	3,786,281
Prepayments for property, plant and equipment and other intangible assets		1,185	1,711	–
Deferred tax assets	(vii)	2,332	4,244	895
		<u>3,792,289</u>	<u>4,246,514</u>	<u>4,797,426</u>
Current assets				
Inventories		13,286	16,715	18,062
Trade and other receivables	(viii)	783,085	843,544	1,077,203
Held for trading investments		3,388	4,446	5,674
Receivables under service concession arrangement – current portion	(vi)	40,744	50,032	52,033
Amounts due from customers for contract work . .		–	11,258	25,839
Bank balances and cash		67,492	235,594	854,143
		<u>907,995</u>	<u>1,161,589</u>	<u>2,032,954</u>
Current liabilities				
Trade and other payables	(ix)	839,271	1,721,801	2,367,879
Taxation payable		5,110	8,749	15,441
Bank borrowings	(x)	1,063,278	778,119	1,009,264
Obligations under finance leases	(xi)	96,495	114,083	75,835
		<u>2,004,154</u>	<u>2,622,752</u>	<u>3,468,419</u>
Net current liabilities		<u>(1,096,159)</u>	<u>(1,461,163)</u>	<u>(1,435,465)</u>
Total assets less current liabilities		<u>2,696,130</u>	<u>2,785,351</u>	<u>3,361,961</u>
Capital and reserves				
Registered capital	(xii)	320,000	320,000	320,000
Reserves		643,649	764,567	853,520
Equity attributable to owners of Longjiang Environmental Protection		963,649	1,084,567	1,173,520
Non-controlling interests		5,226	5,730	6,468
Total equity		<u>968,875</u>	<u>1,090,297</u>	<u>1,179,988</u>
Non-current liabilities				
Provision of major overhauls		–	11,104	11,216
Bank borrowings	(x)	1,326,280	1,274,014	1,674,937
Obligations under finance leases	(xi)	315,019	295,766	346,820
Grant received in advance		9,993	11,703	10,623
Deferred tax liabilities	(vii)	75,963	102,467	138,377
		<u>1,727,255</u>	<u>1,695,054</u>	<u>2,181,973</u>
Total equity and non-current liabilities		<u>2,696,130</u>	<u>2,785,351</u>	<u>3,361,961</u>

Consolidated Statements of Changes In Equity

	Attributable to owners of Longjiang						
	Registered capital	Capital redemption reserve	PRC statutory reserves	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(Note)				
At 1 January 2014	320,000	185,643	30,186	314,960	850,789	5,035	855,824
Profit and total comprehensive income for the year	-	-	-	112,860	112,860	191	113,051
Transfers	-	-	8,540	(8,540)	-	-	-
At 31 December 2014	320,000	185,643	38,726	419,280	963,649	5,226	968,875
Profit and total comprehensive income for the year	-	-	-	120,918	120,918	504	121,422
Transfers	-	-	10,134	(10,134)	-	-	-
At 31 December 2015	320,000	185,643	48,860	530,064	1,084,567	5,730	1,090,297
Profit and total comprehensive income for the period	-	-	-	88,953	88,953	738	89,691
Transfers	-	-	-	-	-	-	-
At 31 October 2016	320,000	185,643	48,860	619,017	1,173,520	6,468	1,179,988

Note: The statutory reserves are reserves required by the relevant laws in the PRC applicable to Longjiang's PRC subsidiaries, joint ventures and associates.

Consolidated Statements of Cash Flows

	Year ended 31 December		Ten months ended 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before taxation	145,020	161,574	153,172
Adjustments for:			
Amortisation of other intangible assets	38,438	39,650	33,440
Dividend income from equity investments	(56)	(152)	(190)
Depreciation of property, plant and equipment	2,350	3,583	4,355
Fair value gain on held for trading investments	(3,088)	(1,058)	(1,228)
Finance costs	195,040	195,780	199,498
Impairment loss on trade receivables	3,777	7,277	10,972
Impairment loss on other receivables	1,527	4,636	–
Interest income	(970)	(987)	(1,053)
Net foreign exchange loss	144	–	2,238
Net (gain) loss on disposal/written off of other intangible assets	(52)	7	67
Net loss (gain) on disposal/written off of property, plant and equipment	56	(34)	32
Reversal of impairment loss on trade receivables	(2,566)	(1,943)	(12,289)
Reversal of impairment loss on other receivables	(33)	(7)	(8,211)
Operating cash flows before movements in working capital	379,587	408,326	380,803
Decrease (increase) in inventories	2,801	(3,429)	(1,347)
Increase in trade and other receivables	(182,532)	(41,482)	(218,309)
Increase in receivables under service concession arrangements	(342,250)	(466,956)	(564,117)
Increase in amounts due from customers for contract work	–	(11,258)	(14,581)
Increase (decrease) in trade and other payables	66,141	(39,989)	135,930
Cash used in operations	(76,253)	(154,788)	(281,621)
Interest received	970	987	1,053
Income tax paid	(10,490)	(11,921)	(17,530)
NET CASH USED IN OPERATING ACTIVITIES	(85,773)	(165,722)	(298,098)
INVESTING ACTIVITIES			
Prepayments for property, plant and equipment and other intangible assets	(915)	(526)	–
Purchase of other intangible assets	(21,683)	(6,364)	(3,961)
Purchase of property, plant and equipment	(17,481)	(20,088)	(25,973)
Investment in available-for-sale investments	(10,000)	–	–
Proceeds from disposal of property, plant and equipment	71	231	6
Proceeds from disposal of intangible assets	69	–	–
Dividends received from equity investments	56	152	190
Loan to third parties	–	(29,940)	(6,222)
Repayment from third parties	–	1,000	400
NET CASH USED IN INVESTING ACTIVITIES	(49,883)	(55,535)	(35,560)
FINANCING ACTIVITIES			
Bank and other borrowings raised	1,621,302	1,849,382	2,010,030
Decrease in pledged bank deposits	12,000	–	–
Proceeds from obligations under finance leases	194,280	90,000	200,000
Repayment of bank and other borrowings	(1,560,025)	(1,298,401)	(946,782)
Interest paid	(152,528)	(134,431)	(93,209)
Repayment of obligations under finance leases	(74,354)	(117,191)	(217,832)
NET CASH FROM FINANCING ACTIVITIES	40,675	389,359	952,207
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(94,981)	168,102	618,549
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	162,473	67,492	235,594
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	67,492	235,594	854,143

Notes:

(i) REVENUE AND SEGMENT INFORMATION

Revenue represents the aggregate of the net amounts received or receivable from third parties. An analysis of the Longjiang's revenue for the year/period is as follows:

	Year ended 31 December		Ten months ended
	2014	2015	31 October
	RMB'000	RMB'000	2016
			RMB'000
Construction revenue	402,734	355,432	440,508
Operating and maintenance income from service concession arrangements	426,481	462,102	386,979
Financial income from service concession arrangements	160,292	185,169	180,762
Service income	6,470	9,449	8,864
Others	59,224	77,484	25,097
	<u>1,055,201</u>	<u>1,089,636</u>	<u>1,042,210</u>

Longjiang's operating segments based on information reported to the chief operating decision marker (i.e. the board of directors of Longjiang) for the purposes of resource allocation and performance assessment, are as follows:

(i) Wastewater treatment

Principal activities include construction, management and operation of wastewater related infrastructure under service concession arrangements and manage and operate of wastewater related infrastructure under non-service concession arrangements and financial income under service concession arrangements.

(ii) Water supply

Principal activities include construction, management and operation of water supply related infrastructure under service concession arrangements.

Wastewater treatment and water supply also represent Longjiang's reportable segments.

Other 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 during the Predecessor Track Record Period.

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.

The accounting policies of the operating segments of Longjiang are the same as the Group's accounting policies as described in note 4. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

Segments revenues and results

The following is an analysis of Longjiang's revenue and results by reportable and operating segment:

Year ended 31 December 2014

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>REVENUE</i>					
<i>Segment revenue – external sales</i>	845,984	152,079	998,063	57,138	1,055,201
<i>Segment operating profit (loss)</i>	287,640	(22,979)	264,661	(1,498)	263,163
<i>Finance costs</i>	(162,674)	(32,363)	(195,037)	(3)	(195,040)
<i>Other corporate income, gains and losses</i>	(9,403)	83,112	73,709	3,188	76,897
<i>Segment profit before taxation</i>	115,563	27,770	143,333	1,687	145,020

Year ended 31 December 2015

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>REVENUE</i>					
<i>Segment revenue – external sales</i>	867,302	158,463	1,025,765	63,871	1,089,636
<i>Segment operating profit (loss)</i>	281,392	(22,920)	258,472	2,744	261,216
<i>Finance costs</i>	(169,996)	(25,778)	(195,774)	(6)	(195,780)
<i>Other corporate income, gains and losses</i>	26,617	70,411	97,028	(890)	96,138
<i>Segment profit before taxation</i>	138,013	21,713	159,726	1,848	161,574

Ten months ended 30 October 2016

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>REVENUE</i>					
<i>Segment revenue – external sales</i>	852,635	157,682	1,010,317	31,893	1,042,210
<i>Segment operating profit (loss)</i>	235,341	13,850	249,191	3,744	252,935
<i>Finance costs</i>	(178,810)	(20,688)	(199,498)	–	(199,498)
<i>Other corporate income, gains and losses</i>	35,074	62,871	97,945	1,790	99,735
<i>Segment profit before taxation</i>	91,605	56,033	147,638	5,534	153,172

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2014

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	3,579,622	1,120,662	4,700,284	–	4,700,284
Segment liabilities	3,159,039	572,370	3,731,409	–	3,731,409

At 31 December 2015

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	4,263,655	1,144,448	5,408,103	–	5,408,103
Segment liabilities	3,738,867	578,939	4,317,806	–	4,317,806

At 31 October 2016

	<i>Wastewater treatment</i>	<i>Water supply</i>	<i>Total reportable segments</i>	<i>Other</i>	<i>Consolidated</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	5,553,298	1,277,082	6,830,380	–	6,830,380
Segment liabilities	4,979,864	670,528	5,650,392	–	5,650,392

All revenue and non-current assets of Longjiang are derived from, or located in the PRC based on the operation of Longjiang.

(ii) INCOME TAX EXPENSE

	<i>Year ended 31 December</i>		<i>Ten months ended 31 October</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>PRC EIT</i>			
– current tax	9,945	15,904	24,394
– overprovision in prior years	(13)	(344)	(172)
	9,932	15,560	24,222
<i>Deferred taxation (note 53(vii))</i>			
– current year	22,037	24,018	29,859
– underprovision in prior years	–	574	9,400
	22,037	24,592	39,259
	31,969	40,152	63,481

Under the Law of the PRC on 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 of Longjiang for the Predecessor Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income of Longjiang as follows:

	Year ended 31 December		Ten months ended
	2014	2015	31 October
	RMB'000	RMB'000	RMB'000
Profit before taxation	145,020	161,574	153,172
Tax at EIT Tax rate of 25%	36,255	40,394	38,293
Tax effect of expenses not deductible for tax purpose	610	758	878
Tax effect of income not taxable for tax purpose . .	(573)	(648)	(1,669)
(Over)underprovision in prior years	(13)	230	9,228
Tax effect of tax losses not recognised as deferred tax assets	10,665	10,800	24,406
Utilisation of tax losses previously not recognised as deferred tax assets	(4,158)	(2,496)	(24)
Effect of a PRC subsidiary subject to a lower tax rate	(10,897)	(9,291)	(6,422)
Effect of different tax rates of subsidiaries	80	405	(1,209)
Income tax expense	31,969	40,152	63,481

(iii) PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD

	Year ended 31 December		Ten months ended
	2014	2015	31 October
	RMB'000	RMB'000	RMB'000
Profit for the year/period has been arrived at after charging (crediting):			
Directors' remuneration	1,630	2,835	1,683
Other staff costs:			
Salaries and other allowances	93,562	110,988	89,505
Retirement benefit scheme contributions	12,991	16,420	8,453
Total staff costs	108,183	130,243	99,641
Amortisation of other intangible assets	38,438	39,650	33,440
Depreciation of property, plant and equipment . . .	2,350	3,583	4,355
Total depreciation and amortisation	40,788	43,233	37,795
Auditor's remuneration	1,578	1,684	1,624
Cost of inventories recognised as an expense	19,504	38,318	35,714
Dividend income from equity investments	(56)	(152)	(190)
Fair value gain on held for trading investments	(3,088)	(1,058)	(1,228)
Impairment loss on trade receivables	3,777	7,277	10,972
Impairment loss on other receivables	1,527	4,636	-
Operating lease rentals in respect of land and buildings	188	305	374
Research expenditure	755	67	249
Reversal of impairment loss on trade receivables . .	(2,566)	(1,943)	(12,289)
Reversal of impairment loss on other receivables . .	(33)	(7)	(8,211)
Net loss (gain) on disposal/written off of property, plant and equipment	56	(34)	32
Net (gain) loss on disposal/written off of other intangible assets	(52)	7	67
Net foreign exchange loss	144	-	2,238

(iv) PROPERTY, PLANT AND EQUIPMENT

	<i>Plant and machinery</i>	<i>Furniture, fittings and equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<i>COST</i>					
<i>At 1 January 2014</i>	12,102	2,367	7,463	–	21,932
<i>Additions</i>	1,430	4,343	3,094	8,614	17,481
<i>Disposals/written off</i>	–	–	(415)	–	(415)
<i>At 31 December 2014</i>	13,532	6,710	10,142	8,614	38,998
<i>Additions</i>	16,776	543	1,285	1,484	20,088
<i>Disposals/written off</i>	(231)	–	–	(2)	(233)
<i>At 31 December 2015</i>	30,077	7,253	11,427	10,096	58,853
<i>Additions</i>	1,254	8,129	103	16,487	25,973
<i>Disposals/written off</i>	–	–	(768)	–	(768)
<i>At 31 October 2016</i>	31,331	15,382	10,762	26,583	84,058
<i>ACCUMULATED DEPRECIATION</i>					
<i>At 1 January 2014</i>	2,299	592	2,311	–	5,202
<i>Provided for the year</i>	1,022	402	926	–	2,350
<i>Eliminated on disposals/ written off</i>	–	–	(288)	–	(288)
<i>At 31 December 2014</i>	3,321	994	2,949	–	7,264
<i>Provided for the year</i>	1,793	692	1,098	–	3,583
<i>Eliminated on disposals/ written off</i>	(36)	–	–	–	(36)
<i>At 31 December 2015</i>	5,078	1,686	4,047	–	10,811
<i>Provided for the period</i>	2,172	1,227	956	–	4,355
<i>Eliminated on disposals/ written off</i>	–	–	(730)	–	(730)
<i>At 31 October 2016</i>	7,250	2,913	4,273	–	14,436
<i>CARRYING VALUES</i>					
<i>At 31 December 2014</i>	10,211	5,716	7,193	8,614	31,734
<i>At 31 December 2015</i>	24,999	5,567	7,380	10,096	48,042
<i>At 31 October 2016</i>	24,081	12,469	6,489	26,583	69,622

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

<i>Plant and machinery</i>	3 to 35 years
<i>Furniture, fittings and equipment</i>	3 to 20 years
<i>Motor vehicles</i>	4 to 10 years

(v) OTHER INTANGIBLE ASSETS

	<i>Operating concessions</i>	<i>Computer software</i>	<i>Others</i>	<i>Total</i>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<i>COST</i>				
<i>At 1 January 2014</i>	1,084,923	–	5,887	1,090,810
<i>Additions</i>	21,588	95	–	21,683
<i>Disposals/written off</i>	(22)	–	–	(22)
<i>At 31 December 2014</i>	1,106,489	95	5,887	1,112,471
<i>Additions</i>	17,021	447	–	17,468
<i>Disposals/written off</i>	(9)	–	–	(9)
<i>At 31 December 2015</i>	1,123,501	542	5,887	1,129,930
<i>Additions</i>	4,875	908	–	5,783
<i>Disposals/written off</i>	(95)	–	–	(95)
<i>At 31 October 2016</i>	1,128,281	1,450	5,887	1,135,618
<i>ACCUMULATED AMORTISATION</i>				
<i>At 1 January 2014</i>	91,542	–	2,355	93,897
<i>Charge for the year</i>	37,844	5	589	38,438
<i>Eliminated on disposals/written off</i>	(5)	–	–	(5)
<i>At 31 December 2014</i>	129,381	5	2,944	132,330
<i>Charge for the year</i>	39,042	19	589	39,650
<i>Eliminated on disposals/written off</i>	(2)	–	–	(2)
<i>At 31 December 2015</i>	168,421	24	3,533	171,978
<i>Charge for the period</i>	32,934	16	490	33,440
<i>Eliminated on disposals/written off</i>	(28)	–	–	(28)
<i>At 31 October 2016</i>	201,327	40	4,023	205,390
<i>CARRYING VALUES</i>				
<i>At 31 December 2014</i>	977,108	90	2,943	980,141
<i>At 31 December 2015</i>	955,080	518	2,354	957,952
<i>At 31 October 2016</i>	926,954	1,410	1,864	930,228

(vi) SERVICE CONCESSION ARRANGEMENTS

Nature of arrangements

Longjiang through its subsidiaries engages in the businesses of wastewater treatment and water supply in the PRC (the “operator”) and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a BOT, TOT, BOO or TOO basis in respect of its businesses. These service concession arrangements generally involve Longjiang as an operator to (i) construct wastewater treatment and water supply 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 wastewater treatment and water supply plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 25 to 30 years (the “service concession periods”), and Longjiang will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through agreed pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods for BOT and TOT.

Longjiang is generally entitled to operate all the property, plant and equipment of the wastewater treatment and water supply plants, however, the relevant governmental authorities as grantors control and regulate the scope of services Longjiang provides to the wastewater treatment and water supply plants, and retain the beneficial entitlement to any residual interest in the wastewater treatment and water supply plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between Longjiang 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 Longjiang, specific obligations levied on Longjiang to restore the wastewater treatment and water supply plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31 December 2014, 31 December 2015 and 31 October 2016, Longjiang had 17, 22 and 26 service concession arrangements on wastewater treatment, 2, 2 and 2 service concession arrangements on water treatment and distribution and 3, 4 and 6 service concession arrangements on sludge treatment, respectively. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
哈爾濱文太升龍江環保水務有限 責任公司	Sewage treatment project in Wenchang, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務 局	BOT (Financial assets)	650,000	29 years from 2012 to 2040
牡丹江龍江環保供水有限公司 . .	Water supply project in Mudanjiang	Mudanjiang, Heilongjiang Province	牡丹江市人民 政府	TOT (Intangible assets)	360,000	30 years from 2011 to 2040
佳木斯龍江環保供水有限公司 . .	Water supply project in Jiamusi	Jiamusi, Heilongjiang Province	佳木斯市人民 政府	TOT (Intangible assets)	360,000	30 years from 2012 to 2041
龍江環保集團股份有限公司 . . .	Sewage treatment project in Taipin, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務 局	BOT (Financial assets)	325,000	25 years from 2005 to 2029
龍江環保集團股份有限公司 . . .	Sewage treatment project in Wenchang, Harbin	Harbin, Heilongjiang Province	哈爾濱市水務 局	TOT (Financial assets)	325,000	30 years from 2011 to 2040

As described in the accounting policy for "Service concession arrangements" set out in note 4, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concessions) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in note 51(v), and the financial asset component is as follows:

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Receivables under service concession arrangements	2,807,241	3,274,197	3,838,314
Less: current portion classified as current assets	(40,744)	(50,032)	(52,033)
Non-current portion	<u>2,766,497</u>	<u>3,224,165</u>	<u>3,786,281</u>
Expected collection schedule is analysed as follows:			
Within one year	40,744	50,032	52,033
More than one year, but no exceeding five years	210,043	232,384	268,761
Over five years	<u>2,556,454</u>	<u>2,991,781</u>	<u>3,517,520</u>
	<u>2,807,241</u>	<u>3,274,197</u>	<u>3,838,314</u>

During the years ended 31 December 2014 and 2015 and the ten months ended 31 October 2016, Longjiang recognised financial income of RMB160,292,000, RMB185,169,000 and RMB180,762,000, respectively, and construction revenue of RMB402,734,000, RMB355,432,000 and RMB440,508,000, respectively, as revenue from service concession arrangements. During the years ended 31 December 2014 and 2015 and the ten months ended 31 October 2016, the effective interest rate applied ranges from 5.76% to 7.38%, 5.15% to 7.38% and 4.90% to 7.38% per annum, respectively.

The relevant assets pledged by Longjiang are disclosed in note 51(xiii).

(vii) DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by Longjiang and movements thereon during the Predecessor Track Record Period:

	Service concession arrangements	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	52,092	(498)	51,594
Charged (credited) to profit or loss	<u>26,245</u>	<u>(4,208)</u>	<u>22,037</u>
At 31 December 2014	78,337	(4,706)	73,631
Charged (credited) to profit or loss	<u>26,504</u>	<u>(1,912)</u>	<u>24,592</u>
At 31 December 2015	104,841	(6,618)	98,223
Charged to profit or loss	<u>39,036</u>	<u>223</u>	<u>39,259</u>
At 31 October 2016	<u>143,877</u>	<u>(6,395)</u>	<u>137,482</u>

Notes:

- (a) For the purpose of presentation in the consolidated statements of financial position of Longjiang, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Deferred tax assets	2,332	4,244	895
Deferred tax liabilities	(75,963)	(102,467)	(138,377)
	<u>(73,631)</u>	<u>(98,223)</u>	<u>(137,482)</u>

- (b) At 31 December 2014, 31 December 2015 and 31 October 2016, Longjiang had unused tax losses of RMB70,131,000, RMB102,816,000 and RMB214,118,000, respectively, available for offset against future assessable profits.

No deferred tax asset was recognised in respect of such tax losses due to the unpredictability of future profit streams.

(viii) TRADE AND OTHER RECEIVABLES

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade receivables	341,311	343,036	499,406
Less: allowance for doubtful debts	(13,117)	(18,451)	(17,134)
	<u>328,194</u>	<u>324,585</u>	<u>482,272</u>
Other receivables	410,904	490,005	567,783
Less: allowance for doubtful debts	(4,657)	(9,286)	(1,075)
	<u>406,247</u>	<u>480,719</u>	<u>566,708</u>
Prepayments	48,644	38,240	28,223
	<u>783,085</u>	<u>843,544</u>	<u>1,077,203</u>

Notes:

- (a) Before accepting any new customer, Longjiang assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past due nor impaired has no default payment history.

- (b) During the Predecessor Track Record Period, the Longjiang generally allows credit periods up to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 30 days	56,890	56,047	50,655
Within 31 – 60 days	33,972	19,868	23,455
Within 61 – 90 days	30,149	25,473	23,343
Within 91 – 180 days	44,428	53,824	70,398
Within 181 – 365 days	88,564	84,723	141,758
Over 365 days	74,191	84,650	172,663
	<u>328,194</u>	<u>324,585</u>	<u>482,272</u>

- (c) At 31 December 2014, 31 December 2015 and 31 October 2016, included in Longjiang's trade receivables balance are debtors with aggregate carrying amounts of RMB252,738,000, RMB253,934,000 and RMB362,965,000, respectively, which were past due at the reporting date but for which Longjiang has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. Longjiang does not hold any collateral over these balances.

- (d) Ageing of trade receivables which were past due but not impaired

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 30 days	51,274	50,298	40,121
Within 31 to 60 days	28,532	13,882	16,122
Within 61 to 90 days	24,680	19,274	16,269
Within 91 to 180 days	27,372	36,261	50,279
Within 181 to 365 days	54,952	54,494	107,751
Over 365 days	65,928	79,725	132,423
	<u>252,738</u>	<u>253,934</u>	<u>362,965</u>

- (e) Movements in the allowance for doubtful debts

- (i) Trade receivables

	Year ended 31 December		Ten months ended 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	11,906	13,117	18,451
Impairment losses recognised	3,777	7,277	10,972
Reversal of impairment losses	(2,566)	(1,943)	(12,289)
Balance at end of the year/period	<u>13,117</u>	<u>18,451</u>	<u>17,134</u>

(ii) Other receivables

	Year ended 31 December		Ten months ended 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/period	3,457	4,657	9,286
Impairment losses recognised	1,527	4,636	–
Reversal of impairment losses	(33)	(7)	(8,211)
Amounts written off as uncollectible	(294)	–	–
Balance at end of the year/period	<u>4,657</u>	<u>9,286</u>	<u>1,075</u>

(f) At 31 December 2014, 31 December 2015 and 31 October 2016, included in Longjiang's other receivables were (a) amount due from an independent third party of RMB305,512,000, RMB322,252,000 and RMB314,644,000, respectively, and (b) government grants receivable of RMB57,500,000, RMB66,165,000 and RMB119,536,000, respectively.

(ix) TRADE AND OTHER PAYABLES

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Trade payables (Note a)	448,695	381,736	511,054
Other payables (Note b)	390,576	1,340,065	1,856,825
	<u>839,271</u>	<u>1,721,801</u>	<u>2,367,879</u>

Notes:

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

	At 31 December		At 31 October
	2014	2015	2016
	RMB'000	RMB'000	RMB'000
Within 30 days	130,665	53,872	153,871
Within 31 to 60 days	7,771	12,926	9,712
Within 61 to 90 days	31,468	2,634	12,892
Within 91 to 180 days	27,134	21,868	29,081
Within 181 to 365 days	8,180	74,258	88,732
Over 365 days	243,477	216,178	216,766
	<u>448,695</u>	<u>381,736</u>	<u>511,054</u>

(b) At 31 December 2014, 31 December 2015 and 31 October 2016, included in Longjiang's other payables were (a) customer advances received of RMB35,186,000, RMB31,631,000 and RMB43,369,000, respectively; (b) amounts due to non-controlling shareholders of RMB273,675,000, RMB1,203,850,000 and RMB1,706,853,000, respectively; and (c) other tax payables of RMB29,885,000, RMB34,380,000 and RMB32,716,000, respectively.

(x) BANK BORROWINGS

	<i>At 31 December</i>		<i>At 31 October</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank loans	2,389,558	2,052,133	2,684,201
Analysed as:			
Secured	2,127,290	2,009,355	2,338,457
Unsecured	262,268	42,778	345,744
	2,389,558	2,052,133	2,684,201
Carrying amount repayable:			
Within one year	1,063,278	778,119	1,009,264
More than one year but not more than two years	293,581	363,180	404,638
More than two years but not more than five years	744,211	724,036	604,417
Over five years	288,488	186,798	665,882
	2,389,558	2,052,133	2,684,201
Less: amount due within one year shown under current liabilities	(1,063,278)	(778,119)	(1,009,264)
	1,326,280	1,274,014	1,674,937

Notes:

- (a) The table below summarises the interest rate categories of Longjiang's borrowings at the end of the reporting period:

	<i>At 31 December</i>		<i>At 31 October</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fixed-rate borrowings	717,500	880,088	827,765
Variable-rate borrowings	1,672,058	1,172,045	1,856,436
	2,389,558	2,052,133	2,684,201

- (b) The ranges of effective interest rates (which are also equal to contracted interest rates) on Longjiang's borrowings are as follows:

	<i>Year ended 31 December</i>		<i>Ten months ended 31 October</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>
	Effective interest rate:		
Fixed-rate borrowings	5.66% to 8.00%	5.76% to 8.00%	4.79% to 8.00%
Variable-rate borrowings	6.00% to 8.04%	4.90% to 7.20%	4.35% to 5.70%

Details of the assets pledged for the secured bank borrowings are further set out in note 51(xiii).

(xi) OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	As at 31 December		At 31 October	As at 31 December		At 31 October
	2014	2015	2016	2014	2015	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable under finance leases:						
Within one year	123,817	140,544	98,430	96,495	114,083	75,835
More than one year but not more than two years.	97,508	115,452	98,430	69,894	93,545	77,110
More than two years but not more than five years.	162,059	219,240	224,044	218,099	194,166	192,803
Over five years	31,022	8,352	83,390	27,026	8,055	76,907
	414,406	483,588	504,294	411,514	409,849	422,655
Less: future finance charges	(2,892)	(73,739)	(81,639)			
Present value of lease obligations	411,514	409,849	422,655			
Less: Amount due for settlement within twelve months (shown under current liabilities).				(96,495)	(114,083)	(75,835)
Amount due for settlement after twelve months				315,019	295,766	346,820

Longjiang leased certain of its assets attributable to service concession arrangements under sales and lease back arrangement. Effective interest rates underlying all obligations under finance leases as at 31 December 2014, 31 December 2015 and 31 October 2016 are fixed at respective contract dates ranging from 8.16% to 9.44%, 6.70% to 8.26% and 5.64% to 7.84% per annum, respectively. The contractual interest rates are 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.

(xii) REGISTERED CAPITAL

	Amount
	RMB'000
Registered capital:	
At 1 January 2014, 31 December 2014, 31 December 2015 and 31 October 2016.	320,000

(xiii) PLEDGE OF ASSETS

The following assets were pledged by Longjiang to secure banking facilities granted by banks, leased assets by leasing company and use of certain operating concession assets are as follows:

	<i>At 31 December</i>		<i>At 31 October</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Other intangible assets</i>	977,107	955,080	926,953
<i>Receivables under service concession arrangements</i>	769,293	758,539	3,482,607
	<u>1,746,400</u>	<u>1,713,619</u>	<u>4,409,560</u>

52. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ended 31 December 2017, excluding discretionary bonus, is RMB3,487,000.

53. SUBSEQUENT EVENTS

Except as disclosed elsewhere in the Historical Financial Information, subsequent to 30 September 2017, the Group have the following subsequent events:

Subsequent to the Track Record period, the following events took place:

- (i) In November 2017, the Company through its 51.3% owned subsidiary entered into an additional equity interests agreement with an independent third party to acquire 51% equity interest in 濰坊市坊子區上實環境供水總公司 (Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd.) (formerly known as 濰坊市坊子區供水總公司 (Weifang City Fangzi District Water Company)) ("Weifang City Fangzi District Water") at a consideration of RMB79,080,000. Weifang City Fangzi District Water is a company established in the PRC and is principally engaged in the business of water supply services.
- (ii) In November 2017, the Company through its 75.5% owned subsidiary entered into a share transfer agreement with an independent third party to acquire the entire registered capital of 大連紫光水務有限公司 (Dalian Ziguang Water Treatment Co., Ltd.) ("Dalian Ziguang") at a consideration of RMB108,480,000. Dalian Ziguang is a company established in the PRC and is principally engaged in the business of wastewater treatment.
- (iii) In November 2017, the Company through its 75.5% owned subsidiary entered into a share transfer agreement with an independent third party to acquire the entire registered capital of 大連紫光凌水污水處理有限公司 (Dalian Ziguang Lingshui Waste Water Treatment Co., Ltd.) ("Dalian Ziguang Lingshui") at a consideration of RMB97,000,000. Dalian Ziguang Lingshui is a company established in the PRC and is principally engaged in the business of wastewater treatment.

The above three transactions were completed subsequently in February 2018 and will be accounted for using the purchased method and the assessment of the financial impact is still in process.

54. RESERVES OF THE COMPANY

	Treasury shares	Retained earnings	Translation reserve	Total reserve
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	(96)	55,229	(38,104)	17,029
Profit for the year	–	54,022	–	54,022
Exchange differences arising from translation to presentation currency. .	–	–	(103,470)	(103,470)
Total comprehensive income (expense) for the year	–	54,022	(103,470)	(49,448)
At 31 December 2014	(96)	109,251	(141,574)	(32,419)
Loss for the year	–	(1,505)	–	(1,505)
Exchange differences arising from translation to presentation currency. .	–	–	(64,285)	(64,285)
Total comprehensive expense for the year	–	(1,505)	(64,285)	(65,790)
At 31 December 2015	(96)	107,746	(205,859)	(98,209)
Loss for the year	–	(41,931)	–	(41,931)
Exchange differences arising from translation to presentation currency. .	–	–	235,751	235,751
Total comprehensive (expenses) income for the year	–	(41,931)	235,751	193,820
At 31 December 2016	(96)	65,815	29,892	95,611
Profit for the period	–	55,575	–	55,575
Exchange differences arising from translation to presentation currency. .	–	–	91,950	91,950
Total comprehensive income for the period	–	55,575	91,950	147,525
Dividend declared to equity shareholders	–	(110,990)	–	(110,990)
At 30 September 2017	(96)	10,400	121,842	132,146

55. SUBSEQUENT FINANCIAL STATEMENTS

Except for the consolidated financial statements of the Group for the year ended 31 December 2017 which were approved and authorized for issue by the board of directors of the Company at 12 March 2018, no audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2017.

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

The following is the preliminary financial information of our Group for the year ended 31 December 2017 together with a management's discussion and analysis of our Group's financial condition and results of operations. The preliminary financial information has been prepared based on the consolidated financial statements of the Group prepared in accordance with IFRS.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>NOTES</i>	Year ended 31 December	
		2016	2017
		RMB'000	RMB'000
Revenue	4	2,648,097	4,639,274
Cost of sales		(1,835,801)	(3,252,937)
Gross profit		812,296	1,386,337
Other income	5	161,251	263,979
Other gains and losses	6	162,901	129,582
Selling and distribution costs		(39,114)	(73,087)
Administrative expenses		(268,907)	(336,158)
Listing expenses		–	(28,341)
Finance costs	7	(234,611)	(511,051)
Share of results of joint ventures		60,122	49,565
Share of results of associates		10,579	(2,298)
Profit before taxation		664,517	878,528
Income tax expense	8	(124,099)	(194,373)
Profit for the year	9	<u>540,418</u>	<u>684,155</u>
Profit for the year attributable to:			
Owners of the Company		454,926	535,653
Non-controlling interests		85,492	148,502
		<u>540,418</u>	<u>684,155</u>
Earnings per share			
Basic (RMB cents)	11	<u>20.16</u>	<u>21.51</u>
Diluted (RMB cents)	11	<u>20.16</u>	<u>21.51</u>

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Profit for the year	540,418	684,155
Other comprehensive (expense) income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising from translation	(20,003)	101,113
<i>Item that may be subsequently reclassified to profit or loss</i>		
Fair value change on available-for-sale investments	26,957	32,892
Reclassification on disposal of available-for-sale investments	(10,628)	(106,083)
Exchange differences arising from translation of foreign operation . .	–	(3,172)
Other comprehensive (expense) income for the year	(3,674)	24,750
Total comprehensive income for the year	536,744	708,905
Total comprehensive income for the year attributable to:		
Owners of the Company	451,252	560,403
Non-controlling interests	85,492	148,502
	536,744	708,905

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	At 31 December	
		2016	2017
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		183,580	206,032
Prepaid lease payments		6,451	6,459
Goodwill		457,241	457,241
Other intangible assets	12	6,439,239	6,466,660
Interests in joint ventures		705,256	713,523
Interests in associates		82,976	83,858
Available-for-sale investments	13	206,288	26,803
Receivables under service concession arrangements – non-current portion	14	10,948,086	12,991,865
Amounts due from associates		14,543	14,543
Long term receivables		11,547	361,423
Deposits and prepayments		68,072	390,364
Deferred tax assets		22,376	48,009
		<u>19,145,655</u>	<u>21,766,780</u>
Current assets			
Inventories		73,371	96,066
Trade and other receivables	15	1,628,685	1,832,883
Prepayments		34,387	38,729
Bills receivables		3,313	7,760
Amounts due from joint ventures		137	137
Amounts due from associates		37,894	40,766
Receivables under service concession arrangements – current portion	14	203,993	260,888
Amounts due from customers for contract work		57,581	37,796
Held for trading investments		26,795	34,750
Pledged bank deposits		191,918	130,637
Bank balances and cash		1,634,556	1,402,104
		<u>3,892,630</u>	<u>3,882,516</u>
Current liabilities			
Trade and other payables	16	2,122,531	2,376,262
Bills payables		18,342	49,235
Amounts due to customers for contract work		21,386	16,720
Taxation payable		55,444	69,662
Bank and other borrowings	17	3,838,382	3,660,906
Obligations under finance leases		96,988	71,746
		<u>6,153,073</u>	<u>6,244,531</u>
Net current liabilities		<u>(2,260,443)</u>	<u>(2,362,015)</u>
Total assets less current liabilities		<u>16,885,212</u>	<u>19,404,765</u>
Capital and reserves			
Share capital	18	4,861,138	5,951,889
Reserves		1,111,595	1,561,008
Equity attributable to owners of the Company		<u>5,972,733</u>	<u>7,512,897</u>
Non-controlling interests		2,560,444	2,730,694
Total equity		<u>8,533,177</u>	<u>10,243,591</u>
Non-current liabilities			
Provision of major overhauls		28,233	28,280
Bank and other borrowings	17	6,275,862	6,950,833
Obligations under finance leases		331,433	359,700
Deferred tax liabilities		1,602,513	1,739,910
Other non-current liabilities		113,994	82,451
		<u>8,352,035</u>	<u>9,161,174</u>
Total equity and non-current liabilities		<u>16,885,212</u>	<u>19,404,765</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Treasury shares	Other reserve	Merger reserve	Investment revaluation reserve	Translation reserve	General reserves	Retained profits			Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			RMB'000
At 1 January 2016	4,861,138	(96)	(30,173)	(200,315)	56,862	(125,638)	152,213	797,571	5,511,562	1,067,887	6,579,449
Profit for the year	-	-	-	-	-	-	-	454,926	454,926	85,492	540,418
Exchange differences arising from translation	-	-	-	-	-	(20,003)	-	-	(20,003)	-	(20,003)
Fair value change on available-for-sale investments	-	-	-	-	26,957	-	-	-	26,957	-	26,957
Reclassification upon disposal of available-for-sale investments	-	-	-	-	(10,628)	-	-	-	(10,628)	-	(10,628)
Total comprehensive income (expense) for the year	-	-	-	-	16,329	(20,003)	-	454,926	451,252	85,492	536,744
Transfers	-	-	-	-	-	-	53,325	(53,325)	-	-	-
Proportional capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	46,000	46,000
Acquisition of non-controlling interests	-	-	9,919	-	-	-	-	-	9,919	(35,519)	(25,600)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	1,413,638	1,413,638
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(17,054)	(17,054)
At 31 December 2016	4,861,138	(96)	(20,254)	(200,315)	73,191	(145,641)	205,538	1,199,172	5,972,733	2,560,444	8,533,177
Profit for the year	-	-	-	-	-	-	-	535,653	535,653	148,502	684,155
Exchange differences arising from translation	-	-	-	-	-	101,113	-	-	101,113	-	101,113
Exchange differences arising from translation of foreign operation	-	-	-	-	32,892	(3,172)	-	-	(3,172)	-	(3,172)
Fair value change on available-for-sale investments	-	-	-	-	-	-	-	-	32,892	-	32,892
Reclassification upon disposal of available-for-sale investments	-	-	-	-	(106,083)	-	-	-	(106,083)	-	(106,083)
Total comprehensive income for the year	-	-	-	-	(73,191)	97,941	-	535,653	560,403	148,502	708,905
Share placement, net of direct transaction costs (note 19)	1,090,751	-	-	-	-	-	-	-	1,090,751	-	1,090,751
Transfers	-	-	-	-	-	-	31,956	(31,956)	-	-	-
Proportional capital contribution from a non-controlling shareholder of a subsidiary upon capitalisation of its advance to the Group	-	-	-	-	-	-	-	-	-	18,000	18,000
Proportional capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	41,613	41,613
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	(28,161)	(28,161)
Dividends paid	-	-	-	-	-	-	-	(110,990)	(110,990)	-	(110,990)
Dividends declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(9,704)	(9,704)
At 31 December 2017	5,951,889	(96)	(20,254)	(200,315)	-	(47,700)	237,494	1,591,879	7,512,897	2,730,694	10,243,591

Notes:

- (i) Amount represents 56,400 ordinary shares of the Company that are held by the Company. The total amount paid to purchase the shares was RMB96,000.
- (ii) The Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.
- (iii) Merger reserve represents the difference in the fair value of the consideration paid to its intermediate parent, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries/businesses controlled by SIHL in prior years and the share capital of the acquired subsidiaries.
- (iv) The general reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company is a public limited company incorporated in the Republic of Singapore (“Singapore”) and its shares are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporation Information” in the Listing Document. Its immediate and ultimate holding companies are S.I. Infrastructure Holdings Limited (“S.I. Infrastructure”), a private limited company incorporated in the British Virgin Islands (the “BVI”) and Shanghai Industrial Investment (Holdings) Co., Ltd, a private limited company incorporated in Hong Kong, respectively.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are mainly engaged in the provision of wastewater treatment service, water supply, waste incineration service and construction service.

The functional currency of the Company is Singapore dollar (“S\$”) and the consolidated financial statements is presented in RMB as the Group’s operations are substantially based in the PRC.

2. BASIS OF PREPARATION

At 31 December 2017, the Group had net current liabilities of approximately RMB2,362 million (2016: RMB2,260 million). In preparing the consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the Group’s capital expenditure plan for its future business development; and (ii) the availability of banking facilities. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the consolidated financial statements is appropriate.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

The Group has consistently applied International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IASs”), amendments and interpretations issued by the International Accounting Standards Board (“IASB”) which are effective for annual accounting periods beginning on 1 January 2017.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments ¹
IFRS 15	Revenue from Contracts with Customer and the related Amendments ¹
IFRS 16	Leases ²
IFRS 17	Insurance Contracts ⁴
IFRIC 22	Foreign Currency Transactions and Advance Consideration ¹
IFRIC 23	Uncertainty over Income Tax Treatments ²
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to IAS 40	Transfers of Investment Property ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

4. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue is as follows:

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Construction revenue	1,030,663	2,053,541
Operating and maintenance income from service concession arrangements	952,752	1,528,403
Financial income from service concession arrangements	395,187	737,367
Service income	118,671	126,481
Others	150,824	193,482
	<u>2,648,097</u>	<u>4,639,274</u>

Segments revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

Year ended 31 December 2016

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue – external sales	17,158	1,979,895	406,339	93,881	2,497,273	150,824	–	2,648,097
Segment operating profit (loss).	3,990	472,733	73,055	23,515	573,293	33,065	(57,641)	548,717
Interest income	–	–	–	–	–	–	11,357	11,357
Finance costs	–	–	–	–	–	–	(234,611)	(234,611)
Other corporate income, gains and losses	–	76,701	15,972	7,396	100,069	367	12,528	112,964
Gain from revaluation of previously held interest in an associate	–	155,389	–	–	155,389	–	–	155,389
Share of results of joint ventures	–	–	–	60,122	60,122	–	–	60,122
Share of results of associates.	–	11,312	–	–	11,312	(733)	–	10,579
Segment profit (loss) before taxation	<u>3,990</u>	<u>716,135</u>	<u>89,027</u>	<u>91,033</u>	<u>900,185</u>	<u>32,699</u>	<u>(268,367)</u>	<u>664,517</u>

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

Year ended 31 December 2017

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
REVENUE								
Segment revenue –								
external sales	6,553	3,687,494	605,386	146,359	4,445,792	193,482	–	4,639,274
Segment operating								
profit (loss).	1,903	900,187	120,166	45,331	1,067,587	38,371	(87,820)	1,018,138
Interest income	–	–	–	–	–	–	21,120	21,120
Finance costs	–	–	–	–	–	–	(511,051)	(511,051)
Other corporate								
income, gains and								
losses	–	171,502	4,279	8,212	183,993	(2,823)	121,884	303,054
Share of results of								
joint ventures	–	–	–	49,565	49,565	–	–	49,565
Share of results of								
associates.	–	(2,750)	–	–	(2,750)	452	–	(2,298)
Segment profit (loss)								
before taxation	1,903	1,068,939	124,445	103,108	1,298,395	36,000	(455,867)	878,528

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2016

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	128,634	17,849,796	2,994,077	1,196,318	22,168,825	318,724	550,736	23,038,285
Segment liabilities	166,584	8,855,875	1,397,709	208,350	10,628,518	445,074	3,431,516	14,505,108

At 31 December 2017

	Construction	Wastewater treatment	Water supply	Waste incineration	Total reportable segments	Others segment	Unallocated	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment assets	120,415	20,376,569	3,095,757	1,275,337	24,868,078	344,056	437,162	25,649,296
Segment liabilities	146,128	10,399,201	1,411,074	238,394	12,194,797	695,089	2,515,819	15,405,705

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

5. OTHER INCOME

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Interest income on bank balances	8,452	11,206
Other interest income	2,905	9,914
	11,357	21,120
Compensation for relocation of a water treatment plant	21,150	5,651
Government subsidies (<i>Note</i>)	74,967	171,129
Installation of water meters	22,028	31,864
Others	31,749	34,215
	<u>161,251</u>	<u>263,979</u>

Note: Amounts mainly represented value-added tax refund from PRC local tax authorities for the purpose of giving immediate financial support to the Group with no future related costs or obligations.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Fair value gain on held for trading investments	1,015	12,753
Gain from revaluation of previously held interest in an associate	155,389	–
Gain on disposal of available-for-sale investments	10,628	106,083
Net foreign exchange (loss) gain	(4,131)	10,746
	<u>162,901</u>	<u>129,582</u>

7. FINANCE COSTS

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Interest expenses on bank and other borrowings	230,920	507,872
Less: amounts capitalised in the cost of qualifying assets.	–	–
	230,920	507,872
Financial expense on amortisation of retention monies	493	429
Financial expense on amortisation of benefits to ex-employees	1,548	1,412
Others	1,650	1,338
	<u>234,611</u>	<u>511,051</u>

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Current tax		
– PRC	74,878	126,405
– Singapore	4,887	3,518
	79,765	129,923
Overprovision in prior years – PRC	(245)	(779)
Deferred taxation		
– current year	45,492	65,821
– overprovision	(913)	(592)
	44,579	65,229
	124,099	194,373

Notes:

- (i) *The corporate income tax applicable to the Singapore companies of the Group is 17%.*

- (ii) *Under the Law of the 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.*

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

9. PROFIT FOR THE YEAR

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	3,621	3,487
Other staff costs:		
Wages, salaries and other allowances	269,878	404,857
Retirement benefit scheme contributions	59,051	105,535
Total staff costs	332,550	513,879
Less: Staff cost included in cost of sales	(156,941)	(258,308)
Staff cost included in selling and distribution costs and administrative expenses	175,609	255,571
Amortisation of other intangible assets	162,235	277,769
Depreciation of property, plant and equipment	13,368	22,235
Release of prepaid lease payments	256	355
Total depreciation and amortisation	175,859	300,359
Auditor's remuneration	7,891	7,248
Bad debts written off on trade and other receivables	170	4,705
Cost of inventories recognised as an expense	135,492	182,147
Impairment loss on trade receivables	2,158	1,295
Net (gain) loss on disposal of other intangible assets	(2,529)	839
Net loss on disposal/written off of property, plant and equipment	139	911
Operating lease rentals in respect of land and buildings	7,303	8,521
Research expenditure	1,829	5,695
Reversal of impairment loss on inventories	(7)	-
Reversal of impairment loss on trade receivables	(1,652)	(30,676)
Reversal of impairment loss on other receivables	(8,307)	(2,058)
Reversal of impairment loss on other intangible assets	-	(24,000)
Reversal of provision for foreseeable loss	(11)	-

10. DIVIDENDS

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2016 Final – S\$0.01 per share	-	110,990

No interim dividend was paid or proposed for ordinary shareholders of the Company for the year ended 31 December 2017, nor has any dividend been proposed subsequent to 31 December 2017.

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

11. EARNINGS PER SHARE

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

	Year ended 31 December	
	2016	2017
	RMB'000	RMB'000
Earnings for the purposes of basic and diluted earnings per share (profit for the year/period attributable to owners of the Company)	454,926	535,653
	454,926	535,653
Number of shares		
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share.	2,256,589	2,490,561
	2,256,589	2,490,561

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

12. OTHER INTANGIBLE ASSETS

	Operating concessions	Patent and licensing rights	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2016	3,516,829	4,781	4,027	3,525,637
Acquisition of subsidiaries	3,335,369	1,864	1,410	3,338,643
Additions	49,963	–	568	50,531
Disposals	(8,894)	–	(15)	(8,909)
At 31 December 2016	6,893,267	6,645	5,990	6,905,902
Acquisition of subsidiaries	86,525	–	–	86,525
Additions	243,611	–	1,223	244,834
Disposals	(50,229)	–	–	(50,229)
Reclassification	60	–	–	60
At 31 December 2017	7,173,234	6,645	7,213	7,187,092
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2016	298,148	4,781	2,994	305,923
Charge for the year	161,803	98	334	162,235
Eliminated on disposals	(1,482)	–	(13)	(1,495)
At 31 December 2016	458,469	4,879	3,315	466,663
Charge for the year	276,574	589	606	277,769
Reversal of impairment loss	(24,000)	–	–	(24,000)
At 31 December 2017	711,043	5,468	3,921	720,432
CARRYING VALUES				
At 31 December 2016	6,434,798	1,766	2,675	6,439,239
At 31 December 2017	6,462,191	1,177	3,292	6,466,660

The above items are amortised on a straight-line basis at the following rates per annum:

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Listed equity securities (<i>Note</i>)	179,806	–
Unlisted equity securities	26,482	26,803
	206,288	26,803
Fair value of listed equity investments	179,806	–

Note: The amount represented 2.8% equity interests in Canvest Environmental Protection Group Limited as at 31 December 2016. During the year ended 31 December 2017, the investment is disposed to SIHL Finance (as defined in note 17(iv)) at a consideration of RMB219,201,000. Such consideration is settled by offsetting the amount to SIHL Finance of RMB219,201,000.

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
FOR THE YEAR ENDED DECEMBER 31, 2017**

14. SERVICE CONCESSION ARRANGEMENTS

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 12, and the financial asset component is as follows:

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Receivables under service concession arrangements	11,152,079	13,252,753
Less: current portion classified as current assets	(203,993)	(260,888)
Non-current portion	10,948,086	12,991,865
Expected collection schedule is analysed as follows:		
Within one year	203,993	260,888
More than one year, but not exceeding five years.	1,021,637	1,220,340
Over five years.	9,926,449	11,771,525
	11,152,079	13,252,753

During the year ended 31 December 2017, the Group recognised financial income of RMB737,367,000 (2016: RMB395,187,000) and construction revenue of RMB2,041,844,000 (2016: RMB1,009,358,000) as revenue from service concession arrangements. During the year ended 31 December 2017, the effective interest rate applied ranges from 4.90% to 7.83% (2016: 4.90% to 7.83%) per annum, respectively.

15. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Trade receivables (including retention monies)	890,195	1,310,996
Less: allowance for doubtful debts.	(40,131)	(17,967)
	850,064	1,293,029
Other receivables	784,097	543,272
Less: allowance for doubtful debts.	(5,476)	(3,418)
	778,621	539,854
	1,628,685	1,832,883

**APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP
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The Group generally allows credit periods up to 180 days to its trade customers (excluding retention monies). The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Within 30 days	222,731	410,159
Within 31 – 60 days	80,220	93,484
Within 61 – 90 days	65,531	70,030
Within 91 – 180 days	138,272	128,753
Within 181 – 365 days	118,947	185,090
Over 365 days	224,363	405,513
	<u>850,064</u>	<u>1,293,029</u>

16. TRADE AND OTHER PAYABLES

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Trade payables	1,123,436	1,417,345
Other payables	999,095	958,917
	<u>2,122,531</u>	<u>2,376,262</u>

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

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Within 30 days	401,161	495,949
Within 31 to 60 days	75,143	61,987
Within 61 to 90 days	11,511	77,975
Within 91 to 180 days	48,713	238,950
Within 181 to 365 days	225,986	128,869
Over 365 days	360,922	413,615
	<u>1,123,436</u>	<u>1,417,345</u>

The credit period of our trade payables generally up to 180 days.

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17. BANK AND OTHER BORROWINGS

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Bank loans	7,044,554	7,728,644
Other borrowings (<i>note iv</i>).	2,535,190	2,448,949
Government loans	148,657	45,466
Bond (<i>note v</i>).	385,843	388,680
	<u>10,114,244</u>	<u>10,611,739</u>
Analysed as:		
Secured	8,128,029	8,180,667
Unsecured	1,986,215	2,431,072
	<u>10,114,244</u>	<u>10,611,739</u>
Carrying amount repayable:		
Within one year	3,838,382	3,660,906
More than one year but not more than two years	984,472	797,505
More than two years but not more than five years	1,980,808	2,088,189
Over five years	3,310,582	4,065,139
	<u>10,114,244</u>	<u>10,611,739</u>
Less: amount due within one year shown under current liabilities	(3,838,382)	(3,660,906)
	<u>6,275,862</u>	<u>6,950,833</u>

Notes:

(i) *The table below summarises the interest rate categories of the Group's borrowings at the end of the reporting period:*

	At 31 December	
	2016	2017
	RMB'000	RMB'000
Fixed-rate borrowings	3,846,821	3,153,862
Variable-rate borrowings	6,264,906	7,455,435
Interest-free borrowing	2,517	2,442
	<u>10,114,244</u>	<u>10,611,739</u>

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

	At 31 December	
	2016	2017
<i>Effective interest rate:</i>		
Fixed-rate borrowings	0.80% to 6.04%	0.80% to 6.04%
Variable-rate borrowings	0.23% to 7.80%	0.80% to 5.39%

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% and repriced at intervals ranging from monthly to annually.

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- (iii) *At 31 December 2017, the Group's bank loans included related party loans of the Group's subsidiaries arranged through certain loan arrangements with intermediary banks of approximately RMB924 million (2016: RMB847 million), which the underlying funding was provided by the Group's related parties.*
- (iv) *At 31 December 2017, included in the Group's other borrowings were (a) amount due to S.I. Infrastructure of RMB217,440,000 (2016: RMB217,440,000) and (b) amount due to SIHL Finance Limited ("SIHL Finance") of RMB1,307,509,000 (2016: RMB2,317,750,000). S.I. Infrastructure and SIHL Finance are wholly owned subsidiaries of the Company's intermediate holding company, SIHL.*
- (v) *The bond was issued on 15 August 2016 by a subsidiary of the Group and will be redeemed in full on 15 April 2021. The bond carries interest at a fixed interest rate of 3.49% per annum.*

18. SHARE CAPITAL

	Number of ordinary shares	Amount
		RMB'000
Ordinary shares, issued and fully paid:		
At 1 January 2016 and 31 December 2016	2,256,645,126	4,861,138
Shares placement (net of direct transactions costs) (<i>Note ii</i>) . .	350,000,000	1,090,751
At 31 December 2017	2,606,645,126	5,951,889

Notes:

- (i) *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.*
- (ii) *On 5 May 2017, the Company completed the placement of 350,000,000 new ordinary shares of the Company at a placement price of S\$0.63 per share to SIHL and/or such nominee as designated by SIHL, being its wholly owned subsidiary Triumph Power Limited.*

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
OPERATION RESULTS**

Analysis of Key Items in the Consolidated Statement of Profit or Loss

Revenue

Our revenue increased from RMB2,648.1 million in 2016 to RMB4,639.3 million in 2017 as revenue increased in the wastewater treatment, water supply, waste incineration and others business lines. The revenue increase was primarily due to the increase in the number of service concession projects we had as a result of our acquisitions in the fourth quarter of 2016 and 2017. The full year revenue contributions of Longjiang and Ranhill accounted for 48.7% and 7.9%, respectively, of our growth in revenue from 2016 to 2017.

Wastewater treatment

Revenue from our wastewater treatment business line increased from RMB1,979.9 million in 2016 to RMB3,687.5 million in 2017. Construction revenue increased from RMB959.4 million in 2016 to RMB1,967.6 million in 2017; operating revenue increased from RMB634.0 million in 2016 to RMB994.9 million in 2017; and financial income increased from RMB386.3 million in 2016 to RMB725.0 million in 2017. Revenue of this business line increased primarily because of (i) full year contributions to construction revenue, operating revenue and financial income from the wastewater treatment projects of Longjiang and Ranhill and (ii) increased construction revenue from our existing service concession projects.

Water supply

Revenue from our water supply business line increased from RMB406.3 million in 2016 to RMB605.4 million in 2017. Construction revenue decreased from RMB10.0 million in 2016 to RMB5.4 million in 2017 as certain ad hoc construction projects were completed in 2016. Operating revenue increased from RMB396.4 million in 2016 to RMB600.0 million in 2017. Revenue of this business line increased primarily because of our acquisition of water supply service concession projects under Longjiang.

Waste incineration

Revenue from our waste incineration business line increased from RMB93.9 million in 2016 to RMB146.4 million in 2017, with construction revenue increasing from RMB44.0 million to RMB74.0 million, operating revenue increasing from RMB41.1 million to RMB60.0 million, and financial income increasing from RMB8.9 million to RMB12.4 million in 2017. The increase in operating revenue was primarily due to the agreement by the local government in 2017 to pay for the higher cost of processing excavated landfill garbage which had occurred in 2014 and 2015 at the Dazhou Plant. Construction at Wulian, which was acquired in August 2016, contributed to the growth in construction revenue and financial income in 2017.

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Others business line

Revenue from our others business line increased from RMB168.0 million in 2016 to RMB200.0 million in 2017. Revenue of this business line increased primarily due to consolidation of results from acquisitions of the consultancy operations of Longjiang and Ranhill.

Cost of sales

Our cost of sales increased from RMB1,835.8 million in 2016 to RMB3,252.9 million in 2017, reflecting increases in the business of the wastewater treatment, water supply, waste incineration and others business lines. The increase was primarily a result of the consolidation of the results of operations from the subsidiaries we acquired in the fourth quarter of 2016 and in 2017, such as Longjiang and Ranhill, which accounted for, respectively, 41.4% and 7.0% of the growth in cost of sales. Construction at our existing service concession projects also contributed to the increase in cost of sales.

Wastewater treatment

The cost of sales of our wastewater treatment business line increased from RMB1,366.4 million in 2016 to RMB2,648.9 million in 2017. The increase was primarily due to the full year contribution to cost of sales from Longjiang and Ranhill, increased construction activity at our existing service concession projects, and the amortization of premium consideration from the Longjiang acquisition in cost of sales.

Water supply

The cost of sales of our water supply business line increased from RMB262.9 million in 2016 to RMB392.0 million in 2017. The increase was primarily due to the increase in the business of the water supply business line mainly from the acquisition of Longjiang completed in the fourth quarter of 2016.

Waste incineration

The cost of sales of our waste incineration business line increased from RMB60.2 million in 2016 to RMB92.0 million in 2017. The increase was primarily due to construction costs incurred in 2017 at Wulian, which was acquired in August 2016.

Others business line

The cost of sales of our others business line decreased from RMB146.3 million in 2016 to RMB120.0 million in 2017. The decrease was primarily due to the reduction of our business activities in EPC construction in 2017.

Gross profit and gross profit margin

As a result of greater increase in revenue relative to increase in cost of sales, our gross profit increased from RMB812.3 million in 2016 to RMB1,386.3 million in 2017. The increase in gross profit was primarily due to the consolidation of gross profits from the subsidiaries we acquired in the fourth quarter of 2016 and in 2017. Longjiang and Ranhill accounted for 66.7% and 10.3%, respectively, of the growth in gross profits from 2016 to 2017. In addition, construction at existing service concession projects also contributed to our profit growth. Our gross profit margin remained relatively stable at 30.7% in 2016 and 29.9% in 2017.

Wastewater treatment

Gross profit for our wastewater treatment business line increased from RMB613.3 million in 2016 to RMB1,038.6 million in 2017, primarily due to the gross profit contribution from entities acquired in the fourth quarter of 2016 and in 2017 and from construction at existing service concession projects, which offset a decrease in gross profit from operating revenue due to higher cost of sales.

Over the same periods, the gross profit margin for our wastewater treatment business line decreased from 31.0% to 28.2% primarily reflecting the increase in revenue from construction services performed by third parties to which we attribute 12% margin, and a decrease in gross margin of operating revenue due to higher cost of sales.

Water supply

Gross profit for our water supply business line increased from RMB143.5 million in 2016 to RMB213.4 million in 2017, primarily due to contribution from acquired entities. The gross profit margin for our water supply business line remained stable at 35.3% in 2016 and 35.2% in 2017.

Waste incineration

Gross profit for our waste incineration business line increased from RMB33.8 million in 2016 to RMB54.4 million in 2017, primarily due to the one-off payment granted by the local government in the first half of 2017 to the Dazhou Plant to cover for the higher cost of excavating landfill garbage for incineration that was performed in 2014 and 2015. The grant of this payment boosted operating revenue relative to cost of sales. Gross profit from construction, which was recorded for this business line in 2017 for the first time during the Track Record Period, also contributed to the increase in gross profit. The gross profit margin for our waste incineration business line remained relatively stable at 36.0% in 2016 and 37.2% in 2017.

Others business line

Gross profit for our others business line increased from RMB21.7 million in 2016 to RMB80.0 million in 2017, primarily due to the full year profit contribution from the consultancy operations of Longjiang and Ranhill, and the narrowing of losses from EPC construction. Over the Track Record Period, consultancy work and other services generally had higher gross profits and gross margins than EPC construction. From 2016 to 2017, the gross profit margin for our others business line increased from 12.9% to 40.0%, reflecting gross profit growth in consultancy work and reduction of losses from EPC construction.

Other income

Our other income increased from RMB161.3 million in 2016 to RMB264.0 million in 2017. The increase was primarily due to a significant increase in government subsidies, mainly in the form of VAT refunds and water tariff subsidies, as a result of the expansion of our operations through acquisitions.

Other gains and losses

Our other gains and losses decreased from a gain of RMB162.9 million in 2016 to a gain of RMB129.6 million in 2017. The gain in 2016 was mainly from the one-time revaluation gain from previously held interests in an associate of RMB155.4 million when we acquired additional equity interest in Longjiang in the fourth quarter 2016 at a higher valuation. The gain in 2017 was mainly from the one-time gain from the disposal of our available-for-sale investment in Canvest for RMB106.1 million in the fourth quarter of 2017 and a net foreign exchange gain from the revaluation of liabilities denominated in USD and HKD as a result of the RMB's appreciation against the USD and HKD in 2017.

Selling and distribution costs

Our selling and distribution costs increased from RMB39.1 million in 2016 to RMB73.1 million in 2017, primarily due to an increase in employee benefit costs mainly caused by the staff headcount growth in water supply projects as a result of the acquisition of the water supply projects of Longjiang.

Administrative expenses

Administrative expenses increased from RMB268.9 million in 2016 to RMB364.5 million in 2017 primarily due to the increase in employee benefits costs, travel and office expenses, legal and professional expenses and other expenses, as a result of the acquisitions in the fourth quarter of 2016 and 2017, particularly Longjiang and Ranhill whose travel and office expenses accounted for higher proportions of administrative expenses compared to the rest of our Group.

Finance costs

Our finance costs increased from RMB234.6 million in 2016 to RMB511.1 million in 2017, was primarily due to increases in interest expenses from (i) debt service of borrowings by subsidiaries which increased with the entities acquired in the fourth quarter of 2016 and in 2017 and (ii) borrowings to finance the 2016 acquisitions.

Share of results of joint ventures

Our share of results of joint ventures decreased from RMB60.1 million in 2016 to RMB49.6 million in 2017. The decrease was primarily the result of the recognition of a one-off government subsidy in the form of VAT refunds by a joint venture in the first half of 2016.

Share of results of associates

Our share of results of associates decreased from a profit of RMB10.6 million in 2016 to a loss of RMB2.3 million in 2017. The decrease was primarily due to (i) our acquisition of additional equity interests in Longjiang in November 2016 after which Longjiang became our subsidiary and was no longer booked as our associate, and (ii) losses from our other associates including Dongguan Sanzhou and Yiliuqing.

Income tax expense

Our income tax expense increased from RMB124.1 million in 2016 to RMB194.4 million in 2017. The increase was primarily a result of higher profit before taxation, from the increase in revenue over the same periods. Our effective income tax rate increased from 18.7% for 2016 to 22.1% for 2017. The increase was primarily because (i) the preferential tax treatment at certain of our existing or newly-acquired subsidiaries expired, and (ii) certain of our investment holding companies have deductible temporary differences that have not been recognized.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year increased from RMB540.4 million in 2016 to RMB684.2 million in 2017, and our net profit margin decreased from 20.4% in 2016 to 14.7% in 2017 mainly due to higher finance costs, administrative expenses, and income taxes in 2017.

Analysis of Key Items of Financial Position

Receivables under service concession arrangements

Our receivables under service concession arrangements were RMB11,152.1 million and RMB13,252.8 million as of December 31, 2016 and 2017, respectively, of which RMB10,948.1 million and RMB12,991.9 million, respectively, were classified as non-current assets. The increase in the non-current portion of receivables under service concession arrangements was primarily due to an increase in construction at service concession projects with guaranteed minimum treatment volumes and our acquisitions in 2017.

Other intangible assets

Our other intangible assets were RMB6,439.2 million and RMB6,466.7 million as of December 31, 2016 and 2017, respectively, of which RMB6,434.8 million and RMB6,462.2 million, respectively, were intangible assets related to operating concessions. The increase in intangible assets related to operating concessions was primarily due to the additions and acquisitions in 2017.

Goodwill

As of each of December 31, 2016 and 2017, the carrying value of our goodwill remained unchanged at RMB457.2 million.

Available-for-sale investments

Our available-for-sale investments decreased from RMB206.3 million for the year ended December 31, 2016 to RMB26.8 million for the year ended December 31, 2017 due to the disposal of our equity investment in Canvest in the fourth quarter of 2017.

Inventories

Our inventories were RMB73.4 million and RMB96.1 million as of December 31, 2016 and December 31, 2017, respectively. The increase was primarily due to our acquisitions and expansion of operations in 2017, especially Longjiang. Our average inventory turnover days remained stable, at 9.4 days and 9.5 days for the years ended December 31, 2016 and December 31, 2017, respectively.

Trade and other receivables

Our trade and other receivables increased from RMB1,628.7 million as of December 31, 2016 to RMB1,832.9 million as of December 31, 2017 primarily reflecting increases due to price adjustment of wastewater treatment fees at certain projects of Longjiang in 2017 and the consolidation of trade and other receivables from subsidiaries we acquired in 2017. Our average trade receivable turnover days decreased from 94.2 days for the year ended December 31, 2016 to 84.3 days for the year ended December 31, 2017 primarily due to the greater increase in revenue relative to the increase in trade receivables in 2017 as a result of a greater proportion of revenue in 2017 from construction at service concession projects, which were not in operation and not generating trade receivables.

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Prepayments

Our current prepayments increased from RMB34.4 million as of December 31, 2016 to RMB38.7 million as of December 31, 2017. Our non-current prepayments and deposits increased from RMB68.1 million as of December 31, 2016 to RMB390.4 million as of December 31, 2017, mainly as a result of prepayments made in the acquisitions of the First Dalian Project, Second Dalian Project and Weifang Project and for other service concession projects in the fourth quarter of 2017.

Held-for-trading investments

Our held-for-trading investments were RMB26.8 million and RMB34.8 million as of December 31, 2016 and 2017, respectively, and were based on quoted market prices for our investments in equity securities on the last market day of the respective financial years.

Trade and other payables

Our trade and other payables increased slightly from RMB2,122.5 million as of December 31, 2016 to RMB2,376.3 million as of December 31, 2017. The increase in trade payables from RMB1,123.4 million as of December 31, 2016 to RMB1,417.3 million as of December 31, 2017 was primarily due to (i) the increase in construction at existing service concession projects and (ii) the payables from subsidiaries we acquired in 2017. Our other payables were RMB999.1 million and RMB958.9 million, respectively, as of those dates. Our average trade payable turnover days remained relatively stable, decreasing slightly from 148.1 days for the year ended December 31, 2016 to 143.7 days for the year ended December 31, 2017.

BUSINESS REVIEW

In 2017, we continued to execute our two-prong strategy of making strategic acquisitions and generating organic growth. After a banner year of acquisitions in 2016, we moved to integrate our newly-acquired subsidiaries, particularly those of the Longjiang Environmental Protection Group Co., Ltd. (“**Longjiang**”) and Ranhill Water (Hong Kong) Ltd (“**Ranhill**”). After acquiring controlling equity stakes in Longjiang and Ranhill in the fourth quarter of 2016, these two entities contributed to over half of our revenue growth and just under half of our gross profit growth in 2017. We added to our growing project portfolio in 2017 with the acquisitions of Longjiang Environmental Water Resource (Hegang) Co., Ltd. in January, Pinghu Dushan Wastewater Treatment Co., Ltd. in July, and Jiaohu Jiaxin Water Co., Ltd. in August. In November, we entered into definitive agreements to acquire controlling equity stakes in Weifang City Fangzi District SIIC Environment Water Supply Co., Ltd. (濰坊市坊子區上實環境供水有限公司), formerly known as Weifang City Fangzi District Water Company (濰坊市坊子區供水總公司), (“**Weifang Project**”), Dalian Ziguang Water Treatment Co., Ltd. (大連紫光水務有限公司) (“**First Dalian Project**”) and Dalian Ziguang Lingshui Waste Water Treatment Co., Ltd. (大連紫光凌水污水處理有限公司) (“**Second Dalian Project**”). The completions of these acquisitions are expected to take place in the first quarter of 2018.

APPENDIX IA PRELIMINARY FINANCIAL INFORMATION OF THE GROUP FOR THE YEAR ENDED DECEMBER 31, 2017

Our existing project companies produced strong organic growth in 2017, particularly from the construction of wastewater treatment projects with guaranteed minimum treatment volumes. Over the course of 2017, we had over two dozen major projects under service concession arrangements across multiple regions of China generating construction revenue. Large-scale projects in major cities Shanghai, Wuhan, Dalian and Yinchuan each accounted for over RMB100 million of construction revenue in 2017. These developments demonstrate the strength of our nationwide project network and strategic focus on population centers.

Overall, our revenue grew by 75.2% year-on-year to over RMB4,639.3 million in 2017, our eighth straight year of double-digit revenue growth. Revenue grew in each of the wastewater treatment, water supply, waste incineration and others (mainly consultancy work) business lines. Net profit attributable to owners of the Company rose by 17.7% year-on-year to RMB535.7 million. Net profit grew at a slower pace compared to revenue for several reasons including the rapid growth in construction revenue which has lower margins and increase in finance costs. In May 2017, we raised RMB1,090.8 million in a share placement and used a portion of the proceeds to pay down outstanding loans.

OUTLOOK

In 2018, we plan to continue with our strategy of organic growth and selective acquisitions. We expect to complete the acquisitions of the Weifang Project, First Dalian Project, and Second Dalian Project in the first quarter of 2018, and may make further acquisitions that fit our strategic plan. To generate organic growth, we will continue to bid on BOT and TOT projects under service concession arrangements. We have a number projects in our portfolio that will enter the construction phase and generate construction revenue. As our projects under construction are completed and enter into operation, we expect to reap greater operating revenue and financial income, which tend to have higher margins than construction revenue.

The Chinese government remains steadfast in its commitment to environmental conservation and protection reduction as set out in the 13th Five-year Construction Plan for Municipal Wastewater Treatment and Recycling Facilities (《“十三五”全國城鎮污水處理及再生利用設施建設規劃》), promulgated and effective December 31, 2016. With our growing project portfolio and extensive national presence across China, we believe we are well-positioned to capture the opportunities for growth.

PURCHASE, SALE OR REPURCHASE OF OUR SHARES

Since we were not listed on the Stock Exchange in 2017, the Listing Rules were not applicable to us in that year.

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CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not listed on the Stock Exchange in 2017, the “Corporate Governance Code” in Appendix 14 of the Listing Rules was not applicable to us for the year ended December 31, 2016. After listing on the Stock Exchange, we will comply with the corporate governance rules and Corporate Governance Code under the Listing Rules.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The financial information of our Group for the year ended December 31, 2017 have been agreed with the Reporting Accountants following their work under Practice Note 730 “Guidance for Auditors Regarding Preliminary Announcement of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants, and the audit committee has reviewed the 2017 Preliminary Financial Information as set out in this Appendix IA.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information set out in this Appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this listing document, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this listing document and the Accountants' Report set out in Appendix I to this listing document.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the listing by way of introduction (the "Listing") on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 as if the Listing had taken place on 30 September 2017.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Listing been completed as at 30 September 2017 or at any future dates. It is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 as set out in the Accountants' Report contained in Appendix I to the listing document, and adjusted as described below.

		Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of 30 September 2017		Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of 30 September 2017 per share		
Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 September 2017	Estimated listing expenses	RMB'000	RMB'000	RMB		
(Note 1)	(Note 2)			HK\$		
(Note 3)				(Note 4)		
Based on ordinary shares of 2,606,645,126		1,966,193	(56,081)	1,910,112	0.73	0.86

Notes:

- (1) *The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 is extracted from the Accountants' Report set forth in Appendix I to the Listing Document, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2017 of RMB7,387,609,000 less intangible assets and goodwill of the Group attributable to owners of the Company as at 30 September 2017 of RMB5,421,416,000.*
- (2) *The estimated listing expenses mainly include professional fees payable to the sponsor, the Company's legal advisers and reporting accountants and other listing related expenses, which are expected to be incurred by the Group subsequent to 30 September 2017.*
- (3) *The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at after the adjustments as described in note 2 above.*
- (4) *The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is converted from Renminbi amounts into Hong Kong dollar amounts at the rate of RMB1 to HK\$1.1794, as at 30 September 2017, and no representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollar amounts, or vice versa, at that rate or at any other rates or at all.*
- (5) *No adjustment has been made to the audited net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 to reflect any trading result or other transaction of the Group entered into subsequent to 30 September 2017.*

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this listing document.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of SIIC Environment Holdings Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SIIC Environment Holdings Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the listing document issued by the Company dated 12 March 2018 (the "Listing Document"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Listing Document.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing by way of introduction (the "Listing") on the Group's financial position as at 30 September 2017 as if the Listing had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the three years ended 31 December 2016 and the nine months ended 30 September 2017, on which an accountants' report set out in Appendix I to the Listing Document has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 12 March 2018

The following is the extract of our announcement released on February 28, 2018 on the website of SGX-ST in relation to our unaudited financial statements for the year ended December 31, 2017 (“2017 Results”).

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED RESULTS FOR THE FOURTH QUARTER (“4QFY2017”) AND FINANCIAL YEAR ENDED 31 DECEMBER 2017 (“FY2017”)

	Note	← Group →					
		3 Months Ended		Changes	12 Months Ended		Changes
		31.12.17	31.12.16		31.12.17	31.12.16	
		RMB'000	RMB'000	%			%
Revenue	(A)	1,285,658	1,133,936	13.4	4,639,274	2,648,097	75.2
Cost of sales		(954,957)	(870,863)	9.7	(3,252,937)	(1,835,801)	77.2
Gross profit	(B)	330,701	263,073	25.7	1,386,337	812,296	70.7
Other operating income	(C)	28,806	17,811	61.7	69,387	44,442	56.1
Selling and distribution costs	(D)	(23,753)	(16,039)	48.1	(73,087)	(39,114)	86.9
Administrative expenses	(E)	(154,176)	(119,576)	28.9	(364,499)	(268,907)	35.5
Profit from operations		181,578	145,269	25.0	1,018,138	548,717	85.5
Finance income	(F)	9,042	4,152	>100.0	21,120	11,357	86.0
Finance expenses	(F)	(126,113)	(93,107)	35.4	(511,051)	(234,611)	>100.0
Other income	(G)	172,438	11,249	>100.0	303,054	112,964	>100.0
Fair value gain from revaluation of previously held interest	(H)	–	155,389	(100.0)	–	155,389	(100.0)
Share of results of joint ventures	(I)	12,513	14,120	(11.4)	49,565	60,122	(17.6)
Share of results of associates	(I)	460	(3,961)	N.M.	(2,298)	10,579	N.M.
Profit before tax	(i)	249,918	233,111	7.2	878,528	664,517	32.2
Income tax expense	(ii)/(J)	(22,397)	(31,404)	(28.7)	(194,373)	(124,099)	56.6
Profit for the period		227,521	201,707	12.8	684,155	540,418	26.6
Other comprehensive income:							
<i>Items that will not be reclassified to profit or loss:</i>							
Foreign currency translation, net of tax		21,984	(63,876)	N.M.	101,113	(20,003)	N.M.
<i>Items that may be reclassified subsequently to profit or loss:</i>							
Foreign currency translation, net of tax		(3,172)	–	N.M.	(3,172)	–	N.M.
Investment revaluation reserve	(M)	27,146	14,607	85.8	32,892	26,957	22.0
Reclassification on disposal of available-for-sale investments		(106,083)	–	N.M.	(106,083)	(10,628)	N.M.
Total comprehensive income for the period		167,396	152,438	9.8	708,905	536,744	32.1
Profit for the period attributable to:							
Owners of the Company		185,413	170,265	8.9	535,653	454,926	17.7
Non-controlling interests		42,108	31,442	33.9	148,502	85,492	73.7
		227,521	201,707	12.8	684,155	540,418	26.6
Total comprehensive income attributable to:							
Owners of the Company		125,288	120,996	3.5	560,403	451,252	24.2
Non-controlling interests		42,108	31,442	33.9	148,502	85,492	73.7
		167,396	152,438	9.8	708,905	536,744	32.1

N.M. – Not Meaningful

APPENDIX III

**UNAUDITED FINANCIAL STATEMENTS FOR
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1(a)(i) **Profit before tax from operations is arrived at after charging/(crediting) the following:**

	3 Months Ended		12 Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	RMB'000	RMB'000	RMB'000	RMB'000
Amortisation of intangible assets (<i>Note K</i>)	82,368	59,177	277,769	162,235
Amortisation of land use rights	208	67	355	256
Depreciation of property, plant and equipment	6,120	4,319	22,235	13,368
Loss/(Gain) on disposal of property, plant and equipment	852	(137)	911	139
Loss/(Gain) on disposal of intangible assets	839	22	839	(2,529)
Reversal of impairment loss for intangible asset	(24,000)	–	(24,000)	–
Gain on disposal of available-for-sale financial instruments	(106,083)	–	(106,083)	(10,628)
Foreign exchange (gain)/loss, net (<i>Note C</i>)	(7,013)	2,638	(10,746)	4,131
(Reversal of)/Allowance for doubtful receivables (trade)	(16,176)	1,076	(29,381)	506
Reversal of doubtful receivables, net (non-trade)	(2,038)	(75)	(2,058)	(8,307)
Bad debts written off (trade)	2,667	–	2,667	–
Bad debts written off (non-trade)	2,038	170	2,038	170
Reversal of allowance for inventories	–	–	–	(7)
Reversal of allowance for foreseeable losses	–	(11)	–	(11)
Fair value gain from held-for-trading investment	(6,861)	(472)	(12,753)	(1,105)
Fair value gain from revaluation of previously held interest	–	(155,389)	–	(155,389)
Gain from bargain purchase of investment in a subsidiary	(7,158)	–	(7,158)	–

1(a)(ii) **Adjustment for over provision of tax in respect of prior periods.**

	3 Months Ended		12 Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	RMB'000	RMB'000	RMB'000	RMB'000
Over provision of tax in respect of prior periods	(347)	(390)	(1,371)	(1,158)

APPENDIX III

**UNAUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2017, PUBLISHED
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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	Group		Company	
		As At 31.12.17	As At 31.12.16	As At 31.12.17	As At 31.12.16
		RMB'000	RMB'000	RMB'000	RMB'000
Current assets					
Cash and cash equivalents		1,402,104	1,634,556	243,860	8,726
Pledged bank deposits		130,637	191,918	–	–
Trade and other receivables		1,832,883	1,628,685	642	710
Bills receivables		7,760	3,313	–	–
Prepayments		38,729	34,387	1,573	358
Inventories		96,066	73,371	–	–
Receivables under service concession arrangements		260,888	203,993	–	–
Amounts due from customers for contract work		37,796	57,581	–	–
Amounts due from subsidiaries		–	–	120,753	2,114,688
Amounts due from joint venture		137	137	137	137
Amounts due from associate		40,766	37,894	–	–
Held-for-trading investment		34,750	26,795	–	–
Total current assets	(L)	3,882,516	3,892,630	366,965	2,124,619
Non-current assets					
Available-for-sale financial instruments		26,803	206,288	13,323	13,189
Prepayments		390,364	68,072	–	–
Receivables under service concession arrangements		12,991,865	10,948,086	–	–
Property, plant and equipment		206,032	183,580	1,298	1,697
Intangible assets		6,466,660	6,439,239	–	–
Land use rights		6,459	6,451	–	–
Long term receivables		361,423	11,547	–	–
Deferred tax assets		48,009	22,376	–	–
Investment in subsidiaries		–	–	5,378,078	2,565,418
Interest in joint ventures		713,523	705,256	536,475	531,064
Interest in associates		83,858	82,976	–	–
Goodwill on consolidation		457,241	457,241	–	–
Amounts due from associate		14,543	14,543	–	–
Total non-current assets	(M)	21,766,780	19,145,655	5,929,174	3,111,368
Total assets		25,649,296	23,038,285	6,296,139	5,235,987
Current liabilities					
Trade and other payables		2,376,262	2,122,531	34,069	23,080
Bills payable to banks		49,235	18,342	–	–
Tax payable		69,662	55,444	–	–
Amounts due to customers for contract work		16,720	21,386	–	–
Amounts due to subsidiaries		–	–	67,494	137,132
Bank and other borrowings		3,660,906	3,838,382	242,601	119,026
Finance lease		71,746	96,988	–	–
Total current liabilities	(N)	6,244,531	6,153,073	344,164	279,238
Non-current liabilities					
Bank and other borrowings		6,950,833	6,275,862	–	–
Finance lease		359,700	331,433	–	–
Deferred tax liabilities		1,739,910	1,602,513	–	–
Other non-current liabilities		110,731	142,227	–	–
Total non-current liabilities	(O)	9,161,174	8,352,035	–	–
Capital, reserves and non-controlling interest					
Share capital		5,951,889	4,861,138	5,951,889	4,861,138
Treasury shares		(96)	(96)	(96)	(96)
Retained earnings		1,591,879	1,199,172	(62,101)	65,815
Other reserves		(30,775)	(87,481)	62,283	29,892
Equity attributable to owners of the Company		7,512,897	5,972,733	5,951,975	4,956,749
Non-controlling interests		2,730,694	2,560,444	–	–
Total equity		10,243,591	8,533,177	5,951,975	4,956,749
Total liabilities and equity		25,649,296	23,038,285	6,296,139	5,235,987

1(b)(ii) In relation to the aggregate amount of group's borrowings and debt securities, please specify the following at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

Amount repayable in one year or less, or on demand

As at 31.12.17		As at 31.12.16	
RMB'000		RMB'000	
Secured/Guaranteed	Unsecured/Unguaranteed	Secured/Guaranteed	Unsecured/Unguaranteed
2,366,439	1,415,448	3,216,915	736,797

Amount repayable after one year

As at 31.12.17		As at 31.12.16	
RMB'000		RMB'000	
Secured/Guaranteed	Unsecured/Unguaranteed	Secured/Guaranteed	Unsecured/Unguaranteed
6,294,910	1,015,623	5,357,877	1,249,418

Details of any collateral

The Group's borrowings comprise bills payable to banks, bank and other borrowings and finance leases.

Bills payable to banks are secured by certain bank deposits placed with the respective issuing banks. The bank and other borrowings are secured/guaranteed on concessionary arrangements, trade receivables (relating to concessionary arrangements) collection rights, guarantees by subsidiaries, guarantees by third party company and/or secured by a corporate guarantee by SIIC Environment Holdings Ltd.. The finance leases are secured by pledges on certain service concession agreements, investment in a subsidiary and intangible assets.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	For 3 Months Ended		For 12 Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before tax	249,918	233,111	878,528	664,517
Adjustments for:				
(Reversal of)/Allowance for doubtful receivables, net (trade)	(16,176)	1,076	(29,381)	506
Reversal of doubtful receivables, net (non-trade)	(2,038)	(75)	(2,058)	(8,307)
Bad debts written off (trade)	2,667	–	2,667	–
Bad debts written off (non-trade)	2,038	170	2,038	170
Reversal of allowance for inventories	–	–	–	(7)
Reversal of provision for foreseeable loss	–	(11)	–	(11)
Reversal of impairment loss on intangible asset	(24,000)	–	(24,000)	–
Depreciation of property, plant and equipment	6,120	4,319	22,235	13,368
Amortisation of intangible assets	82,368	59,177	277,769	162,235
Amortisation of land use rights	208	67	355	256
Loss/(Gain) on disposal of property, plant and equipment	852	(137)	911	139
Loss/(Gain) on disposal of intangible assets	839	22	839	(2,529)
Gain on disposal of available-for-sale financial instruments	(106,083)	–	(106,083)	(10,628)
Finance income	(9,042)	(4,152)	(21,120)	(11,357)
Finance expenses	126,113	93,107	511,051	234,611
Share of results of associates	(460)	3,961	2,298	(10,579)
Share of results of joint ventures	(12,513)	(14,120)	(49,565)	(60,122)
Foreign exchange loss/(gain)	397	(11,937)	(3,351)	(10,783)
Gain from bargain purchase of investment in subsidiary	(7,158)	–	(7,158)	–
Fair value gain from revaluation of previously held interest	–	(155,389)	–	(155,389)
Fair value gain from held for trading investments	(6,861)	(472)	(12,753)	(1,105)
Operating cash flow before working capital changes	287,189	208,717	1,443,222	804,985
(Increase)/decrease in:				
Inventories	(14,365)	(29,513)	(22,432)	(30,692)
Amounts due from/to customers for contract work, net	84,572	125,349	14,908	37,715
Trade receivables, other receivables and prepayments	(177,445)	138,810	(774,995)	303,394
Bills receivables	(4,377)	507	(4,447)	(2,374)
Amounts due from joint ventures	306	955	1,222	1,080
Amounts due from associate	(7,904)	(35,323)	(130,532)	(41,943)
Increase/(decrease) in:				
Trade payables and other payables (inclusive of non-current liabilities)	(73,250)	8,583	65,082	104,269
Bills payable to banks	(2,785)	8,100	6,192	5,966
Cash from operating activities before service concession arrangement projects	91,941	426,185	598,220	1,182,400
Change in receivables under service concession arrangements (Note A)	(321,976)	(803,662)	(1,663,707)	(1,208,856)
Cash used in operating activities after service concession arrangement projects	(230,035)	(377,477)	(1,065,487)	(26,456)
Interest received	2,988	3,192	13,936	8,485
Income tax paid	(24,812)	(13,626)	(110,947)	(67,287)
Net cash used in operating activities	(251,859)	(387,911)	(1,162,498)	(85,258)

APPENDIX III

**UNAUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2017, PUBLISHED
ON THE WEBSITE OF SGX-ST ON FEBRUARY 28, 2018**

	Group		Group	
	For 3 Months Ended		For 12 Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities:				
Purchase of property, plant and equipment	(12,135)	(6,245)	(37,132)	(20,117)
Purchase of intangible assets, net of amount on credit terms	(77,812)	(18,119)	(145,956)	(72,303)
Decrease/(Increase) in prepayment for property, plant and equipment and intangible assets . . .	3,225	1,034	(866)	(445)
Proceeds from disposal of property, plant and equipment	21	91	738	438
Proceeds from disposal of available-for-sale financial instruments	–	30,906	–	30,906
Prepayments for investment in subsidiaries	(129,020)	–	(129,020)	–
Net cash outflow on acquisition of subsidiaries (Note B)	–	(199,845)	(212,993)	(156,365)
Net cash outflow on acquisition of an associate	–	–	(3,500)	(150)
Dividend received from joint ventures and associates	15,870	13,239	47,802	41,835
Net cash used in investing activities	(199,851)	(178,939)	(480,927)	(176,201)
Cash flows from financing activities:				
Proceeds from bank and other borrowings	633,009	4,654,043	3,320,936	5,209,793
Repayment of bank and other borrowings	(287,707)	(1,671,347)	(2,532,216)	(2,049,179)
Proceeds from finance leaseback arrangement . .	–	5,765	120,000	–
Repayment under finance leaseback arrangements	(7,910)	–	(116,974)	(10,902)
Interest paid	(103,332)	(117,852)	(418,110)	(231,115)
Settlement of payables due to former shareholder	–	(1,698,050)	–	(1,698,050)
Dividend paid to equity shareholders	–	–	(110,990)	–
Dividend paid to non-controlling interest in subsidiaries	(4,239)	(7,064)	(14,604)	(12,154)
Acquisition of non-controlling interests in subsidiaries	–	(5,000)	–	(5,000)
Contribution from non-controlling interests upon additional capital injection of a subsidiary . . .	22,248	–	41,613	–
Proceeds from share placement	–	–	1,090,751	–
(Increase)/Decrease in deposits pledged to banks	(22,554)	(22,871)	65,888	(112,145)
Net cash generated from financing activities	229,515	1,137,624	1,446,294	1,091,248
Net (decrease)/increase in cash and cash equivalents	(222,195)	570,774	(197,131)	829,789
Cash and cash equivalents at beginning of period	1,633,447	1,055,720	1,634,556	795,228
Effects of exchange rate changes on the balance of cash held in foreign currencies	(9,148)	8,062	(35,321)	9,539
	1,402,104	1,634,556	1,402,104	1,634,556
Cash and cash equivalents at end of period				
Cash and bank balances	1,532,741	1,826,474	1,532,741	1,826,474
Less: Pledged bank deposits	(130,637)	(191,918)	(130,637)	(191,918)
Cash and cash equivalents	1,402,104	1,634,556	1,402,104	1,634,556

Note A

In accordance with the application of INT FRS 112 *Service Concession Arrangements* and FRS 7 *Statement of Cash Flows*, the movement in the receivables under service concession arrangements has been classified under operating activities. The movement in the receivables under service concession arrangements was mainly arising from the construction and/or purchase of new or existing water treatment facilities for FY2017 and 4QFY2017 respectively.

Note B**(i) Acquisition of Citic Envirotech Water Resource (Hegang) Co., Ltd. (“CEW Hegang”)**

In January 2017, the Group through its 57.97% owned subsidiary, Longjiang Environmental Protection Group Co., Ltd. (“Longjiang Group”), completed the acquisition of 100% equity interest in CEW Hegang for a total purchase consideration of RMB111,870,000. 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.

(ii) Acquisition of Pinghu Dushan Wastewater Treatment Co., Ltd. (“Pinghu Dushan”)

In July 2017, the Company completed the acquisition of 100% equity interest in Pinghu Dushan for a total purchase consideration of RMB9,113,000. Pinghu Dushan has been awarded wastewater treatment PPP projects with total design capacity of 220,000 tons per day in the east area of Pinghu City, Zhejiang Province, PRC.

(iii) Acquisition of Jiaohe Jiaxin Water Co., Ltd. (“Jiaohe Jiaxin”)

In August 2017, the Group through its 57.97% owned subsidiary, Longjiang Group, completed the acquisition of 100% equity interest in Jiaohe Jiaxin for a total purchase consideration of RMB95,000,000. Jiaohe Jiaxin is principally engaged in the business of environmental protection, waste water treatment, technology development, technical services and etc. Jiaohe Jiaxin is currently undertaking a 30 years build-operate-transfer wastewater treatment project with total design capacity of 30,000 tons/day in Jiaohe City, Jilin Province, PRC.

The purchase price allocation (“PPA”) exercises in respect of the above acquisitions, except for the acquisition of Pinghu Dushan, have been completed as at 31 December 2017.

The purchase price allocation (“PPA”) exercise in respect of the acquisition of Pinghu Dushan has not been completed as at 31 December 2017. The Group has 12 months from date of acquisition to finalise the fair value measurement and accounting as allowed under FRS 103 Business Combinations. For 4QFY2017, the Group has determined that the purchase consideration for this acquisition approximates the provisional fair value of the net identifiable asset acquired. Accordingly, no provisional goodwill or negative goodwill arising from this acquisition was recognised.

Details of the assets acquired, liabilities recognised and consideration transferred in respect of the above acquisition are as follows:–

	CEW Hegang	Jiaohe Jiaxin	Pinghu Dushan	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Provisional fair value of assets acquired and liabilities recognised at the respective date of acquisition*</u>				
Current assets	58,395	3,892	8,523	70,810
Non-current assets	192,030	146,321	153,346	491,697
Current liabilities	(127,295)	(22,392)	(90,518)	(240,205)
Non-current liabilities	(4,102)	(32,821)	(62,238)	(99,161)
Total identifiable net assets at fair value . . .	119,028	95,000	9,113	223,141
Non-controlling interest measures at fair value	–	–	–	–
	119,028	95,000	9,113	223,141
<u>Consideration transferred</u>				
Cash paid	111,870	95,000	9,113	215,983
Less: Net assets acquired	(119,028)	(95,000)	(9,113)	(223,141)
Negative goodwill	(7,158)	–	–	(7,158)
<u>Net cash inflow arising from acquisitions</u>				
Cash consideration paid	111,870	95,000	9,113	215,983
Less: Cash and cash equivalents acquired . .	(1,000)	(1,413)	(577)	(2,990)
Net cash inflow on acquisitions	110,870	93,587	8,536	212,993

* The fair value of assets acquired and liabilities recognised presented may be subjected to changes upon the completion and finalisation of the PPA exercise for the Pinghu Dushan acquisition.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP

	Attributable to owners of the Company										
	Share capital	Treasury shares	Retained earnings	Other reserves, total	General Reserve	Investment revaluation reserve	Translation reserve	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.17	4,861,138	(96)	1,199,172	(87,481)	205,538	73,191	(145,641)	(200,315)	5,972,733	2,560,444	8,533,177
Profit for the period	-	-	120,117	-	-	-	-	-	120,117	32,587	152,704
Other comprehensive income	-	-	-	34,005	-	-	34,005	-	34,005	-	34,005
Exchange differences arising on translation, net of tax	-	-	-	43,783	-	43,783	-	-	43,783	-	43,783
Fair value change on available-for-sale financial instrument	-	-	-	77,788	-	43,783	34,005	-	77,788	-	77,788
Other comprehensive income for the period, net of tax	-	-	-	77,788	-	43,783	34,005	-	77,788	-	77,788
Total comprehensive income for the period	-	-	120,117	77,788	-	43,783	34,005	-	197,905	32,587	230,492
Transactions with owners recognised directly in equity	-	-	(46)	46	46	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-	-	-	10,700	10,700
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	10,700	10,700
Total	-	-	(46)	46	46	-	-	-	-	(4,800)	(4,800)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,800)	(4,800)
Total	-	-	-	-	-	-	-	-	-	(4,800)	(4,800)
Balance at 31.3.17	4,861,138	(96)	1,319,243	(9,647)	205,584	116,974	(111,636)	(200,315)	6,170,638	2,598,931	8,769,569
Profit for the period	-	-	119,909	-	-	-	-	-	119,909	37,866	157,775
Other comprehensive income	-	-	-	28,249	-	-	28,249	-	28,249	-	28,249
Exchange differences arising on translation, net of tax	-	-	-	(28,421)	-	(28,421)	-	-	(28,421)	-	(28,421)
Fair value change on available-for-sale financial instrument	-	-	-	(172)	-	(28,421)	28,249	-	(172)	-	(172)
Other comprehensive income for the period, net of tax	-	-	-	(172)	-	(28,421)	28,249	-	(172)	-	(172)
Total comprehensive income for the period	-	-	119,909	(172)	-	(28,421)	28,249	-	119,737	37,866	157,603
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-
Share placement	1,090,751	-	-	-	-	-	-	-	1,090,751	7,165	1,097,916
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	7,165	7,165
Total	1,090,751	-	-	-	-	-	-	-	1,090,751	7,165	1,097,916
Others	-	-	(110,990)	-	-	-	-	-	(110,990)	-	(110,990)
Dividend declared to equity share holders	-	-	(110,990)	-	-	-	-	-	(110,990)	-	(110,990)
Total	-	-	(110,990)	-	-	-	-	-	(110,990)	-	(110,990)
Balance at 30.6.17	5,951,889	(96)	1,328,162	(9,819)	205,584	88,553	(83,387)	(200,315)	7,270,136	2,643,962	9,914,098

	Attributable to owners of the Company											
	Share capital	Treasury shares	Retained earnings	Other reserves, total	General Reserve	Investment revaluation reserve	Translation reserve	Effects of changes in ownership interest in subsidiaries where there is no change in control	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	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 30.6.17	5,951,889	(96)	1,328,162	(9,819)	205,584	88,553	(83,387)	(20,254)	(200,315)	7,270,136	2,643,962	9,914,098
Profit for the period	-	-	110,214	-	-	-	-	-	-	110,214	35,941	146,155
Other comprehensive income	-	-	-	16,875	-	-	16,875	-	-	16,875	-	16,875
Exchange differences arising on translation, net of tax	-	-	-	(9,616)	(9,616)	-	-	-	-	(9,616)	-	(9,616)
Fair value change on available-for-sale financial instrument	-	-	-	7,259	(9,616)	-	16,875	-	-	7,259	-	7,259
Other comprehensive income for the period, net of tax	-	-	-	7,259	(9,616)	-	16,875	-	-	7,259	-	7,259
Total comprehensive income for the period	-	-	110,214	7,259	-	(9,616)	16,875	-	-	117,473	35,941	153,414
Transactions with owners recognised directly in equity	-	-	(2,365)	2,365	2,365	-	-	-	-	-	-	-
Transfer to general reserve	-	-	(2,365)	2,365	2,365	-	-	-	-	-	-	-
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	(2,365)	2,365	2,365	-	-	-	-	-	19,500	19,500
Total	-	-	(2,365)	2,365	2,365	-	-	-	-	-	19,500	19,500
Others	-	-	-	-	-	-	-	-	-	-	(665)	(665)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(665)	(665)
Total	-	-	-	-	-	-	-	-	-	-	(665)	(665)
Balance at 30.9.17	5,951,889	(96)	1,436,011	(195)	207,949	78,937	(66,512)	(20,254)	(200,315)	7,387,609	2,698,738	10,086,347
Profit for the period	-	-	185,413	-	-	-	-	-	-	185,413	42,108	227,521
Other comprehensive income	-	-	-	21,984	-	-	21,984	-	-	21,984	-	21,984
Exchange differences arising on translation, net of tax	-	-	-	(3,172)	-	-	(3,172)	-	-	(3,172)	-	(3,172)
Exchange differences arising on translation of foreign operations, net of tax	-	-	-	27,146	(78,937)	27,146	-	-	-	27,146	-	27,146
Fair value change on available-for-sale financial instrument	-	-	-	(106,083)	(106,083)	-	-	-	-	(106,083)	-	(106,083)
Reclassification upon disposal of available-for-sale investments	-	-	-	(60,125)	-	(78,937)	18,812	-	-	(60,125)	-	(60,125)
Other comprehensive income for the period, net of tax	-	-	-	(60,125)	(78,937)	18,812	-	-	-	(60,125)	-	(60,125)
Total comprehensive income for the period	-	-	185,413	(60,125)	(78,937)	18,812	-	-	-	125,288	42,108	167,396
Transactions with owners recognised directly in equity	-	-	(29,545)	29,545	29,545	-	-	-	-	-	-	-
Transfer to general reserve	-	-	(29,545)	29,545	29,545	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(28,161)	(28,161)
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	-	22,248	22,248
Total	-	-	(29,545)	29,545	29,545	-	-	-	-	-	(5,913)	(5,913)
Others	-	-	-	-	-	-	-	-	-	-	(4,239)	(4,239)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,239)	(4,239)
Total	-	-	-	-	-	-	-	-	-	-	(4,239)	(4,239)
Balance at 31.12.17	5,951,889	(96)	1,591,879	(30,775)	237,494	-	(47,700)	(20,254)	(200,315)	7,512,897	2,730,694	10,243,591

	Attributable to owners of the Company											
	Share capital	Treasury shares	Retained earnings	Other reserves, total	General Reserve	Investment revaluation reserve	Translation reserve	Effects of changes in ownership interest in subsidiaries where there is no change in control	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	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 1.1.16	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 period	-	-	89,454	-	-	-	-	-	-	89,454	16,704	106,158
Other comprehensive income	-	-	-	55,092	-	-	55,092	-	-	55,092	-	55,092
Exchange differences arising on translation, net of tax	-	-	-	15,172	-	15,172	-	-	-	15,172	-	15,172
Fair value change on available-for-sale financial instrument	-	-	-	70,264	-	15,172	55,092	-	-	70,264	-	70,264
Other comprehensive income for the period, net of tax	-	-	-	70,264	-	15,172	55,092	-	-	159,718	16,704	176,422
Total comprehensive income for the period	-	-	89,454	70,264	-	15,172	55,092	-	-	159,718	16,704	176,422
Transactions with owners recognised directly in equity	-	-	56	(56)	(56)	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	(56)	-	-	-	-	-	32,021	32,021
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	56	(56)	(56)	-	-	-	-	-	32,021	32,021
Others	-	-	-	-	-	-	-	-	-	-	(4,600)	(4,600)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(4,600)	(4,600)
Total	-	-	-	-	-	-	-	-	-	-	(4,600)	(4,600)
Balance at 31.3.16	4,861,138	(96)	887,081	(76,843)	152,157	72,034	(70,546)	(30,173)	(200,315)	5,671,280	1,112,012	6,783,292
Profit for the period	-	-	101,162	-	-	-	-	-	-	101,162	21,284	122,446
Other comprehensive income	-	-	-	556	-	-	556	-	-	556	-	556
Exchange differences arising on translation, net of tax	-	-	-	(3,299)	-	(3,299)	-	-	-	(3,299)	-	(3,299)
Fair value change on available-for-sale financial instrument	-	-	-	(2,743)	-	(3,299)	556	-	-	(2,743)	-	(2,743)
Other comprehensive income for the period, net of tax	-	-	-	(2,743)	-	(3,299)	556	-	-	(2,743)	-	(2,743)
Total comprehensive income for the period	-	-	101,162	(2,743)	-	(3,299)	556	-	-	98,419	21,284	119,703
Transactions with owners recognised directly in equity	-	-	(3,094)	3,094	3,094	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-	-	-	-	46,000	46,000
Non-controlling interest upon proportional capital injection in a subsidiary	-	-	-	-	-	-	-	-	-	-	46,000	46,000
Total	-	-	(3,094)	3,094	3,094	-	-	-	-	-	46,000	46,000
Others	-	-	-	-	-	-	-	-	-	-	(490)	(490)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(490)	(490)
Total	-	-	-	-	-	-	-	-	-	-	(490)	(490)
Balance at 30.6.16	4,861,138	(96)	985,149	(76,992)	155,251	68,735	(69,990)	(30,173)	(200,315)	5,769,699	1,178,806	6,948,505

	Attributable to owners of the Company											
	Share capital	Treasury shares	Retained earnings	Other reserves, total	General Reserve	Investment revaluation reserve	Translation reserve	Effects of changes in ownership interest in subsidiaries where there is no change in control	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	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 30.6.16	4,861,138	(96)	985,149	(76,492)	155,251	68,735	(69,990)	(30,173)	(200,315)	5,769,699	1,178,806	6,948,505
Profit for the period	-	-	94,045	-	-	-	-	-	-	94,045	16,062	110,107
Other comprehensive income	-	-	-	(11,775)	-	-	(11,775)	-	-	(11,775)	-	(11,775)
Exchange differences arising on translation, net of tax	-	-	-	(10,151)	-	(10,151)	-	-	-	(10,151)	-	(10,151)
Fair value change on available-for-sale financial instrument	-	-	-	(219,26)	-	(10,151)	(11,775)	-	-	(219,26)	-	(219,26)
Other comprehensive income for the period, net of tax	-	-	-	(219,26)	-	(10,151)	(11,775)	-	-	(219,26)	-	(219,26)
Total comprehensive income for the period	-	-	94,045	(219,26)	-	(10,151)	(11,775)	-	-	72,119	16,062	88,181
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	105,159	105,159
Total	-	-	-	-	-	-	-	-	-	-	105,159	105,159
Balance at 30.9.16	4,861,138	(96)	1,079,194	(98,418)	155,251	58,584	(81,765)	(30,173)	(200,315)	5,841,818	1,300,027	7,141,845
Profit for the period	-	-	170,265	-	-	-	-	-	-	170,265	31,442	201,707
Other comprehensive income	-	-	-	(63,876)	-	-	(63,876)	-	-	(63,876)	-	(63,876)
Exchange differences arising on translation, net of tax	-	-	-	14,607	-	14,607	-	-	-	14,607	-	14,607
Fair value change on available-for-sale financial instrument	-	-	-	(49,269)	-	(49,269)	(63,876)	-	-	(49,269)	-	(49,269)
Other comprehensive income for the period, net of tax	-	-	-	(49,269)	-	(49,269)	(63,876)	-	-	(49,269)	-	(49,269)
Total comprehensive income for the period	-	-	170,265	(49,269)	-	14,607	(63,876)	-	-	120,996	31,442	152,438
Transactions with owners recognised directly in equity	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to general reserve	-	-	(50,287)	50,287	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	1,276,458	1,276,458
Acquisition of non-controlling interests	-	-	-	9,919	-	-	-	9,919	-	9,919	(35,519)	(25,600)
Total	-	-	(50,287)	60,206	50,287	-	-	9,919	-	9,919	1,240,939	1,250,858
Others	-	-	-	-	-	-	-	-	-	-	(11,964)	(11,964)
Dividends declared to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(11,964)	(11,964)
Total	-	-	-	-	-	-	-	-	-	-	(11,964)	(11,964)
Balance at 31.12.16	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

APPENDIX III

**UNAUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2017, PUBLISHED
ON THE WEBSITE OF SGX-ST ON FEBRUARY 28, 2018**

COMPANY

	← Attributable to owners of the Company →				
	Share capital	Treasury shares	Retained earnings	Other reserves*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.17	4,861,138	(96)	65,815	29,892	4,956,749
Loss for the period	–	–	(22,215)	–	(22,215)
Other comprehensive income					
Exchange differences arising on translation, net of tax	–	–	–	128,972	128,972
Other comprehensive income for the period, net of tax.	–	–	–	128,972	128,972
Total comprehensive (loss)/income for the period	–	–	(22,215)	128,972	106,757
Balance at 31.3.17	4,861,138	(96)	43,600	158,864	5,063,506
Profit for the period.	–	–	69,903	–	69,903
Other comprehensive loss					
Exchange differences arising on translation, net of tax	–	–	–	(5,205)	(5,205)
Other comprehensive loss for the period, net of tax.	–	–	–	(5,205)	(5,205)
Total comprehensive income/(loss) for the period	–	–	69,903	(5,205)	64,698
Transactions with owners recognised directly in equity					
Share placement	1,090,751	–	–	–	1,090,751
	1,090,751	–	–	–	1,090,751
Others					
Dividend declared to equity shareholders	–	–	(110,990)	–	(110,990)
	–	–	(110,990)	–	(110,990)
Balance at 30.6.17	5,951,889	(96)	2,513	153,659	6,107,965
Profit for the period.	–	–	7,886	–	7,886
Other comprehensive loss					
Exchange differences arising on translation, net of tax	–	–	–	(31,816)	(31,816)
Other comprehensive loss for the period, net of tax.	–	–	–	(31,816)	(31,816)
Total comprehensive income/(loss) for the period	–	–	7,886	(31,816)	(23,930)
Balance at 30.9.17	5,951,889	(96)	10,399	121,843	6,084,035
Profit for the period.	–	–	(72,500)	–	(72,500)
Other comprehensive loss					
Exchange differences arising on translation, net of tax	–	–	–	(59,560)	(59,560)
Other comprehensive loss for the period, net of tax.	–	–	–	(59,560)	(59,560)
Total comprehensive income/(loss) for the period	–	–	(72,500)	(59,560)	(132,060)
Balance at 31.12.17	5,951,889	(96)	(62,101)	62,283	5,951,975

* Relates to translation reserve.

APPENDIX III

**UNAUDITED FINANCIAL STATEMENTS FOR
THE YEAR ENDED DECEMBER 31, 2017, PUBLISHED
ON THE WEBSITE OF SGX-ST ON FEBRUARY 28, 2018**

	← Attributable to owners of the Company →				
	Share capital	Treasury shares	Retained earnings	Other reserves*	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.1.16	4,861,138	(96)	107,746	(205,859)	4,762,929
Loss for the period	–	–	(29,828)	–	(29,828)
<u>Other comprehensive income</u>					
Exchange differences arising on translation, net of tax	–	–	–	217,938	217,938
Other comprehensive income for the period, net of tax.	–	–	–	217,938	217,938
Total comprehensive (loss)/income for the period	–	–	(29,828)	217,938	188,110
Balance at 31.3.16	4,861,138	(96)	77,918	12,079	4,951,039
Loss for the period	–	–	(24,859)	–	(24,859)
<u>Other comprehensive income</u>					
Exchange differences arising on translation, net of tax	–	–	–	153,885	153,885
Other comprehensive income for the period, net of tax.	–	–	–	153,885	153,885
Total comprehensive (loss)/income for the period	–	–	(24,859)	153,885	129,026
Balance at 30.6.16	4,861,138	(96)	53,059	165,964	5,080,065
Profit for the period.	–	–	21,887	–	21,887
<u>Other comprehensive income</u>					
Exchange differences arising on translation, net of tax	–	–	–	(41,415)	(41,415)
Other comprehensive income for the period, net of tax.	–	–	–	(41,415)	(41,415)
Total comprehensive (loss)/income for the period	–	–	21,887	(41,415)	(19,528)
Balance at 30.9.16	4,861,138	(96)	74,946	124,549	5,060,537
Profit for the period.	–	–	(9,131)	–	(9,131)
<u>Other comprehensive income</u>					
Exchange differences arising on translation, net of tax	–	–	–	(94,657)	(94,657)
Other comprehensive income for the period, net of tax.	–	–	–	(94,657)	(94,657)
Total comprehensive (loss)/income for the period	–	–	(9,131)	(94,657)	(103,788)
Balance at 31.12.16	4,861,138	(96)	65,815	29,892	4,956,749

* Relates to translation reserve.

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

	Group and Company	
	Number of ordinary shares	Share Capital RMB'000
<u>Issued and paid up share capital</u>		
Balance at 1 January 2017	2,256,645,126	4,861,138
Placement of 350,000,000 new ordinary shares	350,000,000	1,090,751
Balance at 31 December 2017	2,606,645,126	5,951,889

On 5 May 2017, the Company completed the placement of 350,000,000 new ordinary shares in the capital of the Company to Shanghai Industrial Holdings Ltd. ("SIHL") and/or such nominee as designated by SIHL, being Triumph Power Limited.

As at 31 December 2017, the number of ordinary shares in issue was 2,606,645,126 of which 56,400 shares were held by the Company as treasury shares (31 December 2016: 2,256,645,126 ordinary shares of which 56,400 shares were held as treasury shares).

SIIC Environment Share Options 2012 ("ESOS 2012") and SIIC Environment Share Award Scheme ("ESAS")

There were no options granted under the ESOS 2012 plan or ESAS Awards granted under the ESAS plan since the date of approval by the shareholders on 27 April 2012.

As at 31 December 2017, there were no convertible securities outstanding (31 December 2016: Nil).

1(d)(iii) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2017, there were 56,400 treasury shares held (31 December 2016: 56,400). Total number of issued shares excluding treasury shares, as at 31 December 2017 was 2,606,588,726 (31 December 2016: 2,256,588,726).

1(d)(iv) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There were no sales, transfers, disposal, cancellation and/or use of treasury shares for the financial period ended 31 December 2017.

1(d)(v) **A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there was no transaction pertaining to subsidiary holdings.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, consistent with those of the audited financial statements as at 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

No such change in the accounting policies and methods of computation.

- 6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	3 Months Ended		12 Months Ended	
	31.12.17	31.12.16	31.12.17	31.12.16
	RMB cents	RMB cents	RMB cents	RMB cents
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:–				
(i) Based on weighted average number of ordinary shares in issue (RMB cents)	7.11	7.55	21.51	20.16
– Weighted average number of shares ('000)	2,606,589	2,256,589	2,490,561	2,256,589
(ii) On a fully diluted basis of ordinary shares (RMB cents)	7.11	7.55	21.51	20.16
– Weighted average number of shares ('000)	2,606,589	2,256,589	2,490,561	2,256,589

- 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group	Company
	RMB cents	RMB cents
As at 31 December 2017.	288.23	228.34
As at 31 December 2016.	264.68	219.66

Net asset value per share is calculated based on the number of shares in issue (excluding treasury shares) of 2,606,588,726 as at 31 December 2017 (31 December 2016: 2,256,588,726).

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:–**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affect the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

STATEMENT OF COMPREHENSIVE INCOME**Overall Review**

The Group recorded an increase in revenue from RMB2,648.1 million in FY2016 to RMB4,639.3 million in FY2017, representing an increase of 75.2%. Gross profit (“GP”) has increased from RMB812.3 million in FY2016 to RMB1,386.3 million in FY2017. Profit from operations improved by 85.5% from RMB548.7 million in FY2016 to RMB1,018.1 million in FY2017.

Consequently, the Group’s profit after tax (attributable to owners of the Company) increased from RMB454.9 million in FY2016 to RMB535.7 million in FY2017, representing an increase of 17.7%.

The increase was due mainly to contribution from newly acquired entities as well as contribution from existing entities.

For more details on the analysis of the Group’s performance, please refer to the following sections below.

(A) Revenue

	4QFY2017	4QFY2016	Change	FY2017	FY2016	Change
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Construction	545,435	517,926	5.3	2,053,541	1,030,663	99.2
Operating and maintenance income from service concession arrangements . .	398,128	330,191	20.6	1,528,403	952,752	60.4
Financial income from service concession arrangements . .	220,192	151,733	45.1	737,367	395,187	86.6
Service income	35,106	32,478	8.1	126,481	118,671	6.6
Others	86,797	101,608	(14.6)	193,482	150,824	28.3
Total	1,285,658	1,133,936	13.4	4,639,274	2,648,097	75.2

Overall, the Group’s revenue increased by RMB1,991.2 million or 75.2%, from RMB2.65 billion in FY2016 to RMB4.64 billion in FY2017. Meanwhile, the Group’s revenue increased by RMB151.7 million or 13.4%, from RMB1,133.9 million in 4QFY2016 to RMB1,285.7 million in 4QFY2017. Except for “Others” in Q4FY2017, revenue across all categories increased in FY2017 and 4QFY2017 as compared to FY2016 and 4QFY2016.

Construction Revenue

Construction revenue amounted to RMB545.4 million and RMB2,053.5 million in 4QFY2017 and FY2017 respectively (4QFY2016: RMB517.9 million; FY2016: RMB1,030.7 million). The higher revenue in 4QFY2017 and FY2017 was mainly due to (i) relatively higher amount of construction activities in progress in 4QFY2017 and FY2017 as compared to 4QFY2016 and FY2016; and (ii) newly acquired entities.

*Operating and Maintenance Income from Service Concession Arrangements/
Financial Income from Service Concession Arrangements*

The aggregate of operating and maintenance income and financial income from service concession arrangements amounted to RMB618.3 million and RMB2,265.8 million in 4QFY2017 and FY2017 respectively (4QFY2016: RMB481.9 million; FY2016: RMB1,347.9 million). The higher revenue was due mainly to (i) higher water treatment and supply sales volume; and (ii) contribution by newly acquired entities.

Service Income

Service income amounted to RMB35.1 million and RMB126.5 million in 4QFY2017 and FY2017 respectively (4QFY2016: RMB32.5 million; FY2016: RMB118.7 million). The increase was mainly due to contribution by newly acquired entities.

Other Revenue

Other revenue amounted to RMB86.8 million and RMB193.5 million in 4QFY2017 and FY2017 respectively (4QFY2016: RMB101.6 million; FY2016: RMB150.8 million). The decrease in 4QFY2017 as compared to 4QFY2016 was due to lower volume of installation works carried out, which are ad-hoc in nature during the quarter. However, the increase in FY2017 as compared to FY2016 was mainly due to contribution by newly acquired entities.

(B) Gross Profit (“GP”)/Gross Profit Margin (“GPM”)

The Group’s GP increased by RMB67.6 million or 25.7% from RMB263.1 million in 4QFY2016 to RMB330.7 million in 4QFY2017. Meanwhile, GP increased by RMB574.0 million or 70.7% from RMB812.3 million in FY2016 to RMB1,386.3 million in FY2017. The increase was mainly due to contribution from newly acquired entities.

GPM increased from 23.2% in 4QFY2016 to 25.7% in 4QFY2017. The increase was due mainly to higher contribution from operation category (which has a relatively higher GPM) during 4QFY2017 as compared to 4QFY2016. Meanwhile, there is no material variance for GPM in FY2017 as compared to FY2016.

(C) Other Operating Income/Foreign Exchange Loss/(Gain)

Other operating income amounted to RMB28.8 million and RMB69.4 million in 4QFY2017 and FY2017 (4QFY2016: RMB17.8 million; FY2016: RMB44.4 million) respectively. The increase was mainly due to higher volume of installation of water meters carried out in 4QFY2017 and FY2017, which are ad-hoc in nature. The increase was also contributed by the impact from the foreign exchange gain recorded in 4QFY2017 and FY2017 whereas foreign exchange loss was recorded in 4QFY2016 and FY2016.

(D) Selling and Distribution expenses

Selling and distribution expenses increased from RMB16.0 million in 4QFY2016 to RMB23.8 million in 4QFY2017 and RMB39.1 million in FY2016 to RMB73.1 million in FY2017. The increase in selling and distribution expenses was due mainly to newly acquired entities.

(E) Administrative Expenses

Administrative expenses amounted to RMB154.2 million and RMB364.5 million in 4QFY2017 and FY2017 (4QFY2016: RMB119.6 million; FY2016: RMB268.9 million) respectively. The increase in administrative expenses was due mainly to expansion of business and newly acquired entities.

(F) Finance Income/Finance expenses

Finance income and finance expenses amounted to RMB9.0 million and RMB126.1 million in 4QFY2017 (4QFY2016: RMB4.2 million and RMB93.1 million) and RMB21.2 million and RMB511.1 million in FY2017 (FY2016: RMB11.4 million and RMB234.6 million) respectively. The increase in finance income and finance expenses was due mainly to newly acquired entities.

(G) Other Income

Other income mainly consisted of government subsidies. Other income increased from RMB11.2 million in 4Q2016 to RMB172.4 million in 4Q2017 and from RMB113.0 million in FY2016 to RMB303.1 million in FY2017. The increase was due mainly to (i) gain on disposal of listed available-for-sale financial instrument in 4Q2017; and (ii) newly acquired entities.

(H) Gain from Revaluation of Previously Held Interest

The Group recorded a fair value gain from revaluation of previously held interest in Longjiang Group amounting to RMB155.4 million in 4QFY2016 and FY2016. The fair value gain arose from the revaluation of the 25.3125% equity interest previously held by the Group before the additional acquisition of 32.6562% equity interest in October 2016.

(I) Share of Results of Associates/Share of Results of Joint Ventures

The share of results of associates and joint ventures represents the Group's share of results in investments which are accounted for using equity method.

The decrease in share of results of associates in 4QFY2017 and FY2017 as compared to 4QFY2016 and FY2016 was due mainly to the additional acquisition of 32.6562% equity interest in Longjiang Group, which has become a subsidiary of the Group in November 2016.

The decrease in share of results of joint ventures in 4Q 2017 and FY2017 as compared to 4Q2016 and FY2016 was due mainly to the recognition of a one-off government subsidy by a joint venture in FY2016 and also lower contribution from joint ventures.

(J) Income Tax Expenses

Income tax expense amounted to RMB22.4 million and RMB194.4 million in 4QFY2017 and FY2017 (4QFY2016: RMB31.4 million; FY2016: RMB124.1 million). The higher income tax expense was due mainly to higher profit generated in FY2017 as compared to FY2016.

(K) Amortisation of Intangible Assets

Amortisation of intangible assets increased from RMB59.2 million in 4QFY2016 to RMB82.4 million in 4QFY2017 and RMB162.2 million in FY2016 to RMB277.8 million in FY2017. The increase was due to newly acquired entities.

STATEMENTS OF FINANCIAL POSITION***(L) Current Assets***

Current assets as at 31 December 2017 amounted to RMB3.88 billion (31 December 2016: RMB3.89 billion). There is no material variance for current assets.

(M) Non-current Assets

Non-current assets as at 31 December 2017 amounted to RMB21.77 billion (31 December 2016: RMB19.15 billion). The increase was due mainly to (i) consolidation of newly acquired entities; (ii) increase in prepayments made for acquisition of entities and (iii) construction of certain wastewater treatment projects during FY2017. The increase is partially offset by the decrease in available-for-sale financial instruments due to the disposal of the investment in Canvast in 4Q2017.

(N) Current Liabilities

Current liabilities as at 31 December 2017 amounted to RMB6.24 billion (31 December 2016: RMB6.15 billion). The increase was mainly due to the increase in trade and other payables as a result of higher amount of construction in progress during FY2017. The increase is partially offset by repayment of bank and other borrowings as well as finance lease which are due within one year.

(O) Non-current Liabilities

Non-current liabilities as at 31 December 2017 amounted to RMB9.16 billion (31 December 2016: RMB8.35 billion). The increase was due mainly to new borrowings taken up which are due for repayment after one year and consolidation of newly acquired entities.

STATEMENT OF CASH FLOWS

As at 31 December 2017, the Group's cash and cash equivalents stood at RMB1,402.1 million (31 December 2016: RMB1,634.6 million). In FY2017, net cash of RMB1,162.5 million was used in the Group's operating activities, mainly towards the Group's investments in projects with service concession arrangements. Excluding cash used in these projects, net cash generated from operating activities were RMB598.2 million.

Net cash used in the Group's investing activities of RMB480.9 million in FY2017 was due mainly to (i) net cash outflow from acquisition of subsidiaries; (ii) purchase of property, plant and equipments and intangibles assets; and (iii) prepayments for investments in subsidiaries, which is partially offset by dividend received from joint ventures and associates.

Net cash generated from financing activities of RMB1,446.3 million in FY2017 was due mainly to (i) net proceeds from bank borrowings and finance leaseback arrangement; (ii) proceeds from share placement; and (iii) decrease in deposits pledged to banks, which is partially offset by interest paid, dividend paid to equity shareholders and dividend paid to non-controlling interest shareholders.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The People's Republic of China (PRC) government's steadfast commitment to environmental protection remains a key priority for SIIC Environment's business going forward. Following the 13th Five Year Plan and 19th National Congress, the government's Beautiful China initiative and pledge on green development, ecological conservation and water quality improvement continue to be high on the agenda, with rigorous implementation of action plans, environmental inspections and new protection targets. These resonate well with the Group's objectives to strengthen the country's water treatment and waste incineration industries.

The sustained incentive from the central and municipal governments is expected to support the Group's performance in the new financial year as it continues to execute its current projects and upgrades and expansion activities in China, which will boost its treatment volume and operating capacity.

In addition, the 'Belt and Road Initiative' by the PRC government is expected to present further investment and acquisition opportunities in the environmental sector both in China and abroad for the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained from shareholders.

14. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13), we confirm that there is no person occupying managerial positions in the Company or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

15. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Analysis by Business Segments	Construction Segment		Wastewater Treatment Segment		Water Supply Segment		Waste Incineration Segment		Total for reportable Segments		Others segment		Unallocated		Group	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
RMB'000																
Revenue	6,553	17,158	3,687,494	1,979,895	605,386	406,339	146,359	93,881	4,445,792	2,497,273	193,482	150,824	-	-	4,639,274	2,648,097
Reportable segment profit from operations	1,903	3,990	900,187	472,733	120,166	73,055	45,331	23,515	1,067,587	573,293	38,371	33,065	(87,820)	(57,641)	1,018,138	548,717
Finance income	-	-	-	-	-	-	-	-	-	-	-	-	21,120	11,357	21,120	11,357
Finance expenses	-	-	-	-	-	-	-	-	-	-	-	-	(511,051)	(234,611)	(511,051)	(234,611)
Other income	-	-	171,502	76,701	4,279	15,972	8,212	7,396	183,993	100,069	(2,823)	367	121,884	12,528	303,054	112,964
Other expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value gain of previously held equity interest	-	-	-	155,389	-	-	-	-	155,389	11,312	-	-	-	-	-	155,389
Share of results of associates	-	-	(2,750)	11,312	-	-	-	-	(2,750)	11,312	452	(733)	-	-	(2,298)	10,579
Share of results of joint ventures	-	-	-	-	-	-	49,565	60,122	49,565	60,122	-	-	-	-	49,565	60,122
Income tax expense	(413)	(870)	(149,065)	(82,468)	(27,668)	(26,162)	(6,975)	(3,542)	(184,121)	(113,042)	(6,734)	(6,170)	(3,518)	(4,887)	(194,373)	(124,099)
Profit after tax															684,155	540,418
Segment depreciation and amortization	2,015	1,875	162,635	73,790	115,700	80,438	8,416	8,348	288,766	164,451	370	210	11,223	11,198	300,359	175,859
Segment non-cash income	2,038	18	37,803	157,076	24,050	126	-	-	63,891	157,220	(1,260)	366	120,096	8,885	182,727	166,471
Segment non-cash expenses	2,460	-	2,700	1,524	840	804	-	-	6,000	2,328	-	-	-	-	6,000	2,328
Segment assets	120,415	128,634	20,242,623	17,766,406	3,016,677	2,994,077	561,814	491,062	23,941,529	21,380,179	328,229	302,089	391,584	334,702	24,661,342	22,016,970
Interest in joint ventures	-	-	-	-	-	-	713,523	705,256	713,523	705,256	-	-	-	-	713,523	705,256
Interest in associates	-	-	73,420	72,990	-	-	-	-	73,420	72,990	10,438	9,986	-	-	83,858	82,976
Held for trading investment	-	-	-	-	-	-	-	-	-	-	4,889	6,149	29,861	20,646	34,750	26,795
Available-for-sale financial instruments	-	-	10,586	10,400	-	-	-	-	10,586	10,400	500	500	15,717	195,388	26,803	206,288
Prepayment for investment in a subsidiary	-	-	49,940	-	79,080	-	-	-	129,020	-	-	-	-	-	129,020	-
Total assets	146,128	166,584	10,399,201	8,855,875	1,411,074	1,397,709	238,394	208,350	12,194,797	10,628,518	695,089	445,074	2,515,819	3,431,516	25,649,296	23,038,285
Segment liabilities	334	112	314,805	5,031	39,825	62,490	106	585	355,070	68,218	211	317	31	1,787	355,312	70,322

Group	Revenue		Non-current Assets		Capital Expenditure	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC	4,639,274	2,648,097	21,752,159	19,130,769	355,070	68,218
Singapore	–	–	14,621	14,886	242	2,104

16. In view of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

17. A breakdown of sales.

Group	FY2017	FY2016	Increase/ (Decrease)
	RMB'000	RMB'000	%
Sales reported for first half year	1,995,054	1,119,300	78.2
Profit after tax before deducting minority interests reported for first half year	310,479	228,604	35.8
Sales reported for second half year	2,644,220	1,528,797	73.0
Profit after tax before minority interests reported for second half year	373,676	311,814	19.8

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend	FY2017	FY2016
	RMB'000	RMB'000
Ordinary	–	110,990
Preference	–	–
Total	–	110,990

19. Status on the use of net proceeds raised from two Share Placement.

The Company raised approximately S\$154.8 million and S\$220.5 million from the share placement exercise in July 2014 (“2014 Share Placement”) and May 2017 (“2017 Share Placement”) respectively. Deployment of the net proceeds has been in accordance with the intended utilisation as stated in the announcement dated 8 July 2014 and 16 January 2017. Unless otherwise defined, all terms and references used herein shall bear the same meaning ascribed to them in the announcement.

The net proceeds from the 2014 Share Placement has been fully utilised, as separately disclosed in the 11 August 2017 announcement.

As at to-date, the net proceeds from the 2017 Share Placement has been utilised for the following purposes:

Purpose	Amount
	S\$'million
Net proceeds raised from the 2017 Share Placement in May 2017	220.5
<i>Less utilisation:</i>	
– Repayment of loan obtained from SIHL Finance Limited.	(135.4)
General corporate purpose:	
a. Payment for the purchase consideration of RMB9.1 million in relation to the acquisition of 100% equity interest in Pinghu Dushan Wastewater Treatment Co., Ltd.	(8.2)
b. Payment for the 100% equity of USD8 million for incorporation of SIIC Environment Industrial (Taixing) Co.Ltd.	(10.8)
c. Payment for the purchase consideration in relation to the acquisition of Dalian Ziguang Lingshui Waste Water Treatment Co., Ltd.	(2.2)
d. Repayment of interest of loan obtained from holding company	(11.3)
e. Payment of professional fees and operating expenses	(5.9)
Balance of net proceeds raised from the 2017 Share Placement as at date of this result announcement	46.7

20. Confirmation that the Issuer has Procured Undertakings from All Its Directors and Executive Officers.

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Xu Zhan

Executive Director

28 February 2018

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

Set out below is a summary of certain provisions of the constitution of our Company (the “**Constitution**”) and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore laws and the Constitution.

Our Company was incorporated in Singapore as a private company limited on 19 November 2002 under the Companies Act.

CONSTITUTION OF OUR COMPANY

(a) Directors

(i) A Director’s power to contract with our Company

Regulation 83

(A) A Director and, chief executive officer or managing Director (or person(s) holding an equivalent position) may be party to or in any way interested in any contract or arrangement or transaction to which our Company is a party or in which our Company is in any way interested and he may hold and be remunerated in respect of any office or place of profit (other than the office of auditor of our Company or any subsidiary thereof) under our Company or any other company in which our Company is in any way interested and he (or any firm of which he is a member) may act in a professional capacity for our Company or any such other company and be remunerated therefore and in any such case as aforesaid (save as otherwise agreed) he shall not be accountable to our Company for profits and advantages accruing to him thereunder or in consequence thereof, unless our Company otherwise directs.

Notwithstanding the foregoing, as long as the shares of our Company are listed on the Hong Kong Stock Exchange, unless otherwise permitted by the Hong Kong Stock Exchange, an independent non-executive Director or any firm of which he is a member shall not be allowed to act in any professional capacity for our Company during the tenure of his office as an independent non-executive Director and at any time during the twelve (12) months immediately preceding his appointment.

(B) Notwithstanding Regulation 83(A) if our Company were a company incorporated in Hong Kong, be permitted by Section 505 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as in force at the date of adoption of the Constitution, and except as permitted under the relevant laws, our Company shall not directly or indirectly:

(i) make a loan to a Director or a director of any holding company of our Company or to any of their respective associates (as defined by the rules, where applicable, of the SGX-ST);

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

- (ii) enter into any guarantee or provide any security in connection with a loan made by any person to a Director or such a director; or

- (iii) if any one or more of our Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

This Regulation 83(B) shall only have effect for so long as the shares of our Company are listed on the Hong Kong Stock Exchange.

- (C) Every Director, chief executive officer or managing Director (or person(s) holding an equivalent position) shall observe the provisions of the applicable laws and regulations or the rules of the Hong Kong Stock Exchange relating to the disclosure of the interests of our Directors and, chief executive officer or managing director (or person(s) holding an equivalent position) in transactions or proposed transactions with our Company or of any office or property held by a Director or a chief executive officer or managing director (or person(s) holding an equivalent position) which might create duties or interests in conflict with his duties or interests as a Director or a chief executive officer or managing director (or an equivalent position), as the case may be.

- (D) A Director, chief executive officer or managing director (or person(s) holding an equivalent position) shall not vote (nor be counted in the quorum) on any resolution of our Board approving any transaction, contract or arrangement or any other proposal in which he or any of his close associates directly or indirectly has a material interest, and if he shall do so his vote shall not be counted nor shall be counted in the quorum present at the meeting, but neither of these prohibitions shall apply to:–
 - (i) any arrangement for giving any Director, chief executive officer or managing director (or person(s) holding an equivalent position) any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of our Company; or

 - (ii) any arrangement for the giving by our Company of any security to a third party in respect of a debtor obligation of our Company for which the Director, chief executive officer or managing director (or person(s) holding an equivalent position) has himself assumed responsibility in whole or in part under a guarantee or indemnity of by giving of security; or

- (iii) any contract or arrangement or any other proposal concerning an offer of shares or debentures or securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director, chief executive officer or managing director is/are to be interested as a participant in the underwriting or sub-underwriting of the offer.
- (E) If any question shall arise at any meeting of our Board as to the materiality of the interest of a Director, chief executive officer or managing director (or person(s) holding an equivalent position) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any such Director, chief executive officer or managing director (or person(s) holding an equivalent position) to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting (or, where question relates to the interest of the chairman of the meeting, to the other Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to such other Director (or, as appropriate, the chairman of the meeting) shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned (or, as appropriate, the chairman of the meeting) as known to such Director (or, as appropriate, the chairman of the meeting) has not been fairly disclosed to our Board. Upon approval by a majority of the independent non-executive Directors, professional advisors at the cost of our Company can be engaged without the need to obtain prior approval from other members of our Board.
- (F) Subject to the applicable laws and regulations, a Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of our Directors at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of our Directors after he knows that he is or has become so interested. For the purposes of this Regulation 83 a general notice to our Directors to the effect that:
- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the notice be made with that company or firm, or
- (b) he is to be regarded as interested in any contract or arrangement, which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this Regulation 83 in relation to any such contract or arrangement,

provided always that no such notice shall be effective unless either it is given at a meeting of our Directors or the Director takes reasonable steps to secure that it is brought up and read at the next Directors' meeting after it is given.

- (ii) *Director's power to vote on remuneration (including pension or other benefits) for himself or for any other Director, and whether the quorum at a meeting of the Board of Directors to vote on the Director's remuneration may include the Director whose remuneration is the subject of the vote*

Regulation 79

The fees of the Directors shall from time to time be determined by an Ordinary Resolution and shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees is payable shall be entitled only to rank in such division for a proportion of fees related to the period during which he has held office.

Regulation 80

- (A) Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine, subject however as is hereinafter provided in Regulation 80(B).
- (B) The fees (including any remuneration under Regulation 80(A) above) in the case of a Director other than executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Regulation 81

Subject to the Statutes, the Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors of General Meetings or otherwise in or about the business of the Company.

Regulation 82

Subject to the Statutes, the Directors on behalf of the Company shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability

benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(iii) Director may establish local boards or agencies to determine remuneration

Regulation 111

Subject to the Constitution and the applicable laws and regulations, our Directors may establish any local boards or agencies for managing any of the affairs of our Company, either in Singapore, Hong Kong or elsewhere, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration, and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in our Directors, with power to sub-delegate, and may authorise the members of any local boards, or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as our Directors may think fit, and our Directors may remove any person so appointed, and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

(iv) Borrowing powers exercisable by our Directors

Regulation 109

Subject as hereinafter provided and to the provisions of the applicable laws and regulations and the Constitution, our Directors may exercise all the powers of our Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Appointment of Directors

Regulation 94

A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any general meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it; and any resolution moved in contravention of this provision shall be void.

Regulation 95

No person other than a Director retiring at the meeting shall, unless recommended by our Directors for election, be eligible for appointment as a Director at any general meeting unless not less than eleven (11) clear days (excluding the date of the notice) before the date appointed for the meeting, there shall have been lodged at the registered office of our Company for the time being (the “**Office**”) notice in writing signed by some Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice in writing signed by the person to be proposed of his willingness to be elected provided that in the case of a person recommended by our Directors for election, not less than eleven (11) clear days’ notice (excluding the date of such notice) shall be necessary and notice of each and every such person shall be served on the Shareholders at least seven days prior to the meeting at which the election is to take place. If such notice(s) are not submitted on the same day as the despatch of the notice of the meeting appointed for such appointment, the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the meeting appointed for such appointment and end no later than seven days prior to the date of such meeting.

Regulation 96

Our Company may in accordance with and subject to the provisions of the applicable laws and regulations by ordinary resolution of which special notice has been given remove any Director (including a managing or other executive Director) from office before the expiration of his period of office (notwithstanding any provision of the Constitution or of any agreement between our Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement) and appoint another person in place of a Director so removed from office and any person so appointed shall be treated for the purpose of determining the time at which he or any other Director is to retire by rotation as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment, the vacancy arising upon the removal of a Director from office may be filled as a casual vacancy.

Regulation 97

Our Company may by ordinary resolution appoint any person to be Director either to fill a casual vacancy or as an additional Director. Without prejudice thereto, our Directors shall have power at any time so to do, but so that the total number of Directors shall not thereby exceed the maximum number (if any) fixed by or in accordance with the Constitution. Any person so appointed by our Directors shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

(vi) Vacation of office/Rotation of Directors

Regulation 90

The office of a Director shall be vacated in any of the following events, namely:

- (a) If he becomes disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds (in which event he must immediately resign from our Board);
- (b) If he becomes prohibited or disqualified by the applicable laws and regulations or any other relevant laws or any order from acting as Director;
- (c) subject to the provisions of the Companies Act, resigns his office by notice in writing to our Company;
- (d) if he becomes a bankrupt or shall make any arrangement or composition with his creditors generally;
- (e) if he becomes mentally disordered and incapable of managing himself or his affairs in or if in Singapore, Hong Kong or elsewhere an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;
- (f) if he is removed by our Company in a general meeting pursuant to the Constitution; or
- (g) if he is, for more than six (6) months, absent without permission if our Directors from meetings of our Directors held during that period.

Regulation 91

Every Director shall retire from office once every three (3) years and for this purpose, at each annual general meeting, one-third of our Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation.

Regulation 92

Our Directors to retire in every year shall be those, subject to retirement by rotation, who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot provided that all Directors shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

Regulation 93

Our Company at the meeting at which a Director retires under any provision of the Constitution may by ordinary resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:

- (a) where at such meeting, it is expressly resolved not to fill such office or a resolution for the re-election of such Director is put to the meeting and lost;
- (b) where such Director is disqualified under the Companies Act from holding office as a director, or has given notice in writing to our Company that he is unwilling to be re-elected;
- (c) where the default is due to the moving of a resolution in contravention of Regulation 94;
- (d) where such Director is disqualified or prohibited under the applicable laws and regulations or any Relevant Laws or any order from holding office as a Director; or
- (e) where such Director is disqualified from acting as director in any jurisdiction for reasons other than on technical grounds.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

There is no provision in the Constitution which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

(vii) Holding of Shares by way of qualification

Regulation 78

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to attend and speak at General Meetings.

(b) Amendment of Constitution

Regulation 150

- (A) No regulation under the Constitution shall be rescinded, altered or amended and no new regulation shall be made until the same has been approved by a special resolution of the Shareholders. A special resolution shall be required to alter the provisions of the Constitution or to change the name of our Company and as permitted in the circumstances provided under the applicable laws and regulations.
- (B) There should not be any alteration in the Constitution to increase an existing Shareholder's liability to our Company unless such increase is agreed by such Shareholder in writing.

(c) Alterations of capital

Regulation 7

Our Company may from time to time by ordinary resolution increase its capital as the ordinary resolution shall prescribe.

Regulation 8

- (A) Subject to any direction to the contrary that may be given by our Company in a general meeting or except as permitted under the Hong Kong Listing Rules and Relevant Laws, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from our Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, our Directors may dispose of those shares in such manner as they think most beneficial to our Company. Our Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of our Directors, be conveniently offered under this Regulation 8(A).
- (B) Except so far as otherwise provided by the conditions of issue or by the Constitution, all new shares shall be subject to the provisions of the applicable laws and regulations and of the Constitution with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Regulation 8A

Notwithstanding Regulations 4 and 8 above, subject to the applicable laws and regulations, our Directors shall not be required to offer any new shares to Shareholders to whom by reason of foreign securities laws, such offers may not be made without registration of shares or a prospectus or other document, but may sell the entitlements to the new shares on behalf of such Shareholders on such terms and conditions and in such manner as they think most beneficial to our Company.

Regulation 9

Our Company may, subject to the provisions of the applicable laws and regulations and the Hong Kong Listing Rules, by ordinary resolution:

- (a) consolidate and divide all or any of its shares;
- (b) cancel any number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken, by any person or which have been forfeited and diminish the amount of its share capital by the number of the shares so cancelled;
- (c) sub-divide its shares, or any of them provided always that in such sub-division the proportion between the amount paid and the amount unpaid (if any) on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
- (d) subject to the Constitution, convert its share capital or any class of shares from one currency to another currency.

Regulation 9A

Our Company may, by special resolution, subject to the Hong Kong Listing Rules, other provisions of the applicable laws and regulations and the Constitution, convert one class of shares into another class of shares.

Regulation 10

- (A) Our Company may, by special resolution, reduce its share capital or other undistributable reserve in any manner as may be authorised by the applicable laws and regulations and any other Relevant Laws, including but not limited to the Hong Kong Listing Rules.

- (B) (1) Subject to and in accordance with the provisions of the applicable laws and regulations and any other Relevant Laws, including but not limited to the Hong Kong Listing Rules, our Company may authorise our Directors in general meeting to purchase or otherwise acquire any of its issued shares on such terms as our Company may think fit and in the manner prescribed by the applicable laws and regulations and any other Relevant Laws, including but not limited to the Listing Rules. If required by the Companies Act or the applicable laws and regulations, any shares so purchased or acquired by our Company shall, unless held as treasury shares in accordance with the Companies Act and the Hong Kong Listing Rules, be deemed to be cancelled immediately upon purchase or acquisition by our Company or be dealt with in accordance with the applicable laws and regulations. On cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, our Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with the applicable laws and regulations and any other Relevant Laws, including but not limited to the Hong Kong Listing Rules.
- (2) Where our Company purchases or redeems any of its shares, purchases or redemption not made through the market or by tender shall be limited to a maximum price and if purchases are by tender, tenders shall be available to all Shareholders alike.
- (C) Our Company shall not exercise any right in respect of treasury shares other than as provided by the Companies Act or the applicable laws and regulations. Subject thereto, our Company may hold or deal with its treasury shares in the manner authorised by or prescribed pursuant to the Companies Act and the applicable laws and regulations.

(d) Issue of Shares

There are generally no restrictions on the ownership of securities of our Company.

Regulation 4

- (A) Subject to the applicable laws and regulations and the Constitution, no shares may be issued by our Directors without the prior approval of our Company in general meeting, but subject thereto and the terms of such approval, and subject to Regulation 8, and to any special rights attached to any shares for the time being issued, our Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and whether or not subject to the payment of any part of the amount (if any) thereof in cash or otherwise as our Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or

special rights, privileges, conditions or restrictions whether as regards dividend, return of capital, participation in any surplus assets and profits, voting, conversion or otherwise, as our Directors may think fit, and preference shares may be issued which are or at the option of our Company are liable to be redeemed, the terms and manner of redemption being determined by our Directors, provided always that:

- (a) the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same and in the Constitution;
- (b) the total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time; and
- (c) no shares shall be issued to the bearer.

Regulation 5

- (A) In the event of preference shares being issued, the preference shares shall be issued subject to such limitation thereof as may be prescribed by the Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets of our Company and attending general meetings, and preference shareholders shall also have the right to vote at any general meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of our Company or where the proposal to be submitted to the general meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.
- (B) Our Company shall also have power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
- (C) Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by our Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Shareholders alike.
- (D) Except as allowed by the applicable laws and regulations and subject further to compliance with the rules and regulations of the Hong Kong Stock Exchange and any other relevant regulatory authority, our Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

- (E) Except as allowed by the applicable laws and regulations, our Board may, subject to what is allowed by the Relevant Laws issue warrants to subscribe for any class of shares or other securities of our Company and such warrants may be issued on such terms as our Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless our Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and our Company has received an indemnity in such form as our Board shall think fit with regard to the issue of any such replacement certificate.
- (F) Where our Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital of our Company includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”.

(e) Variation of rights of existing shares or classes of shares

Regulation 6

- (A) Whenever the share capital of our Company is divided into different classes of shares, the repayment of preference capital, other than redeemable preference capital, and the special rights attached to any class may, subject to the provisions of the applicable laws and regulations, only be made, varied or abrogated either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, all the provisions of the Constitution relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total number of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

- (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.
- (C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of our Company in some or all respects *pari passu* therewith but in no respect in priority thereto.
- (D) No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interest to our Company.

(f) Special resolution

(i) *Variation of rights*

Regulation 6

- (A) Whenever the share capital of our Company is divided into different classes of shares, the repayment of preference capital, other than redeemable preference capital, and the special rights attached to any class may, subject to the provisions of the applicable laws and regulations, only be made, varied or abrogated either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, all the provisions of the Constitution relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total number of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such general meeting shall

be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

- (B) The repayment of preference capital other than redeemable preference capital, or any alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.
- (C) The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue thereof, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of our Company in some or all respects *pari passu* therewith but in no respect in priority thereto.
- (D) No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interest to our Company.

(ii) Company may reduce its Capital

Regulation 10

- (A) Our Company may, by special resolution, reduce its share capital or other undistributable reserve in any manner as may be authorised by the applicable laws and regulations and any other Relevant Laws, including but not limited to the Hong Kong Listing Rules.

(iii) Notice of meeting

Regulation 51

Subject to the applicable laws and regulations and the Hong Kong Listing Rules, any annual general meeting shall be called by notice in writing of at not less than twenty-one (21) clear days or twenty clear (20) market days (whichever is longer) before the annual general meeting. Any extraordinary general meeting at which it is proposed to pass a special resolution or a resolution of which special notice has been given to our Company,

shall be called by notice in writing of not less than twenty-one (21) clear market days' or ten (10) clear market days' (whichever is longer) notice. All other extraordinary general meetings; shall be called by notice in writing not less than fourteen (14) clear days' or ten clear market days' (whichever is longer) at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held, and shall be given in manner hereinafter mentioned to all Shareholders other than those who are not under the provisions of the Constitution entitled to receive such notices from our Company, provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:—

- (a) in the case of an annual general meeting by all the Shareholders entitled to attend and vote thereat; and
- (b) in the case of an extraordinary general meeting by a majority in number of the Shareholders having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Shareholders having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any general meeting.

Regulation 52

- (A) All notices in writing should specify the place, day and hour of the meeting, and in the case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Shareholders and the Hong Kong Stock Exchange other than such as are not entitled under the Constitution to receive such notices from our Company. Every such notice shall be published, (a) in the case of Singapore, in at least one English Language daily newspaper circulating in Singapore and (b) in the case of Hong Kong, in at least one English Language and one Chinese Language newspaper circulating in Hong Kong, at least for such number of days before the relevant meeting as required by the Hong Kong Stock Exchange and in the event there is conflict between the requirements of the SGX-ST and the Hong Kong Stock Exchange, the longest prescribed notice period shall be adopted. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing of the place and hour of such adjourned meeting shall be given in like manner provided always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. The notice shall disclose any material interest of any director in the matter dealt with by the resolution insofar as the resolution affects that interest differently from the interests of other Shareholders.

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- (B) In the case of an annual general meeting, the notice shall also specify the meeting as such.

- (C) In the case of any general meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a special resolution, the notice shall contain a statement to that effect.

(iv) Winding Up

Regulation 144

A special resolution is required to approve the voluntary winding up of our Company. If our Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority a special resolution, divide among the Shareholders in specie or kind the whole or any part of the assets of our Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the Liquidator with the like authority shall think fit, and the liquidation of our Company may be closed and our Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(v) Amendment of Constitution

Regulation 150

- (A) No Regulation shall be rescinded, altered or amended and no new Regulation shall be made until the same has been approved by a special resolution of the Shareholders. A special resolution shall be required to alter the provisions of the Constitution or to change the name of our Company and as permitted in the circumstances provided under the applicable laws and regulations.

- (B) There should not be any alteration in the Constitution to increase an existing Shareholder's liability to our Company unless such increase is agreed by such Shareholder in writing.

(vi) *Voting Rights*

Regulation 65

- (A) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of our Company, each Shareholder entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. Every person present who is a Shareholder or a representative of a Shareholder shall:
- (a) on a show of hands, have one vote for each share in respect of which he is a Shareholder or represents (excluding treasury shares) and upon which all calls or other sums due thereon to our Company have been paid, provided that:
 - (i) in the case of a Shareholder who is not a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two proxies, only one of the two proxies as determined by that Shareholder, or failing such determination, by the chairman of the meeting (or by a person authorised by him in his sole discretion) shall be entitled to vote on a show of hands; and
 - (ii) in the case of a Shareholder who is a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands, and
 - (b) on a poll, have one vote for every share which he holds and represents (excluding treasury shares) and upon which all calls or other sums due thereon to our Company have been paid.
- (B) For the purpose of determining the number of votes which a Shareholder, being a depositor, or his proxy, attorney or representative may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that depositor, be the number of shares entered against his name in the depository register as at 72 hours before the time of the relevant general meeting as certified by the Depository to our Company, and where a depositor has apportioned the balance entered against his name in the depository register as at 72 hours before the time of the relevant general meeting between the two proxies, the said number of shares shall be apportioned between the two proxies in the same proportion as specified by the depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a depositor shall be rendered invalid merely by reason of any discrepancy between the number

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of shares specified in the instrument of proxy and the true balance entered against the name of that depositor in the depository register at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

- (C) A Shareholder entitled to more than one vote need not use all his votes or cast all the votes used in the same way.
- (D) Provided always that any Shareholder who shall have become bankrupt or insolvent or (being a company) gone into voluntary or compulsory liquidation (except for the purpose of reconstruction or sale to any other company) shall not while the bankruptcy or insolvency continues, be entitled to exercise the right of a Shareholder to attend, vote, or act at any general meeting.

Regulation 66

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register or (as the case may be) the depository register in respect of the share.

Regulation 67

Where in Singapore, Hong Kong, or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Shareholder on the ground (however formulated) of mental disorder, our Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as our Directors may require, permit such receiver or other person on behalf of such Shareholder to vote in person or by proxy at any general meeting or to exercise any other right conferred by membership in relation to general meetings of our Company.

Regulation 68

No Shareholder shall, unless our Directors otherwise determine, be entitled in respect of shares held by him to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of our Company if any call or other sum presently payable by him to our Company in respect of such shares remains unpaid.

Regulation 69

- (A) No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.

- (B) If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same general meeting, or at any adjournment thereof, and unless in the opinion of the chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient magnitude to vitiate the result of the voting.

Regulation 69A

Notwithstanding Regulation 69, where our Company has knowledge that any Shareholder is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Regulation 69B

Subject to the provisions of the Constitution and the requirements of the Hong Kong Listing Rules, every Shareholder either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present, to speak and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid, except where such Shareholder is required by the Hong Kong Listing Rules to abstain from voting. In the event a Shareholder has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

Regulation 70

On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 71

- (A) Save as otherwise provided in the applicable laws and regulations:
- (a) a Shareholder who is not a relevant intermediary or a clearing house (or its nominee(s)) may appoint not more than two proxies to attend, speak and vote at the same general meeting. Where such Shareholder's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
 - (b) a Shareholder who is a relevant intermediary or a clearing house (or its nominee(s)) may appoint more than two proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share held by such Shareholder. Where such Shareholder's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- (B) In any case where a Shareholder is a depositor, our Company shall be entitled and bound:
- (a) to reject any instrument of proxy lodged if the depositor is not shown to have any shares entered against his name in the depository register as at 72 hours before the time of the relevant general meeting as certified by the Depository to our Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that depositor in the depository register as at 72 hours before the time of the relevant general meeting as certified by the Depository to our Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of the depositor.
- (C) Our Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

- (D) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, our Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the depository register and any second named proxy as an alternate to the first named or at our Company's option to treat the instrument of proxy as invalid.
- (E) A proxy need not be a Shareholder.

Regulation 72

- (A) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by our Directors, (provided always that this shall not preclude the use of the two-way form) and our Board may, if it thinks fit, send out with the notice of any general meeting forms of instrument of proxy for use at the general meeting. In addition, such instrument:–
- (i) In the case of an individual, shall be:
- (a) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument is delivered personally or sent by post; or
 - (b) authorised by that individual through such method and in such manner as may be approved by our Directors, if the instrument is sent by electronic communication; and
- (ii) in the case of a corporation, shall be:
- (a) executed under seal in accordance with its constitutional documents or under the hand of its attorney or its officer duly authorised or in such manner as appropriate under Relevant Laws if the instrument is delivered personally or by post; or
 - (b) authorised by that corporation through such method and in such manner as may be approved by our Directors, if the instrument is sent by electronic communication.
- (B) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney of a duly certified copy thereof must (failing previous registration with our Company) be lodged with the instrument of proxy pursuant to Regulation 73, failing which the instrument may be treated as invalid.

(C) If a clearing house (or its nominee(s)), being a corporation, is a Shareholder, it may authorise such persons as it thinks fit to act as its representatives or proxies at any general meeting or at any meeting of any class of Shareholders provided always that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised, and shall be subject to Regulation 72(A)(ii). Each person so authorised under the provisions of this Regulation 72(C) shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominee(s)).

(D) Our Directors may, in their absolute discretion:

- (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
- (b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in Regulations 72(A)(i)(b) and 72(A)(ii)(b) for application to such Shareholders or class of Shareholders as they may determine. Where the directors do not so approve and designate in relation to a Shareholder (whether of a class or otherwise), Regulation 72(A)(i)(a) and/or Regulation 72(A)(ii)(a) (as the case may be) shall apply.

Regulation 74

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

Regulation 75

A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, mental disorder or revocation shall have been received by our Company at the Office or the Registration Office (or such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the meeting or adjourned meeting or (in case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Regulation 75A

Subject to the Constitution and the applicable laws and regulations, our Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

(g) General meetings

Regulation 49

Subject to the applicable laws and regulations, an annual general meeting shall be held once in every year, at such time (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting) and place as may be determined by our Directors (subject to the Hong Kong Listing Rules). If required by the Hong Kong Listing Rules, all general meetings shall be held in Singapore, unless prohibited by Relevant Laws of the jurisdiction of our Company's incorporation, or unless such requirement is waived by the Hong Kong Stock Exchange. All other general meetings shall be called extraordinary general meetings. The interval between the close of a financial year of our Company and the date of our Company's annual general meeting shall not exceed four months or such other period as prescribed by the Companies Act and the byelaws and Hong Kong Listing Rules or other legislation applicable to our Company from time to time.

Regulation 50

Our Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on such requisition or, in default, may be convened by such requisitionists, including Shareholders holding a minority stake in our Company which have shareholdings not higher than 10.0% of the total number of paid-up shares as at the date of the requisition carries the right of voting at general meetings. Such Shareholders, holding a minority stake in our Company not higher than 10.0% of the total number of paid-up shares as at the date of the requisition carries the right of voting at the general meetings, may also add resolutions to the meeting agenda of a general meeting. If at any time there are not sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by our Directors.

(h) Accounts

Regulation 118A

Any register, index, minute book, accounting record, minute or other book required by the Constitution or by the Companies Act to be kept by or on behalf of our Company may, subject to and in accordance with the Companies Act, be kept in hard copy form or in electronic form, and arranged in the manner that our Directors think fit. If such records are kept in electronic form, our Directors shall ensure that they are capable of being reproduced in hard copy form, and shall provide for the manner in which the records are to be authenticated and verified. In any case where such records are kept otherwise than in hard copy form, our Directors shall take reasonable precautions for ensuring the proper maintenance and authenticity of such records, guarding against falsification and facilitating the discovery of any falsifications. Our Company shall cause true English translations of all accounts, minute books or other records required to be kept by our Company under the applicable laws and regulations which are not kept in English to be made from time to time at intervals of not more than seven days, and shall keep the translations with the originals for so long as the originals are required under the applicable laws and regulations to be kept. Our Company shall also keep at the Office certified English translations of all instruments, certificates, contracts or documents not written in English which our Company is required under the applicable laws and regulations to make available for public inspection.

Regulation 135

In accordance with the provisions of the applicable laws and regulations, our Directors shall cause to be prepared and to be laid before our Company in general meeting such financial statements, balance sheets, consolidated financial statements (if any) and reports as may be necessary. The interval between the close of a financial year of our Company and the issue of accounts relating thereto shall not exceed four months (or such other period as may be permitted and/or prescribed by the applicable laws and regulations, the Relevant Laws or the Hong Kong Listing Rules).

Regulation 136

- (A) A copy of every balance sheet and financial statements which is to be laid before a general meeting (including every document required by the applicable laws and regulations and the Hong Kong Listing Rules to be comprised therein or attached or annexed thereto) together with a copy of every auditor's report relating thereto and of our Directors' report shall not less than 21 clear days before the date of the general meeting be sent by post to the registered address of every Shareholder of, and every holder of debentures (if any) of, our Company and to every other person who is entitled to receive notices of meetings from our Company under the provisions of the applicable laws and regulations or of the Constitution; provided that this Regulation shall not require a copy of these documents to be sent to more

than one of any joint holders or to any person whose address our Company is not aware, but any Shareholder or holder of debentures to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

- (B) Subject to due compliance with all applicable Relevant Laws, rules and regulations, including, without limitation, the rules of the Hong Kong Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of this Regulation 136 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the applicable laws and regulations, summarised financial statements derived from our Company's annual accounts and the directors' report which shall be in the form and containing the information required by Relevant Laws and regulations, provided always that any person who is otherwise entitled to the annual financial statements of our Company and the directors' report thereon may, if he so requires by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.
- (C) The requirement to send to a person the documents referred to in this Regulation 136 shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Hong Kong Stock Exchange, our Company publishes copies of the documents on our Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging our Company's obligation to send to him a copy of such documents.

(i) Notices of meeting and business to be conducted thereat

Regulation 51

Subject to the applicable laws and regulations and the Hong Kong Listing Rules, any annual general meeting shall be called by notice in writing of at not less than twenty-one (21) clear days or twenty clear (20) market days (whichever is longer) before the annual general meeting. Any extraordinary general meeting at which it is proposed to pass a special resolution or a resolution of which special notice has been given to our Company, shall be called by notice in writing of not less than twenty-one (21) clear market days' or ten (10) clear market days' (whichever is longer) notice. All other extraordinary general meetings; shall be called by notice in writing not less than fourteen (14) clear days' or ten clear market days' (whichever is longer) at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the general meeting is to be held, and shall

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be given in manner hereinafter mentioned to all Shareholders other than those who are not under the provisions of the Constitution entitled to receive such notices from our Company, provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:–

- (a) in the case of an annual general meeting by all the Shareholders entitled to attend and vote thereat; and
- (b) in the case of an extraordinary general meeting by a majority in number of the Shareholders having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the Shareholders having a right to vote at thereat;

Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any general meeting.

(j) Transfer of shares

Regulation 36

All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any Stock Exchange or where such approved form is not available, any other form acceptable to our Directors and/or the Depository. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed provided that an instrument of transfer in respect of which the transferor or transferee is the Depository or the clearing house shall be effective although not signed or witnessed by or on behalf of the Depository or the clearing house, or if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Directors may approve from time to time. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register in respect thereof.

Regulation 36A

The transferor (excluding the Depository or its nominee (as the case may be)) shall remain the holder of the shares and the Shareholder concerned, until the name of the transferee (whether a depositor or otherwise but excluding the Depository or its nominee (as the case may be)) is duly entered in the depository register (in the case of book-entry securities) or the register maintained by our Company (whichever is the earlier) whereupon the said transferee shall become a Shareholder and, subject to the Constitution and the applicable laws and regulations, enjoy all rights and privileges as a Shareholder.

Regulation 36B

No share shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs.

Regulation 37

- (A) The register may be closed and the register of transfers may be suspended at such times and for such period as our Directors may from time to time determine provided always that such register shall not be closed for more than thirty days in any year and that our Company shall give prior notice of such closure as may be required to any Stock Exchange, stating the period and purpose or purposes for which the closure is made.

- (B) Our Company shall keep in one or more books a register and shall enter therein the following particulars, that is to say:
 - (i) the name and address of each Shareholder, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;

 - (ii) the date on which any transfer of shares was effected;

 - (iii) the date on which each person was entered in the register; and

 - (iv) the date on which any person ceased to be a Shareholder.

- (C) Our Company may keep an overseas or local or other branch register resident in any place, and our Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

- (D) The register and branch register, as the case may be, shall be open to inspection for at least two hours on every Market Day by Shareholders without charge or by any other person, upon a maximum payment of S\$1.00 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by our Directors) or such lesser sum specified by our Board, at the Office or such other place at which the register is kept in accordance with the applicable laws and regulations. The register including any overseas or local or other branch register may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Exchange or by any electronic means in such manner as may be accepted by the Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty days in each year as our Board may determine and either generally or in respect of any class of shares.

- (E) Notwithstanding any other provision of the Constitution, but subject to the applicable laws and regulations, our Company or our Directors may fix any date as the record date for:
 - (i) determining the Shareholders entitled to receive any dividend, distribution, allotment or issue; and

- (ii) determining the Shareholders entitled to receive notice of and to vote at any general meeting.

Regulation 38

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by the applicable laws and regulations, or the rules and/or bye-laws governing any Stock Exchange) and such fully paid up shares shall also be free from all lien. But our Directors may in their discretion decline to register any transfer of shares upon which our Company has a lien and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve (except where such refusal to register contravenes the Hong Kong Listing Rules) provided always that in the event of our Directors refusing to register a transfer of shares, they shall within one month (or such period as our Directors may determine having regard to any limitation thereof as may be prescribed by the Hong Kong Stock Exchange from time to time) beginning with the day on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the applicable laws and regulations and the Hong Kong Listing Rules.

- (B) Our Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:
 - (a) such fee not exceeding S\$2.00 (or such other fee as our Directors may determine subject to any limitation thereof as may be prescribed by the Hong Kong Stock Exchange) as our Directors may from time to time require pursuant to Regulation 41 except that the Depository shall not be liable to pay any fee in respect of the registration of a transfer, is paid to our Company in respect thereof;
 - (b) the instrument of transfer, duly stamped in accordance with any law for the time being in force related to stamp duty, is deposited at the Office or at such other place (if any) as our Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as our Directors may reasonable require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do;
 - (c) the instrument of transfer is in respect of only one class of shares; and
 - (d) the amount of the proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid.

Regulation 39

If our Directors refuse to register a transfer of any shares, they shall within one month after the date on which the transfer was lodged with our Company send to the transferor and the transferee notice of the refusal as required by the applicable laws and regulations and, where applicable, the Hong Kong Listing Rules.

Regulation 40

All instruments of transfer which are registered may be retained by our Company but any instrument of transfer which our Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

Regulation 41

There shall be paid to our Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the register affecting the title to any shares such fee not exceeding S\$2 as our Directors may from time to time require or prescribe.

Regulation 42

Subject to the applicable laws and regulations, our Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall conclusively be presumed in favour of our Company that every entry in the register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of our Company; provided always that:

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;
- (b) nothing herein contained shall be construed as imposing upon our Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to our Company in the absence of this Regulation; and

- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

Regulation 42A

Subject to, and in accordance with, the applicable laws and regulations and any applicable rules of the Hong Kong Stock Exchange and unless our Directors otherwise agree (which agreement may be on such terms and subject to such conditions as our Directors in their absolute discretion may from time to time determine, and which agreement our Directors shall, without giving any reason therefor, be entitled in their absolute discretion to give or withhold), no shares upon the register shall be transferred to any branch register nor shall shares on any branch register be transferred to the register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the register, at the Office or such other place at which the register is kept in accordance with the applicable laws and regulations.

(k) Power for our Company to purchase our own shares

Regulation 5

- (C) Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by our Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Shareholders alike.
- (D) Except as allowed by the applicable laws and regulations and subject further to compliance with the rules and regulations of the Hong Kong Stock Exchange and any other relevant regulatory authority, our Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(l) Dividends and Reserves

Regulation 121

Our Company may by ordinary resolution declare dividends but no such dividends shall exceed the amount recommended by our Directors.

Regulation 122

If and so far as in the opinion of our Directors the profits of our Company justify such payments, our Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Regulation 123

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the applicable laws and regulations and the Hong Kong Listing Rules:

- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Shareholder but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid under any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Regulation, any amount paid up or credited as paid up on any share in advance of calls is to be ignored and shall not entitle the holder of such share to participate in respect thereof in a dividend subsequently declared.

Regulation 124

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the applicable laws and regulations.

Regulation 125

No dividend or other moneys payable on or in respect of a share shall bear interest as against our Company.

Regulation 126

- (A) Our Directors may retain any dividend or other moneys payable on or in respect of share on which our Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

- (B) Our Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Shareholder, or which any person is under those provisions entitled to transfer, until such person shall become a Shareholder in respect of such shares or shall transfer the same.
- (C) The payment by our Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to our Company but our Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to our Company the relevant depositor shall not have any right or claim in respect of such dividend or moneys against our Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. For the avoidance of doubt no Shareholder shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever.

For the avoidance of doubt no Shareholder shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the depositor returns any such dividend or money to our Company, the relevant depositor shall not have any right or claim in respect of such dividend or money against our Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.

- (D) A payment by our Company to the depositor of any dividend or other money payable to a depositor shall, to the extent of the payment made, discharge our Company from any liability to the depositor in respect of that payment.

Regulation 127

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the shareholder (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to our Company and if or to the extent that the same is accepted as such or acted upon by our Company.

Regulation 128

Our Company may upon the recommendation of our Directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and our Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, our Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to our Directors.

Regulation 129

- (A) Whenever our Directors or our Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared in respect of shares of our Company, our Directors may further resolve that Shareholders entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as our Directors may think fit. In such case, the following provisions shall apply:
- (a) the basis of any such allotment shall be determined by our Directors;
 - (b) our Directors shall determine the manner in which Shareholders shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which our Directors shall have passed such a resolution as aforesaid, and our Directors may make such arrangements as to the giving of notice to Shareholders, providing for forms of election for completion by Shareholders (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as our Directors consider necessary or expedient in connection with the provisions of this Regulation;
 - (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that our Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and

- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the “**elected ordinary shares**”) and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Regulation 133, our Directors shall capitalise and apply the amount standing to the credit of our Company’s reserve accounts as our Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.
- (B) (a) The ordinary shares allotted pursuant to the provisions of paragraph (A) of this Regulation shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless our Directors shall otherwise specify.
- (b) Our Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (A) of this Regulation, with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in the Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down).
- (C) The Director may, on any occasion when they resolve as provided in paragraph (A) of this Regulation, determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the register or (as the case maybe) in the depository register, or in respect of ordinary shares the transfer of which is registered, after such date as our Directors may fix subject to such exceptions as our Directors may think fit, and in such event the provisions of this Regulation shall be read and construed subject to such determination.
- (D) Our Directors may, on any occasion when they resolve as provided in paragraph (A) of this Regulation, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Shareholders whose registered addresses entered in the register or (as the case may be) the depository register is outside Singapore or Hong Kong or to such other Shareholders or class of Shareholders as our Directors may in their sole discretion decide and in such event the only entitlement of the Shareholders aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

- (E) Notwithstanding the foregoing provisions of this Regulation, if at any time after our Directors' resolution to apply the provisions of paragraph (A) of this Regulation in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, our Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, our Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of paragraph (A) of this Regulation.

Regulation 130

Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the register or (as the case may be) the depository register of a Shareholder or person entitled thereto (or, if two or more persons are registered in the register or (as the case may be) entered in the depository register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such Shareholder or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to our Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. Notwithstanding the foregoing provisions of this Regulation and the provisions of Regulation 132, the payment by our Company to the Depository of any dividend payable to a depositor shall, to the extent of the payment made to the Depository, discharge our Company from any liability to the depositor in respect of that payment.

Regulation 131

If two or more persons are registered in the register or (as the case may be) the depository register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.

Regulation 132

Any resolution declaring a dividend on shares of any class, whether a resolution of our Company in a general meeting or a resolution of our Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the register or (as the case may be) the depository register at the close of business on particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

(m) Proxies

Regulation 65

- (A) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of our Company, each Shareholder entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. Every person present who is a Shareholder or a representative of a Shareholder shall:
- (a) on a show of hands, have one vote for each share in respect of which he is a Shareholder or represents (excluding treasury shares) and upon which all calls or other sums due thereon to our Company have been paid, provided that:
 - (i) in the case of a Shareholder who is not a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two proxies, only one of the two proxies as determined by that Shareholder, or failing such determination, by the chairman of the meeting (or by a person authorised by him in his sole discretion) shall be entitled to vote on a show of hands; and
 - (ii) in the case of a Shareholder who is a relevant intermediary or a clearing house (or its nominee(s)) and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands, and
 - (b) on a poll, have one vote for every share which he holds and represents (excluding treasury shares) and upon which all calls or other sums due thereon to our Company have been paid.
- (B) For the purpose of determining the number of votes which a Shareholder, being a depositor, or his proxy, attorney or representative may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that depositor, be the number of shares entered against his name in the depository register as at 72 hours before the time of the relevant general meeting as certified by the depository to our Company, and where a depositor has apportioned the balance entered against his name in the depository register as at 72 hours before the time of the relevant general meeting between the two proxies, the said number of shares shall be apportioned between the two proxies in the same proportion as specified by the depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares specified in the instrument of proxy and the true balance entered against the name of that depositor in the depository register at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

- (C) A Shareholder entitled to more than one vote need not use all his votes or cast all the votes used in the same way.
- (D) Provided always that any Shareholder who shall have become bankrupt or insolvent or (being a company) gone into voluntary or compulsory liquidation (except for the purpose of reconstruction or sale to any other company) shall not while the bankruptcy or insolvency continues, be entitled to exercise the right of a Shareholder to attend, vote, or act at any general meeting.

Regulation 66

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the names stand in the register or (as the case may be) the depository register in respect of the share.

Regulation 67

Where in Singapore, Hong Kong, or elsewhere, a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Shareholder on the ground (however formulated) of mental disorder, our Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as our Directors may require, permit such receiver or other person on behalf of such Shareholder to vote in person or by proxy at any general meeting or to exercise any other right conferred by membership in relation to general meetings of our Company.

Regulation 68

No Shareholder shall, unless our Directors otherwise determine, be entitled in respect of shares held by him to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of our Company if any call or other sum presently payable by him to our Company in respect of such shares remains unpaid.

Regulation 69

- (A) No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decision shall be final and conclusive.
- (B) If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same general meeting, or at any adjournment thereof, and unless in the opinion of the chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient magnitude to vitiate the result of the voting.

Regulation 69A

Notwithstanding Regulation 69, where our Company has knowledge that any Shareholder is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

Regulation 69B

Subject to the provisions of the Constitution and the requirements of the Hong Kong Listing Rules, every Shareholder either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present, to speak and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid, except where such Shareholder is required by the Hong Kong Listing Rules to abstain from voting. In the event a Shareholder has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

Regulation 70

On a poll, votes may be given personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Regulation 71

(A) Save as otherwise provided in the applicable laws and regulations:

- (a) a Shareholder who is not a relevant intermediary or a clearing house (or its nominee(s)) may appoint not more than two proxies to attend, speak and vote at the same general meeting. Where such Shareholder's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
- (b) a Shareholder who is a relevant intermediary or a clearing house (or its nominee(s)) may appoint more than two proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share held by such Shareholder. Where such Shareholder's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

- (B) In any case where a Shareholder is a depositor, our Company shall be entitled and bound:
- (a) to reject any instrument of proxy lodged if the depositor is not shown to have any shares entered against his name in the depository register as at 72 hours before the time of the relevant general meeting as certified by the Depository to our Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that depositor in the depository register as at 72 hours before the time of the relevant general meeting as certified by the Depository to our Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of the depositor.
- (C) Our Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
- (D) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, our Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the depository register and any second named proxy as an alternate to the first named or at our Company's option to treat the instrument of proxy as invalid.
- (E) A proxy need not be a Shareholder.

Regulation 72

- (A) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by our Directors, (provided always that this shall not preclude the use of the two-way form) and our Board may, if it thinks fit, send out with the notice of any general meeting forms of instrument of proxy for use at the general meeting. In addition, such instrument:–
- (i) in the case of an individual, shall be:
 - (a) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument is delivered personally or sent by post; or
 - (b) authorised by that individual through such method and in such manner as may be approved by our Directors, if the instrument is sent by electronic communication; and

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

- (ii) in the case of a corporation, shall be:
 - (a) executed under seal in accordance with its constitutional documents or under the hand of its attorney or its officer duly authorised or in such manner as appropriate under Relevant Laws if the instrument is delivered personally or by post; or
 - (b) authorised by that corporation through such method and in such manner as may be approved by our Directors, if the instrument is sent by electronic communication.

- (B) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney of a duly certified copy thereof must (failing previous registration with our Company) be lodged with the instrument of proxy pursuant to Regulation 73, failing which the instrument may be treated as invalid.

- (C) If a clearing house (or its nominee(s)), being a corporation, is a Shareholder, it may authorise such persons as it thinks fit to act as its representatives or proxies at any general meeting or at any meeting of any class of Shareholders provided always that, if more than one person is so authorised, the authorisation or proxy form shall specify the number and class of shares in respect of which each such representative is so authorised, and shall be subject to Regulation 72(A)(ii). Each person so authorised under the provisions of this Regulation 72(C) shall be deemed to have been duly authorised without the need to produce any further documents of title, notarised authorisation and/or other evidence of fact to substantiate that such person is duly authorised, and shall be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by the clearing house (or its nominee(s)).

- (D) Our Directors may, in their absolute discretion:
 - (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
 - (b) designate the procedure for authenticating an instrument appointing a proxy,as contemplated in Regulations 72(A)(i)(b) and 72(A)(ii)(b) for application to such Shareholders or class of Shareholders as they may determine. Where the directors do not so approve and designate in relation to a Shareholder (whether of a class or otherwise), Regulation 72(A)(i)(a) and/or Regulation 72(A)(ii)(a) (as the case may be) shall apply.

Regulation 73

(A) An instrument appointing a proxy or the power of attorney or other authority, if any:

- (i) if sent personally or by post, must be left at the Office or Registration Office or such other place (if any) as is specified for the purpose in the notice convening the general meeting; or
- (ii) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the general meeting,

and in either case not less than 72 hours before the time appointed for the holding of the general meeting or adjourned general meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid.

(B) Our Directors may, in their absolute discretion, and in relation to such Shareholders or class of Shareholders as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 73(A)(ii). Where our Directors do not so specify in relation to a Shareholder (whether of a class or otherwise), Regulation 73(A)(i) shall apply.

(C) The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates.

Regulation 74

An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.

Regulation 75

A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made provided that no intimation in writing of such death, mental disorder or revocation shall have been received by our Company at the Office or the Registration Office (or such other place as may be specified for the deposit of instruments appointing proxies) at least one hour before the commencement of the meeting or adjourned meeting or (in case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.

Regulation 75A

Subject to the Constitution and the applicable laws and regulations, our Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow Shareholders who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

(n) Calls on shares and forfeiture of shares

Regulation 21

Our Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of our Directors authorising the call was passed and may be made payable by instalments.

Regulation 22

Each Shareholder shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to our Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as our Directors may determine.

Regulation 23

If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding ten per cent. per annum) as our Directors determine but our Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part. No Shareholder shall, unless our Directors otherwise determine, be entitled to receive any dividend or vote at any general meeting or upon a poll, until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

Regulation 24

Any sum which by terms of issue of a Share becomes payable upon allotment or at any fixed date shall for all the purposes of the Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment, all the relevant provisions of the Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Regulation 25

Our Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.

Regulation 26

Our Directors may, if they think fit, receive from any Shareholder willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made and upon the moneys so received (until and to the extent that the same would but for such advance become payable) our Company may pay interest at such rate (not exceeding eight per cent. per annum) as the Shareholder paying such sum and our Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.

(o) Forfeiture and Lien

Regulation 27

If a Shareholder fails to pay in full any call or instalment of a call on the due date for payment thereof, our Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by our Company by reason of such non-payment.

Regulation 28

The notice shall name a further day (not being less than fourteen (14) days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith, the shares on which the call has been made will be liable to be forfeited.

Regulation 29

If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. Our Directors may accept a surrender of any share liable to be forfeited hereunder.

Regulation 30

A share so forfeited or surrendered shall become the property of our Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as our Directors shall think fit and at any time before a sale, re-allotment or disposition, the forfeiture or surrender may be cancelled on such terms as our Directors think fit. Our Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.

Regulation 30A

Notwithstanding any such forfeiture as aforesaid, our Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

Regulation 31

A Shareholder whose shares have been forfeited or surrendered shall cease to be a Shareholder in respect of the shares. Such forfeiture or surrender of a share shall involve the extinction at the time of forfeiture of all interest in and all claims and demands against our Company in respect of the share, and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and our Company, except only such of those rights and liabilities as are by the Constitution expressly saved, or as are by the applicable laws and regulations given or imposed in the case of past Shareholders. Notwithstanding the forfeiture or surrender, the Shareholder shall remain liable to pay to our Company all moneys which at the date of forfeiture or surrender were presently payable by him to our Company in respect of the shares with interest thereon at eight per cent. per annum (or such lower rate as our Directors may determine) from the date of forfeiture or surrender until payment and our Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at the time of forfeiture or surrender or waive payment in whole or in part.

Regulation 32

Our Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Shareholder (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as our Company may be called upon by law to pay in respect of the shares of the Shareholder or the deceased Shareholder. Our Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation.

Regulation 33

Our Company may sell in such manner as our Directors think fit any share on which our Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen (14) days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.

Regulation 34

The net proceeds of such sale, whether of a share forfeited by our Company or of a share over which our Company has a lien, after the satisfaction of the unpaid calls and accrued interest and expenses of such sale shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, as he may direct. For the purpose of giving effect to any such sale, our Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.

Regulation 35

A statutory declaration in writing that the declarant is a Director or the Secretary of our Company and that a share has been duly forfeited or surrendered or sold or disposed to satisfy a lien of our Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of our Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a depositor, to the Depository or its nominee, as the case may be) or allottee thereof shall (subject to the execution of a transfer if the same is required) constitute a good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a depositor, our Company shall procure that his name be entered in the depository register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Regulation 35A

The provisions of the Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified.

Regulation 35B

No Shareholder shall be entitled to receive any dividend or to exercise any privileges as a Shareholder until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

Regulation 35C

In the event of a forfeiture of shares or a sale of shares to satisfy our Company's lien thereon the Shareholder or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to our Company the certificate or certificates held by him for the shares so forfeited or sold.

(p) Inspection of register of members

Regulation 37

- (A) The register may be closed and the register of transfers may be suspended at such times and for such period as our Directors may from time to time determine provided always that such register shall not be closed for more than thirty days in any year and that our Company shall give prior notice of such closure as may be required to any Stock Exchange, stating the period and purpose or purposes for which the closure is made.
- (B) Our Company shall keep in one or more books a register and shall enter therein the following particulars, that is to say:
 - (i) the name and address of each Shareholder, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
 - (ii) the date on which any transfer of shares was effected;
 - (iii) the date on which each person was entered in the register; and
 - (iv) the date on which any person ceased to be a Shareholder.
- (C) Our Company may keep an overseas or local or other branch register resident in any place, and our Board may make and vary such regulations as it determines necessary, desirable or expedient in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.
- (D) The register and branch register, as the case may be, shall be open to inspection for at least two hours on every Market Day by Shareholders without charge or by any other person, upon a maximum payment of S\$1.00 (or its Hong Kong dollar equivalent based on the prevailing exchange rate as determined by our Directors) or such lesser sum specified by our Board, at the Office or such other place at which the register is kept in accordance with the applicable laws and regulations. The register including any overseas or local or other branch register may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Exchange or by any electronic means in

such manner as may be accepted by the Exchange to that effect, be closed at such times or for such periods not exceeding, in the whole, thirty days in each year as our Board may determine and either generally or in respect of any class of shares.

- (E) Notwithstanding any other provision of the Constitution, but subject to the applicable laws and regulations, our Company or our Directors may fix any date as the record date for:
- (i) determining the Shareholders entitled to receive any dividend, distribution, allotment or issue; and
 - (ii) determining the Shareholders entitled to receive notice of and to vote at any general meeting.

Regulation 134

Our Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the applicable laws and regulations and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited and to give a true and fair view of our Company's affairs and to explain its transactions. Accounting records sufficient to show and explain our Company's transactions and otherwise complying with the applicable laws and regulations shall be kept at the Office, or at such other place as our Directors think fit. No Shareholder or other person shall have any right of inspecting any account or book or document of our Company except as conferred by the applicable laws and regulations or ordered by a court of competent jurisdiction or authorised by our Directors.

(q) Quorum for meetings and separate class meeting

Regulation 6

- (A) Whenever the share capital of our Company is divided into different classes of shares, the repayment of preference capital, other than redeemable preference capital, and the special rights attached to any class may, subject to the provisions of the applicable laws and regulations, only be made, varied or abrogated either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst our Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, all the provisions of the Constitution relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the total number of the issued shares of the class and that any

holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

Regulation 56

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum is present at the time when the general meeting proceeds to business. Save as herein otherwise provided, the quorum at any general meeting shall be two Shareholders present in person or by proxy. For the purpose of the Constitution, "Shareholder" includes a person attending by proxy or by attorney or as representing a corporation which is a Shareholder provided that (i) a proxy representing more than one Shareholder shall only count as one Shareholder for the purpose of determining the quorum; and (ii) where a Shareholder is represented by more than one proxy, such proxies shall count as only one Shareholder for the purpose of determining the quorum. In addition, for the purposes of a quorum, joint holders of any share shall be treated as one Shareholder. A corporation or a limited liability partnership being a Shareholder shall be deemed to be personally present if represented in accordance with the provisions of Regulation 76.

Regulation 57

If within thirty (30) minutes from the time appointed for a general meeting (or such longer interval as the chairman of the general meeting may think fit to allow) a quorum is not present, the general meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday, then to the next Market Day following that public holiday) at the same time and place or such other day, time or place as our Directors may by not less than ten (10) days' notice appoint. At the adjourned general meeting, any one or more Shareholders present in person or by proxy shall be a quorum.

Regulation 58

The chairman of any general meeting at which a quorum is present may with the consent of the general meeting (and shall if so directed by the general meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned general meeting except business which might lawfully have been transacted at

the meeting from which the adjournment took place. Where a general meeting is adjourned sine die, the time and place for the adjourned general meeting shall be fixed by our Directors. When a general meeting is adjourned for thirty days or more or sine die, not less than seven days' notice of the adjourned general meeting shall be given in like manner as in the case of the original general meeting.

Regulation 69B

Subject to the provisions of the Constitution and the requirements of the Hong Kong Listing Rules, every Shareholder either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present, to speak and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid, except where such Shareholder is required by the Hong Kong Listing Rules to abstain from voting. In the event a Shareholder has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

Regulation 99

- (A) Subject to the provisions of the Constitution and the applicable laws and regulations (including but not limited to the Hong Kong Listing Rules), our Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit. At any time, any Director may, and the Secretary on the requisition of a Director shall, summon a meeting of our Directors. Notice of a meeting of Directors shall be given to each of our Directors in writing at least two days prior to the day of meeting. The period of notice shall be exclusive of the day on which it is served or deemed to be served and the day on which the meeting is to be held. Where the Director is absent from Singapore or Hong Kong (as the case may be), such notice may be given by telefax or electronic mail, to a telefax number, or electronic mail address as the case may be, given by that absent Director to the Secretary. Any Director may waive notice of any meeting and any such waiver may be retroactive and for this purpose the presence of a Director at the meeting shall be deemed to constitute a waiver on his part.
- (B) Subject to the requirements of the applicable laws and regulations and the Hong Kong Listing Rules, our Directors may participate in a meeting of Directors by means of a conference telephone, video conference, audio visual or similar communications equipment by means of which all persons participating in the meeting can hear one another contemporaneously without a Director being in the physical presence of another Director or Directors, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. Our Directors participating in any such meeting shall be counted in the quorum for such meeting and subject to there being requisite quorum in accordance with Regulation 100, all resolutions agreed by our Directors in such meeting shall be deemed to be

as effective as a resolution passed at a meeting in person of our Directors duly convened and held. A meeting conducted by means of a conference telephone, video conference, audio visual or similar communications equipment as aforesaid is deemed to be held at the place where the chairman of the meeting is participating in the meeting or otherwise agreed upon by our Directors attending the meeting, provided that at least one of our Directors present at the meeting was at that place for the duration of the meeting.

Regulation 100

The quorum necessary for the transaction of the business of our Directors may be fixed from time to time by our Directors and unless so fixed at any other number, shall be two. A meeting of our Directors at which a quorum is present shall be competent to exercise all powers and discretions for the time being exercisable by our Directors.

Regulation 101

Questions arising at any meeting of our Directors shall be determined by a majority of votes. In case of an equality of votes (except where only two Directors are present and form the quorum or when only two Directors are competent to vote on the question in issue) the chairman of the meeting shall have a second or casting vote.

Regulation 102

Without prejudice to the generality of Regulation 83 above, a Director shall not vote in respect of any contract or proposed contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any material interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

Regulation 103

The continuing Directors may act notwithstanding any vacancies, but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with the Constitution, the continuing Directors or Director may, except in an emergency, act only for the purpose of increasing the number of directors to such minimum number or of summoning general meetings, but not for any other purpose. If there be no Director or Directors able or willing to act, then any two Shareholders may summon a general meeting for the purposes of appointing Directors.

Regulation 104

- (A) Our Directors may elect from their number a chairman and a Deputy Chairman (or two or more Deputy Chairman) and determine the period for which each is to hold office. If no chairman or Deputy Chairman shall have been appointed or if at any

meeting of our Directors, no chairman or Deputy Chairman shall be present within five minutes after the time appointed for holding the meeting, our Directors present may choose one of their number to be chairman of the meeting.

- (B) If at any time there is more than one Deputy Chairman, the right in the absence of the chairman to preside at a meeting of our Directors or of our Company shall be determined as between the Deputy Chairmen present (if more than one) by seniority in length of appointment or otherwise as resolved by our Directors.

(r) Winding Up

Regulation 143

Our Directors shall have power in the name and on behalf of our Company to present a petition to the court for our Company to be wound up.

Regulation 144

A special resolution is required to approve the voluntary winding up of our Company. If our Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the liquidator may, with the authority a special resolution, divide among the Shareholders in specie or kind the whole or any part of the assets of our Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the Liquidator with the like authority shall think fit, and the liquidation of our Company may be closed and our Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Regulation 144A

In the event of a winding up of our Company every Shareholder of our Company who is not for the time being in Singapore shall be bound, within 14 days after the passing of an effective resolution to wind up our Company voluntarily, or within the like period after the making of an order for the winding up of our Company, to serve notice in writing on our Company appointing some householder, whether within or outside Singapore, upon whom all summonses, notices, processes, orders and judgments in relation to or under the winding up of our Company may be served, and in default of such nomination the liquidator of our Company shall be at liberty on behalf of such Shareholder to appoint some such person, and service upon any such appointee shall be deemed to be a good personal service on such Shareholder for all purposes, and where the liquidator makes any such appointment he shall, with all convenient speed, give notice thereof to such Shareholder by advertisement in any leading daily newspaper in the English language in circulation in Singapore and Hong Kong, or by a registered letter

sent through the post and addressed to such Shareholder at his address as appearing in the register or (as the case may be) the depository register, and such notice shall be deemed to be served on the day following that on which the advertisement appears or the letter is posted.

(s) Stocks

Regulation 46

Our Company may from time to time by ordinary resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.

Regulation 47

Subject to the applicable laws and regulations, the holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as our Directors may from time to time determine.

Regulation 48

The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards participation in the profits or assets of our Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

(t) Indemnity

Regulation 145

Subject to the provisions of and so far as may be permitted by the applicable laws and regulations, every Director, chief executive officer or managing director, auditor, Secretary or other officer of our Company shall be entitled to be indemnified by our Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge of his duties or in relation thereto. Without prejudice to the generality of the foregoing, no Director, Secretary or other officer of our Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to our Company through the insufficiency or deficiency of title to any property acquired by order of our Directors for or on behalf of our Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of our Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or

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effects shall be deposited or left for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, willful default, breach of duty or breach of trust.

(u) Share certificate renewal

Regulation 20

Subject to the provisions of the applicable laws and regulations, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Hong Kong Stock Exchange or on behalf of its or their client or clients as our Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 as our Directors may from time to time require (or such other fee as our Directors may determine having regard to any limitation thereof as may be prescribed by the Hong Kong Stock Exchange). In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to our Company all expenses incidental to the investigations by our Company of the evidence of such destruction or loss.

The following summarises the salient provisions of the laws of Singapore as at the date of this listing document. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed or conferred by the corporate laws of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise.

Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal obligations under the relevant laws. Prospective investors and/or Shareholders can access the full text of the relevant Singapore legislations cited in the summaries below via the websites cited in Appendix VII (Documents available for inspection) to this listing document.

REPORTING OBLIGATIONS OF SHAREHOLDERS

1.1. Obligation to notify Company of substantial shareholding and change in substantial shareholding

Section 81 of the Companies Act

A person has a substantial shareholding in a company if he has an interest or interests in one (1) or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all the voting shares in the company.

Section 82 of the Companies Act

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

Sections 83 and 84 of the Companies Act

A substantial shareholder is required to notify the company of any change in the percentage level of his shareholding or his ceasing to be a substantial shareholder, within two (2) business days after he is aware of such change. The reference to changes in “percentage level” means any changes in a substantial shareholder’s interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Consequences of non-compliance

Section 89 of the Companies Act provides for the consequences of non-compliance with Sections 82, 83 and 84. Under Section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

Section 90 provides for a defence to a prosecution for failing to comply with Sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he:

- (a) was not so aware on the date of the summons; or
- (b) became so aware less than seven (7) days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time:
 - (i) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or
 - (ii) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master’s or principal’s interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master’s or principal’s affairs, have been aware at that time.

1.2 Powers of the court with respect to defaulting substantial shareholders

Section 91 of the Companies Act

Under Section 91 of the Companies Act, where a substantial shareholder fails to comply with Sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one (1) of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded; or
- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just.

The Court shall not make an order other than an order restraining the exercise of voting rights, if it is satisfied that:

- (a) the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and
- (b) that in all the circumstances, the failure ought to be excused.

Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

1.3 Obligation to notify the SGX-ST of substantial shareholding and change in substantial shareholding

Sections 135, 136 and 137 of the Securities and Futures Act (the “SFA”)

A substantial shareholder is also required under Sections 135, 136 and 137 of the SFA to notify the company in writing, when the shareholder becomes a substantial shareholder, or changes to the percentage level of his substantial shareholding, or of his ceasing to be a substantial shareholder. Any person who fails to comply with these sections is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both (for an individual) and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.4 Duty of director or chief executive officer to notify corporation of his interests

Sections 133 and 134 of the SFA

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, inter alia, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares, whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.5 Power of corporation to require disclosure of beneficial interest in its voting shares

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under this section with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.6 Duty of corporations to make disclosure

Section 137G of the SFA

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

1.7 Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and the Securities Industry Council

Section 330 of the SFA

Under Section 330 of the SFA, any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to any securities exchange, futures exchange, licensed trade repository, approved clearing house or recognised clearing house or any officers thereof relating to, inter alia, dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding two (2) years or to both.

PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF OUR COMPANY

2.1 Prohibitions against false trading and market manipulation

Section 197 of the SFA

Section 197 of the SFA prohibits a person from:

- (a) any activities for the purpose of creating a false or misleading appearance of:
 - (i) active trading in any securities on a securities exchange; or
 - (ii) with respect to the market for, or price of, any securities on a securities exchange;

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- (b) any activities that create, or is likely to create, a false or misleading appearance of active trading in any securities on a securities market, or with respect to the market for, or the price of, such securities:
 - (i) he knows that doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
 - (ii) he is reckless as to whether doing that thing, causing that thing to be done or engaging in that course of conduct, as the case may be, will create, or will be likely to create, that false or misleading appearance; or
- (c) the purchase or sale of any securities that do not involve a change in the beneficial ownership of those securities, or by any fictitious transaction or device, maintain, inflate, depress, or cause fluctuations in, the market price of any securities.

Under Section 197(3), the purpose of a person's conduct is deemed to be the creation of a false or misleading appearance of active trading in securities on a securities market if he:

- (a) effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, being a transaction that does not involve any change in the beneficial ownership of the securities;
- (b) makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (c) makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price,

unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the person establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

2.2 Prohibition against securities market manipulation

Section 198 of the SFA

Under Section 198(1) of the SFA, no person shall carry out directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have, or are likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them.

- (a) Section 198(2) provides that transactions in securities of a corporation includes the making of: (a) an offer to purchase or sell such securities of the corporation; and
- (b) an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

2.3 Prohibition against the manipulation of the market price of securities by the dissemination of misleading information and the dissemination of information about illegal transactions

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or misleading in a material particular and is likely to:

- (a) induce other persons to subscribe for securities;
- (b) induce the sale or purchase of securities by other persons; or
- (c) have the effect of raising, lowering, maintaining or stabilising the market price of securities,

if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will or is likely to rise, fall or be maintained by reason of transactions entered into in contravention of Sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements:

- (i) is the person who entered or purports to enter into the illegal transaction;
- (ii) is associated with the person who entered or purports to enter into the illegal transaction; or
- (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

2.4 Prohibition against fraudulently inducing persons to deal in securities

Section 200 of the SFA

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, by:

- (a) making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive;
- (b) any dishonest concealment of material facts;
- (c) the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or
- (d) recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the person so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

2.5 Prohibition against employment of manipulative and deceptive devices

Section 201 of the SFA

Section 201 of the SFA prohibits a person from, directly or indirectly, in connection with the subscription, purchase or sale of any securities:

- (a) employing any device, scheme or artifice to defraud;

- (b) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person;
- (c) making any statement he knows to be false in a material particular; or
- (d) omitting to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

2.6 Prohibition against insider trading

Sections 218 and 219 of the SFA

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it were generally available, might have a material effect on the price or value of securities of that corporation. Such persons include officers and substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship with the corporation or a related corporation, or by being an officer of a substantial shareholder in that corporation or in a related corporation.

For an alleged contravention of Section 218 or 219, Section 220 makes it clear that it is not necessary for the prosecution or the plaintiff to prove that the accused person or defendant intended to use the information referred to in Section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of Section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 sets out when a reasonable person would be taken to expect information to have a material effect on the price or value of securities. Section 216 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

2.7 Penalties

Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum:

- (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or
- (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation,

whichever is the greater.

If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes Sections 197 to 203 of the SFA is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 204 of the SFA. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under section 232(5) in respect of that contravention.

Section 221 of the SFA

Any person who contravenes Sections 218 or 219 of the SFA, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both under Section 221 of the SFA. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of Section 218 or 219 after a court has made an order against him for the payment of a civil penalty under Section 232 of the SFA, or if the person has entered into an agreement with the Monetary Authority of Singapore to pay, with or without admission of liability, a civil penalty under Section 232(5) in respect of that contravention.

TAKEOVER OBLIGATIONS

3.1 Offences and obligations relating to takeovers

Section 140 of the SFA

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over offer if he has:

- (a) no intention to make a take-over offer; or
- (b) no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be. A person who contravenes Section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding seven (7) years or to both.

3.2 Obligations under the Singapore Code on Take-overs and Mergers (the “Singapore Takeover Code”) and the consequences of non-compliance Obligations under the Singapore Takeover Code

The Singapore Takeover Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our Company’s voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of our Company’s voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our Company’s voting Shares in any six month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Takeover Code.

“Persons acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Without prejudice to the general application of this definition, the following individuals and companies are presumed to be acting in concert with each other (unless the contrary is established). They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND
SALIENT PROVISIONS OF THE LAWS OF SINGAPORE**

- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser and its clients in respect of Shares held by the adviser and persons controlling, controlled by or under the same control as the adviser and all the funds managed by the adviser on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10.0% or more of the client's equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the “**Offeror**”) must make a public announcement stating, inter alia, the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

If a revised offer is proposed, the Offeror is required to give a written notice to the offeree company and our shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least 14 days from the date of posting of the written notification of the revision to shareholders. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Takeover Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

3.3 Consequences of non-compliance with the requirements under the Singapore Takeover Code

The Singapore Takeover Code is non-statutory in that it does not have the force of law. Therefore, as provided in Section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Takeover Code shall not of itself render that party liable to criminal proceedings. However, the failure of any party to observe any of the provisions of the Singapore Takeover Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that the Securities Industry Council has the power, in the exercise of its functions, to enquire into any matter or thing related to the securities industry and may, for this purpose, summon any person to give evidence on oath or affirmation or produce any document or material necessary for the purpose of the enquiry.

3.4 Compulsory Acquisition under the Companies Act

Following the conclusion of an offer, pursuant to section 215 of the Companies Act, if an offeror acquires 90.0% of the shares of the offeree company, it may, by notice to the dissenting shareholders, sell its shares to it. In calculating the 90% threshold, shares held or acquired by the Offeror, its related corporations and their respective nominees are excluded. The notice must be sent within two months of the satisfaction of the 90% threshold. The shareholder whose shares are thus to be acquired may apply to Court for an order that the offeror is not entitled to acquire the shares, or specifying different acquisition. Where an offeror could acquire the holdings of minority shareholders but does not, a minority shareholder may serve a notice requiring the offeror to do so within three (3) months from the date of receipt of notice from offeror of the fact that the offeror has acquired 90% of the shares of the offeree company. The offeror is then obliged to acquire the shareholder's shares on the same terms as the other shares were acquired during the offer.

MINORITY RIGHTS

Section 216 of the Companies Act The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of our Company, as they think fit to remedy any of the following situations:

- (a) the affairs of our Company are being conducted or the powers of our Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) our Company has taken an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (i) direct or prohibit any act or cancel or vary any transaction or resolution;
- (ii) regulate the conduct of the affairs of the company in the future;
- (iii) authorise civil proceedings to be brought in the name of, or on behalf of, the company by a person or persons and on such terms as the court may direct;
- (iv) provide for the purchase of the shares of the company by other members of the company or by the company itself;
- (v) in the case of a purchase of shares by the company provide for a reduction accordingly of the company's capital;
- (vi) order the amendment of the company's constitution; or
- (vii) provide that the company be wound up.

EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of a company's securities.

MEMBERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS

Section 176 of the Companies Act

Section 176 of the Companies Act provides that the directors shall, on the requisition of members holding at the date of the deposit of the requisition not less than 10.0% of the total number of paid-up shares as at the date of the deposit carries the right of voting at general meetings or, in the case of a company not having a share capital, of members representing not less than 10.0% of the total voting rights of all members having at that date a right to vote at general meetings, immediately proceed duly to convene an extraordinary general meeting of the company to be held as soon as practicable but in any case not later than two (2) months after the receipt by the company of the requisition.

For the purpose of section 176 of the Companies Act. Any of our Company's paid-up shares as treasury Shares shall be disregarded.

Section 183 of the Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to:

- (a) give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and
- (b) circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of members as required for such a requisition shall be any number of members representing not less than 5.0% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

The Shares are currently listed on the SGX-ST and our Company intends to list our Shares on the Hong Kong Stock Exchange. Our Company sets out below a summary of the major differences between the Hong Kong Listing Rules and the Listing Manual, certain applicable laws and regulations of Singapore and Hong Kong, the takeover rules under the Singapore Takeover Code, the HK Takeovers Code and certain relevant legislations concerning companies with listed securities.

However, this summary is for general guidance only and is not and shall not be relied on as legal advice or any other advice to Shareholders. The summary is not meant to be a comprehensive or exhaustive description of all the relevant Singapore and Hong Kong laws, rules and regulations. In addition, Shareholders should also note that the laws, rules and regulations applicable to our Company and Shareholders may change, whether as a result of proposed legislative reforms to the Singapore or Hong Kong laws, rules or regulations or otherwise.

Prospective investors and/or Shareholders should consult their own legal advisors for specific legal advice concerning their legal rights and obligations under Singapore laws and Hong Kong laws. In the event of any conflict between the Hong Kong Listing Rules and the Listing Manual, our Company shall comply with the more restrictive and stringent rule. The Sponsor and our Directors are not aware of any major conflicts between the Hong Kong Listing Rules and the Listing Manual, which may cause difficulties to our Company to comply with the rules under both regimes.

I. SUMMARY OF THE MAJOR DIFFERENCES BETWEEN THE HONG KONG LISTING RULES AND THE LISTING MANUAL AND CERTAIN APPLICABLE SINGAPORE AND HONG KONG LAWS

HONG KONG LISTING RULES AND HONG KONG LAWS

LISTING MANUAL AND SINGAPORE LAWS

REPORTING REQUIREMENTS

- | | |
|---|--|
| 1. Issuers in Hong Kong are required to comply with disclosure obligations under the Hong Kong Listing Rules upon the occurrence of the events which are prescribed under such rules. | Issuers in Singapore are required to comply with disclosure obligations under the Listing Manual upon the occurrence of the events which are prescribed in the Listing Manual. |
|---|--|

Our Company must announce any information released to SGX-ST on the website of the Hong Kong Stock Exchange at the same time as the information is released to SGX-ST.

In the case that our Company makes a disclosure pursuant to Singapore laws, it will make the same disclosure in Hong Kong.

Chapter 13 of the Hong Kong Listing Rules (Continuing Obligations)**Chapter 7 of the Listing Manual (Continuing Obligations)****Rule 13.09, Hong Kong Listing Rules: General Obligation of Disclosure****Rule 703, Listing Manual: Disclosure of Material Information**

- (1) Without prejudice to Rule 13.10 of the Hong Kong Listing Rules, where in the view of the Hong Kong Stock Exchange there is or there is likely to be a false market in an issuer's securities, the issuer must, as soon as reasonably practicable after consultation with the Hong Kong Stock Exchange, announce the information necessary to avoid a false market in its securities.
- (2) Where an issuer is required to disclose inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), it must also simultaneously announce the information.

- (1) An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:
- (a) is necessary to avoid the establishment of a false market in the issuer's securities; or
 - (b) would be likely to materially affect the price or value of its securities.
- (2) Rule 703(1) does not apply to information which it would be a breach of law to disclose.
- (3) Rule 703(1) does not apply to particular information while each of the following conditions applies:–

Rule 13.10B, Hong Kong Listing Rules: Announce Information Disclosed to Other Stock Exchanges

An issuer must announce any information released to any other stock exchange on which its securities are listed at the same time as the information is released to that other exchange.

Condition 1: a reasonable person would not expect the information to be disclosed;

Condition 2: the information is confidential; and

Condition 3: one or more of the following applies:

- (a) the information concerns an incomplete proposal or negotiation;

(b) the information comprises matters of supposition or is insufficiently definite to warrant disclosure;

(c) the information is generated for the internal management purposes of the entity; and/or

(d) the information is a trade secret.

(4) In complying with the SGX-ST's disclosure requirements, an issuer must:

(a) observe the Corporate Disclosure Policy set out in Appendix 7.1 of the Listing Manual; and

(b) ensure that its directors and executive officers are familiar with the SGX-ST's disclosure requirements and Corporate Disclosure Policy.

(5) The SGX-ST will not waive any requirements under this Rule.

**Rule 13.51, Hong Kong Listing Rules:
Notification on Changes**

An issuer must publish an announcement as soon as practicable in regard to:

- (1) any proposed alteration of the issuer's memorandum or articles of association or equivalent documents;
- (2) any changes in its directorate or supervisory committee, and shall procure that each new director or

**Rule 704, Listing Manual:
Announcement of Specific
Information**

In addition to Rule 703, an issuer must immediately announce the following:–

General

- (1) Any change of address of the registered office of the issuer or of any office at which the register of members or any other register of securities of the issuer is kept.

- supervisor or member of its governing body shall sign and lodge with the Hong Kong Stock Exchange as soon as practicable after their appointment a declaration and undertaking. Where a new director, supervisor or chief executive is appointed or the resignation, re-designation, retirement or removal of a director, supervisor or chief executive takes effect, the issuer must announce the change as soon as practicable and include the details of any newly appointed or re-designated director, supervisor or chief executive in the announcement;
- (3) any change in the rights attaching to any class of listed securities and any change in the rights attaching to any shares into which any listed debt securities are convertible or exchangeable;
- (4) any change in its auditors or financial year end, the reason(s) for the change and any other matters that need to be brought to the attention of holders of securities of the issuer;
- (5) any change in its secretary, share registrar (including any change in overseas branch share registrar) or registered address or where applicable, agent for the service of process in Hong Kong or registered office or registered place of business in Hong Kong;
- (6) any change in its compliance adviser; and
- (2) Any proposed alteration to the memorandum of association or articles of association or constitution of the issuer (note also that Rule 730 requires issuers to seek the SGX-ST's approval for any alteration to their articles or constituent documents).
- (4) Any call to be made on partly paid securities of the issuer or of any of its principal subsidiaries.
- (5) Any qualification or emphasis of a matter by the auditors on the financial statements of:–
- (a) the issuer; or
- (b) any of the issuer's subsidiaries or associated companies, if the qualification or emphasis of a matter has a material impact on the issuer's consolidated accounts or the group's financial position.
- (6) If an issuer has previously announced its preliminary full-year results, any material adjustment to the issuer's preliminary full year results made subsequently by auditors.

Appointment or cessation of service

- (7) (a) Any appointment or cessation of service of a key person such as a director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority,

- (7) any revision of interim reports, annual reports or summary financial reports, the reason leading to the revision of published financial reports, and the financial impacts.

Rule 13.25A, Hong Kong Listing Rules: Changes in Issued Shares

- (1) An issuer must, whenever there is a change in its issued shares as a result of or in connection with any of the events referred to in Rule 13.25A(2) of the Hong Kong Listing Rules, submit for publication on the SEHK's website information as the Hong Kong Stock Exchange may from time to time prescribe by not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day next following the relevant event.
- (2) The events referred to in Rule 13.25A(1) of the Hong Kong Listing Rules are as follows:
- (a) any of the following:
- (i) placing;
 - (ii) consideration issue;
 - (iii) open offer;
 - (iv) rights issue;
 - (v) bonus issue;
 - (vi) scrip dividend;
 - (vii) repurchase of shares or other securities;

company secretary, registrar or auditors of the issuer. The announcement of an appointment or cessation of service of key persons such as director, chief executive officer, chief financial officer, chief operating officer, general manager, qualified person or other executive officer of equivalent authority must contain the information contained in Appendix 7.4.1 or Appendix 7.4.2, as the case may be.

- (b) In the case of a cessation of service of any director, chief executive officer, chief financial officer, chief operating officer, general manager or other executive officer of equivalent authority, such persons must inform the SGX-ST in writing as soon as possible if he is aware of any irregularities in the issuer which would have a material impact on the group, including financial reporting.

- (8) Any appointment or reappointment of a director to the audit committee.
- (9) Any appointment of a person who is a relative of a director or chief executive officer or substantial shareholder of the issuer to a managerial position in the issuer or any of its principal subsidiaries.

- (viii) exercise of an option under the issuer's share option scheme by any of its directors;
 - (ix) exercise of an option other than under the issuer's share option scheme by any of its directors;
 - (x) capital reorganisation; or
 - (xi) change in issued shares not falling within any of the categories referred to in Rule 13.25A(2)(a)(i) to (x) or Rule 13.25A(2)(b) of the Hong Kong Listing Rules; and
- (b) Subject to Rule 13.25A(3) of the Hong Kong Listing Rules, any of the following:
- (i) exercise of an option under a share option scheme other than by a director of the issuer;
 - (ii) exercise of an option other than under a share option scheme not by a director of the issuer;
 - (iii) exercise of a warrant;
 - (iv) conversion of convertible securities; or
 - (v) redemption of shares or other securities.
- (10) Any promotion of an appointee referred to in Rule 704(9).
 - (11) Any appointment of, or change in legal representative(s) (or person(s) of equivalent authority, however described), appointed as required by any relevant law applicable to the issuer and/or any of its principal subsidiaries, with sole powers to represent, exercise rights on behalf of, the issuer and/or that principal subsidiary.
 - (12) For issuers with principal subsidiaries based in jurisdictions other than Singapore, any of its independent directors' appointment or cessation of service from the boards of these principal subsidiaries.
 - (13) Within 60 days after each financial year, the issuer must make an announcement of each person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer as set out in Appendix 7.2 Part II. If there are no such persons, the issuer must make an appropriate negative statement. The SGX-ST may require the issuer to provide additional information on any such person, including his remuneration, any changes to his duties, responsibilities and remuneration package.

- (3) The disclosure obligation for an event in Rule 13.25A(2)(b) of the Hong Kong Listing Rules only arises where:
- (a) the event, either individually or when aggregated with any other events described in that rule which have occurred since the listed issuer published its last monthly return under Rule 13.25B of the Hong Kong Listing Rules or last return under this Rule 13.25A (whichever is the later) of the Hong Kong Listing Rules, results in a change of 5.0% or more of the listed issuer's issued shares; or
 - (b) an event in Rule 13.25A(2)(a) of the Hong Kong Listing Rules has occurred and the event in Rule 13.25A(2)(b) of the Hong Kong Listing Rules has not yet been disclosed in either a monthly return published under Rule 13.25B of the Hong Kong Listing Rules or a return published under this Rule 13.25A of the Hong Kong Listing Rules.
- (4) For the purposes of Rule 13.25A(3) of the Hong Kong Listing Rules, the percentage change in the listed issuer's issued shares is to be calculated by reference to the listed issuer's total number of issued shares as it was immediately before the earliest relevant event which has not been disclosed in a monthly return published under Rule 13.25B of the Hong Kong Listing
- Appointment of Special Auditors**
- (14) The SGX-ST may require an issuer to appoint a special auditor to review or investigate the issuer's affairs and report its findings to the SGX-ST or the issuer's Audit Committee or such other party as the SGX-ST may direct. The issuer may be required by the SGX-ST to immediately announce the requirement, together with such other information as the SGX-ST directs. The issuer may be required by the SGX-ST to announce the findings of the special auditors.

Rules or a return published under this Rule 13.25A of the Hong Kong Listing Rules.

Rule 13.25B, Hong Kong Listing Rules: Monthly Return

A listed issuer shall, by no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the fifth business day next following the end of each calendar month, submit for publication on the SEHK's website a monthly return in relation to movements in the listed issuer's equity securities, debt securities and any other securitised instruments, as applicable, during the period to which the monthly return relates, in such form and containing such information as the Hong Kong Stock Exchange may from time to time prescribe (irrespective of whether there has been any change in the information provided in its previous monthly return). Such information includes, among other things, the number as at the close of such period of equity securities, debt securities and any other securitised instruments, as applicable, issued and which may be issued pursuant to options, warrants, convertible securities or any other agreements or arrangements.

General Meetings

Rule 13.73, Hong Kong Listing Rules: Notices

The issuer shall ensure that notice of every meeting of our shareholders or its creditors concerning the issuer (e.g. for winding up petitions, schemes of arrangement or capital reduction) is published in accordance with Rule 2.07C of the Hong Kong Listing Rules. The issuer shall despatch a circular to our shareholders at the same time as (or before) the issuer gives notice of the general meeting to approve the transaction referred to in the circular. The issuer shall provide our shareholders with any material information on the subject matter to be considered at a general meeting that comes to the directors' attention after the circular is issued. The issuer must provide the information either in a supplementary circular or by way of an announcement in accordance with Rules 2.07C of the Hong Kong Listing Rules not less than ten (10) business days before the date of the relevant general meeting to consider the subject matter. The meeting must be adjourned before considering the relevant resolution to ensure compliance with this ten (10) business day requirement by the chairman or, if that is not permitted by the issuer's constitutional documents, by resolution to that effect.

Rules 13.39(4) and (5), Hong Kong Listing Rules: Meetings of Shareholders

Any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

General Meetings

(15) The date, time and place of any general meeting. All notices convening meetings must be sent to shareholders at least 14 calendar days before the meeting (excluding the date of notice and the date of meeting). For meetings to pass special resolution(s), the notice must be sent to shareholders at least 21 calendar days before the meeting (excluding the date of notice and the date of meeting).

(16) Immediately after each general meeting and before the commencement of the pre-opening session on the market day following the general meeting, whether the resolutions put to a general meeting of an issuer were passed. The announcement shall include:

(a) Breakdown of all valid votes cast at the general meeting, in the following format:

Resolution no. and details	Total no. of shares represented by votes for and against the relevant resolution	No. of shares	For		Against	
			As a percentage of total number of votes for and against the resolution		As a percentage of total number of votes for and against the resolution	
			No. of shares	(%)	No. of shares	(%)

[•] [•] [•] [•] [•] [•]

(b) Details of parties who are required to abstain from voting on any resolution(s), including the number of shares held and the individual resolution(s) on which they are required to abstain from voting; and

(c) Name of firm and/or person appointed as scrutineer.

The issuer must announce the meeting's poll results as soon as possible, but in any event at least thirty (30) minutes before the earlier of either the commencement of the morning trading session or any pre-opening session on the business day after the meeting.

Paragraph E.1.3 in Appendix 14, Hong Kong Listing Rules: Communication with Shareholders – Effective Communication

The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least twenty (20) clear business days before the meeting and to be sent at least ten (10) clear business days for all other general meetings.

Rule 13.23(1), Hong Kong Listing Rules: Notifiable Transactions, Connected Transactions, Takeovers and Share Repurchases

An issuer must announce details of acquisitions and realisations of assets and other transactions required by Chapters 14 and 14A of the Hong Kong

Rule 730A, Listing Manual: Facilitating Interaction with Shareholders

- (1) An issuer shall hold all its general meetings in Singapore, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation.
- (2) All resolutions at general meetings shall be voted by poll.
- (3) At least one scrutineer shall be appointed for each general meeting. The appointed scrutineer(s) shall be independent of the persons undertaking the polling process. Where the appointed scrutineer is interested in the resolution(s) to be passed at the general meeting, it shall refrain from acting as the scrutineer for such resolution(s).
- (4) The appointed scrutineer shall exercise the following duties:
 - (a) ensuring that satisfactory procedures of the voting process are in place before the general meeting; and
 - (b) directing and supervising the count of the votes cast through proxy and in person.

Acquisitions and Realisations

- (17) Any acquisition of:–
 - (a) shares resulting in the issuer holding 10.0% or more of the total number of issued shares excluding treasury shares of a quoted company;

Listing Rules and, where applicable, must circularise holders of its securities with details and obtain their approval thereto.

Rules 14.06 and 14.07, Hong Kong Listing Rules: Classification and Explanation of Terms

Under Chapter 14 of the Hong Kong Listing Rules, the transaction classification is made by using the percentage ratios set out in Rule 14.07 of the Hong Kong Listing Rules. The classifications are:

- (1) share transaction: an acquisition of assets (excluding cash) by a listed issuer where the consideration includes securities for which listing will be sought and where all percentage ratios are less than 5.0%;
- (2) disclosable transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 5.0% or more, but less than 25.0%;
- (3) major transaction: a transaction or a series of transactions by a listed issuer where any percentage ratio is 25.0% or more, but less than 100.0% for an acquisition or 75.0% for a disposal;
- (4) very substantial disposal: a disposal or a series of disposals of assets by a listed issuer where any percentage ratio is 75.0% or more;
- (5) very substantial acquisition: an acquisition or a series of acquisitions of assets by a listed

(b) except for an issuer which is a bank, finance company, securities dealing company or approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment exceeding each multiple of 5.0% of the issuer's latest audited consolidated net tangible assets;

(c) shares resulting in a company becoming a subsidiary or an associated company of the issuer; and

(d) shares resulting in the issuer increasing its shareholding in a subsidiary or an associated company.

(18) Any sale of:

(a) shares resulting in the issuer holding less than 10% of the total number of issued shares excluding treasury shares of a quoted company;

(b) except for an issuer which is a bank, a finance company, a securities dealing company or an approved financial institution, quoted securities resulting in the issuer's aggregate cost of investment in quoted securities falling below each multiple of 5% of the issuer's latest audited consolidated net tangible assets;

(c) shares resulting in a company ceasing to be a subsidiary or an associated company of the issuer; and

issuer where any percentage ratio is 100.0% or more; and

- (6) reverse takeover: an acquisition or a series of acquisitions of assets by a listed issuer which, in the opinion of the Hong Kong Stock Exchange, constitutes, or is part of a transaction or arrangement or series of transactions or arrangements which constitute, an attempt to achieve a listing of the assets to be acquired and a means to circumvent the requirements for new applicants set out in Chapter 8 of the Hong Kong Listing Rules.

The relevant category that a transaction falls under depends on the following percentage ratios computed on the following bases:–

- (1) assets ratio: the total assets which are the subject of the transaction divided by the total assets of the listed issuer;
- (2) profits ratio: the profits attributable to the assets which are the subject of the transaction divided by the profits of the listed issuer;
- (3) revenue ratio: the revenue attributable to the assets which are the subject of the transaction divided by the revenue of the listed issuer;
- (4) consideration ratio: the consideration divided by the total market capitalisation of the listed issuer. The total market capitalisation is the average closing price of the listed issuer's

- (d) shares resulting in the issuer reducing its shareholding in a subsidiary or an associated company.

- (19) Any acquisition or disposal of shares or other assets which is required to be announced under Chapter 10 of the Listing Manual.

Chapter 10 of the Listing Manual (Acquisitions and Realisations)

Part IV Classification of Transactions Rule 1004, Listing Manual

Under Chapter 10, transactions are classified as:–

- (a) non-discloseable transactions;
- (b) discloseable transactions;
- (c) major transactions; and
- (d) very substantial acquisitions or reverse takeovers.

Rule 1005, Listing Manual

In determining whether a transaction falls within category (a), (b), (c) or (d) of Rule 1004, SGX-ST may aggregate separate transactions completed within the last 12 months and treat them as if they were one transaction.

Rule 1006, Listing Manual

The relevant category that a transaction falls under depends on the size of the relative figures computed on the following bases:–

- (a) The net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets;

securities as stated in the SEHK's daily quotations sheets for the five (5) business days immediately preceding the date of the transaction; and

- (5) equity capital ratio: the number of shares to be issued by the listed issuer as consideration divided by the total number of the listed issuer's issued shares immediately before the transaction.

Rule 14.34, Hong Kong Listing Rules: Notification and Announcement

As soon as possible after the terms of a share transaction, discloseable transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover have been finalized, the listed issuer must in each case inform the Hong Kong Stock Exchange and publish an announcement as soon as possible.

Rules 14.38A to 14.57, Hong Kong Listing Rules: Additional Requirements for Major Transaction, Very Substantial Disposal, Very Substantial Acquisition and Reverse Takeover

For a major transaction, very substantial disposal and very substantial acquisition, the shareholders' approval is required, while the approvals from both the shareholders and the Hong Kong Stock Exchange are required for reverse takeover.

- (b) The net profits attributable to the assets acquired or disposed of, compared with the group's net profits;
- (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares;
- (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue; and
- (e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.

Transactions are categorised as follows in the Listing Manual:-

- **Rule 1008(1):** non-discloseable transaction: where all of the relative figures computed on the bases set out in Rule 1006 amount to 5.0% or less;
- **Rule 1010:** discloseable transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 5.0% but does not exceed 20.0%;

- **Rule 1014(1):** major transaction: where any of the relative figures computed on the bases set out in Rule 1006 exceeds 20.0%; and
- **Rule 1015(1):** very substantial acquisition or reverse takeover: where an acquisition of assets (whether or not the acquisition is deemed in the issuer's ordinary course of business) is one where any of the relative figures as computed on the bases set out in Rule 1006 is 100.0% or more, or is one which will result in a change in control of the issuer, the transaction is classified as a very substantial acquisition or reverse takeover respectively.

Where a transaction is classified as a discloseable transaction, major transaction or very substantial acquisition/reverse takeover, our Company must make an immediate announcement.

For very substantial acquisitions/reverse takeovers, the issuer must also immediately announce the latest three (3) years of *pro forma* financial information of the assets to be acquired.

Further, transactions that are major transactions are conditional upon the prior approval of shareholders. Very substantial acquisitions/reverse takeovers transactions are conditional upon the approval of shareholders and the approval of the SGX-ST.

A circular to shareholders will need to be distributed to seek shareholders' approval. The disclosures required to be made in such circular for these types of transactions are prescribed in the Listing Manual.

**Rule 13.25, Hong Kong Listing Rules:
Winding-up and Liquidation**

An issuer shall inform the Hong Kong Stock Exchange of the happening of any of the following events as soon as it comes to its attention:

- (a) the appointment of a receiver or manager either by any court having jurisdiction or under the terms of a debenture or any application to any court having jurisdiction for the appointment of a receiver or manager, or equivalent action in the country of incorporation or other establishment, in respect of the business or any part of the business of the issuer or the property of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Hong Kong Listing Rules;
- (b) the presentation of any winding-up petition, or equivalent application in the country of incorporation or other establishment, or the making of any winding-up order or the appointment of a provisional liquidator, or equivalent action in the country of incorporation or other establishment, against or in respect of the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Hong Kong Listing Rules;
- (c) the passing of any resolution by the issuer, its holding company or any subsidiary falling under Rule 13.25(2) of the Hong Kong Listing Rules that it be wound up by way

**Rule 704, Listing Manual:
Announcement of Specific
Information Winding Up, Judicial
Management, etc.**

- (20) Any application filed with a court to wind up the issuer or any of its subsidiaries, or to place the issuer or any of its subsidiaries under judicial management.
- (21) The appointment of a receiver, judicial manager or liquidator of the issuer or any of its subsidiaries.
- (22) Any breach of any loan covenants or any notice received from principal bankers or from the trustee of any debenture holders to demand repayment of loans granted to the issuer or any of its subsidiaries which, in the opinion of the issuer's directors, would result in the issuer facing a cash flow problem.
- (23) Where Rule 704(20), (21) or (22) applies, a monthly update must be announced regarding the issuer's financial situation. If any material development occurs between the monthly updates, it must be announced immediately.

of members' or creditors' voluntary winding-up, or equivalent action in the country of incorporation or other establishment;

- (d) the entry into possession of or the sale by any mortgagee of a portion of the issuer's assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5.0% under any of the percentage ratios defined under Rule 14.04(9) of the Hong Kong Listing Rules; or
- (e) the making of any final judgment, declaration or order by any court or tribunal of competent jurisdiction whether on appeal or at first instance which is not subject to any or further appeal, which may adversely affect the issuer's enjoyment of any portion of its assets where the aggregate value of the total assets or the aggregate amount of profits or revenue attributable to such assets represents more than 5.0% under any of the percentage ratios defined under Rule 14.04(9) of the Hong Kong Listing Rules.

Rules 13.25(1)(a), (b) and (c) of the Hong Kong Listing Rules will apply to a subsidiary of the issuer if the value of that subsidiary's total assets, profits or revenue represents 5.0% or more under any of the percentage ratios defined under Rule 14.04(9) of the Hong Kong Listing Rules.

Rule 13.09(1), Hong Kong Listing Rules: General Obligation of Disclosure **Announcement of Results, Dividends, etc.**

Without prejudice to Rule 13.10 of the Hong Kong Listing Rules, where in the view of the Hong Kong Stock Exchange there is or there is likely to be a false market in an issuer's securities, the issuer must, as soon as reasonably practicable after consultation with the Hong Kong Stock Exchange, announce the information necessary to avoid a false market in its securities.

Rules 13.45(1) and (2), Hong Kong Listing Rules: After Board Meetings

An issuer shall inform and announce immediately after approval by or on behalf of the board of:

- (1) any decision to declare, recommend or pay any dividend or to make any other distribution on its listed securities, including the rate and amount of the dividend or distribution and the expected payment date;
- (2) any decision not to declare, recommend or pay any dividend which would otherwise have been expected to have been declared, recommended or paid in due course.

(24) Any recommendation or declaration of a dividend (including a bonus or special dividend, if any), the rate and amount per share and date of payment. If dividends are not taxable in the hands of shareholders, this must be stated in the announcement and in the dividend advice to shareholders. If there is a material variation in the interim or final dividend rate compared to that for the previous corresponding period, the directors must state the reasons for the variation at the time the dividend is recommended or declared. If the directors decide not to declare or recommend a dividend, this must be announced.

(25) After the end of each of the first three (3) quarters of its financial year, half year or financial year, as the case may be, an issuer must not announce any:–

- (a) dividend;
- (b) capitalisation or rights issue;
- (c) closing of the books;
- (d) capital return;
- (e) passing of a dividend; or
- (f) sales or turnover

unless it is accompanied by the results of the quarter, half year or financial year, as the case may be, or the results have been announced.

**Rule 13.66, Hong Kong Listing Rule: Books Closure
Closure of Books and Record Date**

(1) An issuer must announce any closure of its transfer books or register of members in respect of securities listed in Hong Kong at least six (6) business days before the closure for a rights issue, or ten (10) business days before the closure in other cases. In cases where there is an alteration of book closing dates, the issuer must, at least five (5) business days before the announced closure or the new closure, whichever is earlier, notify the Hong Kong Stock Exchange in writing and make a further announcement.

(2) An issuer must ensure that the last day for trading in the securities with entitlements falls at least one (1) business day after the general meeting, if the entitlements require the approval of shareholders in the general meeting or are contingent on a transaction that is subject to the approval of shareholders in the general meeting.

(26) Any intention to fix a books closure date, stating the date, reason and address of the share registry at which the relevant documents will be accepted for registration. At least five (5) market days of notice (excluding the date of announcement and the books closure date) must be given for any books closure date. Issuers could consider a longer notice period, where necessary. Subject to the provisions of the Companies Act, the SGX-ST may agree to a shorter books closure period. In fixing a books closure date, an issuer must ensure that the last day of trading on a cum basis falls at least one (1) day after the general meeting, if a general meeting is required to be held.

(27) The issuer must not close its books for any purpose until at least eight (8) market days after the last day of the previous books closure period. This rule does not prohibit identical books closure dates for different purposes.

Treasury Shares

(28) Any sale, transfer, cancellation and/or use of treasury shares, stating the following:–

(a) date of the sale, transfer, cancellation and/or use;

- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

Chapter 17 of the Hong Kong Listing Rules (Share Option Schemes)

Share Option Schemes or Share Schemes

Rule 17.02, Hong Kong Listing Rules: Adoption of a new scheme

Rule 843(3), Listing Manual

The adoption of share option scheme of the issuer or any of its subsidiaries is subject to the approval of the shareholders of the issuer in general meeting.

The approval of an issuer's shareholders must be obtained for any share option scheme or share scheme implemented by:-

- (a) the issuer; and
- (b) a principal subsidiary of the issuer if the scheme may cause Rule 805(2) to apply.

Rule 17.03, Hong Kong Listing Rules: Terms of the scheme

Rule 843(4), Listing Manual

The total number of securities which may be issued upon the exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10.0% of the relevant class of securities of the issuer (or the subsidiary) in issue as at the date of approval of the scheme. Options lapsed

If shareholders' approval is not required pursuant to Rule 843(3), an issuer must announce the principal terms of any such share option scheme or share scheme implemented by its subsidiaries.

in accordance with the terms of the scheme will not be counted for the purpose of calculating the 10.0% limit.

The issuer may seek shareholders' approval to "refresh" the 10.0% limit under the scheme. However, the total number of securities which may be issued upon exercise of all options to be granted under all of the schemes of the listed issuer (or the subsidiary) under the limit as "refreshed" must not exceed 10.0% of the relevant class of securities in issue as at the date of approval of the limit.

The terms and provisions of the scheme must provide, *inter alia*:

- (i) the total number of securities which may be issued upon exercise of all options to be granted under the scheme and any other schemes must not in aggregate exceed 10.0% of the relevant class of securities of the listed issuer (or the subsidiary) in issue as at the date of approval of the scheme – the limit on the number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the scheme and any other schemes must not exceed 30.0% of the relevant class of securities of the listed issuer (or the subsidiary) in issue from time to time. No options may be granted under any schemes of the listed issuer (or the subsidiary) if this will result in the limit being exceeded. The period within which the securities must be taken up under the option, which must not be more than ten (10) years from the date of grant of the option, and the life of the scheme, which must not be more than 10 years;

Rule 844, Listing Manual

Participation in a scheme must be restricted to directors and employees of the issuer and its subsidiaries, except that:–

- (1) directors and employees of an associated company of the issuer may participate in the scheme if the issuer has control over the associated company.
- (2) directors and employees of the issuer's parent company and its subsidiaries who have contributed to the success and development of the issuer may participate in the scheme.

Rule 845, Listing Manual

A limit on the size of each scheme, the maximum entitlement for each class or category of participant (where applicable), and the maximum entitlement for any one participant (where applicable) must be stated. For SGX-ST main board issuers, the following limits must not be exceeded:–

- (1) the aggregate number of shares available under all schemes must not exceed 15.0% of the total number of issued shares excluding treasury shares from time to time;
- (2) the aggregate number of shares available to controlling shareholders and their associates must not exceed 25.0% of the shares available under a scheme;
- (3) the number of shares available to each controlling shareholder or his associate must not exceed 10.0% of the shares available under a scheme;

- (ii) the maximum entitlement of each participant under the scheme (including both exercised and outstanding options) in any twelve (12) month period must not exceed 1.0% of the relevant class of securities of the issuer (or the subsidiary) in issue; and
- (iii) basis of determination of the exercise price – the exercise price of the scheme, which must be at least the higher of: (i) the closing price of the securities as stated in SEHK’s daily quotations sheet on the date of grant, which must be a business day; and (ii) the average closing price of the securities as stated in SEHK’s daily quotations sheets for the five (5) business days immediately preceding the date of grant. For the purpose of calculating the exercise price where an issuer has been listed for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing.
- (4) the aggregate number of shares available to directors and employees of the issuer’s parent company and its subsidiaries must not exceed 20.0% of the shares available under a scheme; and
- (5) the maximum discount under the scheme must not exceed 20.0%. The discount must have been approved by shareholders in a separate resolution.

Rule 847, Listing Manual

The exercise price of options to be granted must be set out. Options granted at a discount may be exercisable after two (2) years from the date of grant. Other options may be exercisable after one (1) year from the date of grant.

Rule 17.04(1), Hong Kong Listing Rules: Granting Options to a Director, Chief Executive or Substantial Shareholder of a Listed Issuer, or any of their Respective Associates

In addition to the shareholders’ approval set out in note (1) to Rule 17.03(3) of the Hong Kong Listing Rules and the note to Rule 17.03(4) of the Hong Kong Listing Rules, each grant of options to a director, chief executive or substantial shareholder of a listed issuer, or any of their respective associates, under a scheme of the listed issuer or any of its subsidiaries must comply with the requirements of this Rule 17.04(1) of the Hong Kong Listing Rules. Each grant of

options to any of these persons must be approved by independent non-executive directors of the listed issuer (excluding independent non-executive director who is the grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive director of the listed issuer, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve (12) month period up to and including the date of such grant, (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) (where the securities are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HKD five million (5,000,000), such further grant of options must be approved by shareholders of the listed issuer. The listed issuer must send a circular to the shareholders. The grantee, his associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

Rule 17.06A, Hong Kong Listing Rules: Announcement on Grant of Options

As soon as possible upon the granting by the issuer of an option under its share option scheme, the issuer must publish an announcement setting out the following details:–

- (1) date of grant;
- (2) exercise price of the options grant;

Rule 704(29): Announcement on employee share option scheme

(29) Any grant of options or shares. The announcement must be made on the date of the offer and provide details of the grant, including the following:–

- (a) date of grant;
- (b) exercise price of options granted;
- (c) number of options or shares granted;

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|--|--|
| <p>(3) number of options granted;</p> <p>(4) market price of its securities on the date of grant;</p> <p>(5) where any of the grantees is a director, chief executive or substantial shareholder of the issuer, or an associate of any of them, the names of such grantees and the number of options granted to each of them; and</p> <p>(6) validity period of the options.</p> | <p>(d) market price of its securities on the date of grant;</p> <p>(e) number of options or shares granted to each director and controlling shareholder (and each of their associates), if any; and</p> <p>(f) validity period of the options.</p> |
|--|--|

2. **Rules 13.46 to 13.50, Hong Kong Listing Rules: Disclosure of Financial Information**

Distribution of annual report and accounts

An issuer is required to send (i) every member of the issuer; and (ii) every other holder of its listed securities (not being bearer securities), a copy of either (a) its annual report including its annual accounts and, where the issuer prepares consolidated financial statements, its consolidated financial statements, together with a copy of the auditors' report thereon or (b) its summary financial report not less than twenty-one (21) days before the date of the issuer's annual general meeting and in any event not more than four (4) months after the end of the financial year to which they relate.

Interim reports

In respect of the first six (6) months of each financial year of an issuer unless that financial year is of six (6) months or

Announcement of financial results and annual reports

Rule 705, Listing Manual: Financial Statements

- (1) An issuer must announce the financial statements for the full financial year immediately after the figures are available, but in any event not later than 60 days after the relevant financial period.
- (2) An issuer must announce the financial statements for each of the first three (3) quarters of its financial year immediately after the figures are available, but in any event not later than 45 days after the quarter end if:-
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|---|
| <p>(a) its market capitalisation exceeded S\$75 million as at 31 March 2003; or</p> <p>(b) it was listed after 31 March 2003 and its market capitalisation exceeded S\$75</p> |
|---|

less, the issuer shall send (i) every member of the issuer; and (ii) every other holder of its listed securities (not being bearer securities), either (a) an interim report, or (b) a summary interim report not later than three (3) months after the end of that period of six (6) months.

**Preliminary announcements of results
– Full financial year**

An issuer shall publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than the time that is thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than three (3) months after the end of the financial year.

**Preliminary announcements of results
– First half of the financial year**

The issuer shall publish a preliminary announcement in respect of its results for the first six (6) months of each financial year, unless that financial year is of six (6) months or less, as soon as possible, but in any event not later than the time that is thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the next business day after approval by or on behalf of the board. The issuer must publish such results not later than two (2) months after the end of that period of six (6) months.

million at the time of listing (based on the IPO issue price); or

- (c) its market capitalisation is S\$75 million or higher on the last trading day of each calendar year commencing from 31 December 2006. An issuer whose obligation falls within this sub-section (c) will have a grace period of a year to prepare for quarterly reporting. As an illustration, an issuer whose market capitalisation is S\$75 million or higher as at the end of the calendar year 31 December 2006 must announce its quarterly financial statements for any quarter of its financial year commencing in 2008. Notwithstanding the grace period, all issuers whose obligation falls under this sub-section (c) are strongly encouraged to adopt quarterly reporting as soon as possible.

- (3) (a) An issuer who falls within the sub-sections in Rule 705(2) above must comply with Rule 705(2) even if its market capitalisation subsequently decreases below S\$75 million.
- (b) An issuer who does not fall within the sub-sections in Rule 705(2) above must announce its first half financial statements immediately after the figures

**Rule 4.03, Hong Kong Listing Rules:
Reporting Accountants**

All accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants.

are available, but in any event not later than 45 days after the relevant financial period.

- (4) Notwithstanding the foregoing, with respect to the first announcement to be made by the issuer pursuant to Rules 705(1) or (2) following its listing on the SGX-ST, where the time period between the date of its listing and the final date for the issuer to make the relevant announcement pursuant to Rule 705(1) or (2) above is less than 30 days, the issuer shall have 30 days from the relevant deadline to make the relevant announcement of the financial statements provided that the following conditions are satisfied:—
- (a) the extension is announced by the issuer at the time of the issuer's listing; and
 - (b) in the announcement referred to in paragraph (a), the issuer must confirm that there is no material adverse change to the financial position of the issuer since the date of its prospectus or introductory document in connection with its listing on SGX-ST.
- (5) In the case of an announcement of interim financial statements (quarterly or half-yearly, as applicable, but excluding full year financial statements), an issuer's directors must provide a confirmation that, to the best of

their knowledge, nothing has come to the attention of the board of directors which may render the interim financial statements to be false or misleading in any material aspect. In order to make this confirmation, directors would not be expected to commission an audit of these financial statements. The confirmation may be signed by two (2) directors on behalf of the board of directors.

**Rule 712, Listing Manual:
Appointment of Auditors**

- (1) An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.
- (2) The auditing firm appointed by the issuer must be:–
 - (a) registered with the Accounting and Corporate Regulatory Authority;
 - (b) registered with and/or regulated by an independent audit oversight body acceptable to the SGX-ST; or
 - (c) any other auditing firm acceptable by the SGX-ST.

- (3) A change in auditors must be specifically approved by shareholders in a general meeting.

Rule 713, Listing Manual

- (1) An issuer must disclose in its annual report the date of appointment and the name of the audit partner in charge of auditing the issuer and its group of companies. The audit partner must not be in charge of more than five (5) consecutive audits for a full financial year, the first audit being for the financial year beginning on or after 1 January 1997, regardless of the date of listing. The audit partner may return after two (2) years.
- (2) If the listing of an issuer occurs after five (5) consecutive audits by the same audit partner in charge, the same audit partner may complete the audit of the financial year in which the issuer lists.

Rule 707, Listing Manual

- (1) The time between the end of an issuer's financial year and the date of its annual general meeting (if any) must not exceed four (4) months.
- (2) An issuer must issue its annual report to shareholders and the SGX-ST at least 14 days before the date of its annual general meeting.

3. **Public Float Requirement****Rule 723, Listing Manual****Chapter 8 of the Hong Kong Listing Rules (Qualifications for Listing)**

An issuer must ensure that at least 10.0% of the total number of issued shares excluding treasury shares (excluding preference shares and convertible equity securities) in a class that is listed is at all times held by the public.

Rule 8.08(1), Hong Kong Listing Rules: Qualifications for listing

Save and except for the circumstances specified under Chapter 8 of the Hong Kong Listing Rules, an issuer must maintain at least 25.0% of its total number of issued shares at all times be held by the public.

Rule 724, Listing Manual

(1) If the percentage of securities in public hands falls below 10.0%, the issuer must, as soon as practicable, make an announcement and the SGX-ST may suspend trading of the class, or all of the securities of the issuer.

(2) The SGX-ST may allow the issuer a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of securities in public hands to at least 10.0%, failing which the issuer may be delisted.

4. **Shareholders' Reporting Obligations****Obligation to notify our Company and SGX-ST of substantial shareholding and change in substantial shareholding****Part XV of the SFO: Disclosure of Interests by Substantial Shareholders**

The Hong Kong Listing Rules require that the interests held by directors and chief executives and substantial shareholders (i.e. shareholders interested in 10.0% or more of the voting power) be disclosed in annual reports, interim reports and circulars of the listed company.

Substantial shareholder

The SFO and the Outline (the "Outline") of Part XV of the SFO –

Under the Companies Act, a substantial shareholder (i.e. shareholder having not less than 5.0% of the total votes attached to all the voting shares in the company) of a company shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level (as defined in the Companies Act) of the

Disclosure of Interests issued by the Securities and Futures Commission (the “**Commission**”) provides that a substantial shareholder (i.e. shareholder interested in 5.0% or more of the shares in the listed company) is required to disclose his interest, and short positions, in the shares of the listed company, within ten (10) business days after first becoming a substantial shareholder, or to disclose his changes in percentage figures of his shareholdings in the listed company or ceasing to be a substantial shareholder within three (3) business days after becoming aware of the relevant events. Please see to Section 2.7 of the Outline for examples of relevant events.

substantial shareholder’s interest, or when he ceases to be a substantial shareholder, give notice in writing to the company.

Under the Securities and Futures Act (Cap 289) (“**SFA**”), a substantial shareholder shall within two (2) business days after becoming a substantial shareholder, or when there is a change in the percentage level of the substantial shareholder’s interest, or when he ceases to be a substantial shareholder give notice in writing to the SGX-ST.

Section 81 of the Companies Act

A person has a substantial shareholding in a company if he has an “interest” in one (1) or more voting shares in the company, and the total votes attached to those shares is not less than 5.0% of the total votes attached to all the voting shares in the company.

Section 82 of the Companies Act

A substantial shareholder of a company is required to notify the company of his “interests” in the voting shares in the company within two (2) business days after becoming a substantial shareholder.

Sections 83 and 84 of the Companies Act

A substantial shareholder is required to notify the company of changes in the “percentage level” of his shareholding or his ceasing to be a substantial shareholder, again within two (2) business days after he becomes aware of such changes.

The reference to changes in “percentage level” means any changes in a

substantial shareholder's interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1.0% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Sections 135 to 137, SFA

A substantial shareholder is also required to give the above notifications to the SGX-ST at the same time.

5. Part XV of the SFO: Disclosure of Interests by Directors and Chief Executives

A director or a chief executive of a listed company is required to disclose his interest and short position in any shares in a listed company (or any of its associated companies) and their interest in any debentures of the listed company (or any of its associated companies) within ten (10) business days after becoming a director or chief executives of the listed company or within three (3) business days after becoming aware of the relevant events.

If a person, who is both a substantial shareholder and a director of the listed company concerned under the SFO, such person may have separate duties to file notices (one in each capacity) as a result of a single event. For example, a person who is interested in 5.9% of the shares of a listed company and buys a further 0.2% will have to file a notice because he is a director (and therefore has to

Directors

Under Section 164(1) of the Companies Act, a company shall keep a register showing with respect to each director and chief executive officer of the company particulars of:–

- (a) shares;
- (b) debentures of or participatory interests;
- (c) rights or options of the director; and
- (d) contracts to which the director (or the chief executive officer) or under which he is entitled to a benefit,

of the company or a related company.

A director or chief executive officer of a company shall be deemed to hold or have an interest or a right in or over any shares or debentures if the spouse or child of less than 18 years of age of that

disclose all transactions) and will also have to file a notice as a substantial shareholder because his interest has crossed the 6.0% level.

director or chief executive officer holds or has an interest or a right in or over any shares or debentures or makes or is granted any contract, assignment or right of subscription.

Under Section 165(1) of the Companies Act, a director and chief executive officer of a company shall give notice in writing to the company of such particulars relating to shares, debentures, participatory interests, rights, options and contracts as are necessary for the purposes of compliance by the first-mentioned company with Section 164, among other disclosure requirements.

Securities and Futures (Amendment) Act 2009

The Securities and Futures (Amendment) Act 2009 (the “**Amendment Act**”) has, *inter alia*, migrated all the disclosure obligations in the Companies Act into the Singapore SFA and has also introduced new disclosure requirements, for example, the requirement for foreign incorporated companies which have a primary listing on the SGX-ST to comply with the disclosure obligations in the Singapore SFA. The new amendments to the Singapore SFA expand the current scope of disclosure obligations.

Under the Amendment Act, the disclosure obligations currently under the Singapore SFA and the Companies Act have been consolidated and inserted into the Singapore SFA.

Duty of director or chief executive officer to notify corporation of his interests**Sections 133 and 134 of the SFA**

Section 133 of the SFA stipulates that every director and chief executive officer of a corporation shall give notice in writing to the corporation of particulars of, inter alia, shares in the corporation; or a related corporation of the corporation, which he holds, or in which he has an interest and the nature and extent of that interest, within two (2) business days after:–

- (a) the date on which the director or chief executive officer becomes such a director or chief executive officer; or
- (b) the date on which the director or chief executive officer becomes a holder of, or acquires an interest in, the shares,

whichever last occurs.

Under Section 134, any director or chief executive officer of a corporation who intentionally or recklessly contravenes Section 133 in relation to the disclosure of shares held in the corporation, or furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

Power of corporation to require disclosure of beneficial interest in its voting shares

Any corporation may, under Section 137F of the SFA, require any member of the corporation within such reasonable time as is specified in the notice (which shall comply with the requirements stipulated by the Monetary Authority of Singapore):–

- (a) to inform it whether he holds any voting shares in the corporation as beneficial owner or as trustee; and
- (b) if he holds them as trustee, to indicate so far as he can the persons for whom he holds them (either by name or by other particulars sufficient to enable those persons to be identified) and the nature of their interest.

Whenever a corporation receives information from a person pursuant to a requirement imposed on him under this section with respect to shares held by a member of the corporation, it shall be under an obligation to inscribe against the name of that member in a separate part of the register kept by it under Section 137C:–

- (i) the fact that the requirement was imposed and the date on which it was imposed; and
- (ii) the information received pursuant to the requirement.

Any person who intentionally or recklessly contravenes the requirement to comply with the notice, or in purported compliance with the requirement, furnishes any information which he knows is false or misleading in a material particular or is reckless as to whether it is, shall be guilty of an

offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

Duty of corporation to make disclosure

Section 137G of the SFA

Where a corporation has been notified in writing by a director or chief executive officer of the corporation or a substantial shareholder in respect of a change in the particulars of his shareholdings, the corporation shall announce or otherwise disseminate the information stated in the notice to the securities market operated by the securities exchange on whose official list any or all of the shares of the corporation are listed, as soon as practicable and in any case, no later than the end of the business day following the day on which the corporation received the notice.

Any corporation that intentionally or recklessly contravenes this duty of disclosure; or in purported compliance, announces or disseminates any information knowing that it is false or misleading in a material particular or reckless as to whether it is, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 and, in the case of a continuing offence, to a further fine not exceeding S\$25,000 for every day or part thereof during which the offence continues after conviction.

Restrictions and notification requirements on issuers purchasing their own shares on a stock exchange**Rule 10.05, Hong Kong Listing Rules**

Subject to the provisions of the Code on Share Buy-backs, an issuer may purchase its shares on the Hong Kong Stock Exchange or on another stock exchange recognised for this purpose by the Commission and the Hong Kong Stock Exchange. All such purchases must be made in accordance with Rule 10.06 of the Hong Kong Listing Rules. The Code on Share Buy-backs must be complied with by an issuer and its directors and any breach thereof by an issuer will be a deemed breach of the Hong Kong Listing Rules and the Hong Kong Stock Exchange may in its absolute discretion take such action to penalise any breach of this paragraph or the listing agreement as it shall think appropriate. It is for the issuer to satisfy itself that a proposed purchase of shares does not contravene the Code on Share Buy-backs.

Rule 10.06, Hong Kong Listing Rules

An issuer with primary listing on the Hong Kong Stock Exchange may only purchase its shares on the Hong Kong Stock Exchange if the relevant shares are fully-paid up, the issuer has previously sent to the shareholders an explanatory statement complying with the provisions of Rule 10.06(1)(b) of the Hong Kong Listing Rules and that the shareholders of the issuer have given a specific approval or a general mandate to the directors to make such a purchase, provided that the number of shares so purchased under the general mandate shall not exceed 10.0% of the number of issued shares of the issuer as at the date of the passing of the relevant shareholders' resolution granting the mandate of purchase.

Share Buyback**(a) Shareholder Approval****Rule 881, Listing Manual**

An issuer may purchase its own shares if it has obtained the prior specific approval of shareholders in general meeting.

Rule 882, Listing Manual

A share buy-back may only be made by way of on-market purchases transacted through the SGX-ST's trading system or on another stock exchange on which the issuer's equity securities are listed ("market acquisition") or by way of an off-market acquisition in accordance with an equal access scheme as defined in Section 76C of the Companies Act. Unless a lower limit is prescribed under the issuer's law of incorporation, such share buy-back shall not exceed 10.0% of the total number of issued ordinary shares in the capital of the issuer as at the date of the resolution passed by shareholders for the share buy-back.

Rule 883, Listing Manual

For the purpose of obtaining shareholder approval, the issuer must provide at least the following information to shareholders:-

- (1) the information required under the Companies Act;
- (2) the reasons for the proposed share buy-back;

Rule 10.06(1)(b), Hong Kong Listing Rules: Explanatory statement

For the purpose of obtaining shareholders' approval, the issuer must have previously sent to our shareholders an explanatory statement containing all the information reasonably necessary to enable those shareholders to make an informed decision on whether to vote for or against the ordinary resolution to approve the purchase by the issuer of shares including the information set out below:–

- (1) a statement of the total number and description of the shares which the issuer proposes to purchase;
- (2) a statement by the directors of the reasons for the proposed purchase of shares;
- (3) a statement by the directors as to the proposed source of funds for making the proposed purchase of shares, which shall be funds legally available for such purposes in accordance with the issuer's constitutive documents and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (4) a statement as to any material adverse impact on the working capital or gearing position of the issuer (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period, or an appropriate negative statement;

- (3) the consequences, if any, of share purchases by the issuer that will arise under the Singapore Takeover Code or other applicable takeover rules;
- (4) whether the share buy-back, if made, could affect the listing of the issuer's equity securities on the SGX-ST;
- (5) details of any share buy-back made by the issuer in the previous 12 months, giving the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (6) whether the shares purchased by the issuer will be cancelled or kept as treasury shares.

(b) Dealing Restrictions:**Rule 884, Listing Manual**

In the case of a Market Purchase, the purchase price must not exceed 105.0% of the average closing price (“**Average Closing Price**”).

“Average Closing Price” means the average of the closing market prices of a share over the last five (5) market days preceding the day of the market purchase on which transactions in the shares were recorded and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period.

- (5) a statement of the name of any directors, and to the best of the knowledge of the directors having made all reasonable enquiries, any close associates of the directors, who have a present intention, in the event that the proposal is approved by shareholders, to sell shares to the issuer, or an appropriate negative statement;
- (6) a statement that the directors have undertaken to the Hong Kong Stock Exchange to exercise the power of the issuer to make purchases pursuant to the proposed resolution in accordance with the Hong Kong Listing Rules and the laws of the jurisdiction in which the issuer is incorporated or otherwise established;
- (7) a statement as to the consequences of any purchases which will arise under the HK Takeovers Code of which the directors are aware, if any;
- (8) a statement giving details of any purchases by the issuer of share made in previous six (6) months (whether on the Hong Kong Stock Exchange or otherwise) giving the date of each purchase and the purchase price per share or the highest and lowest prices paid for such purchases, where relevant;
- (9) a statement as to whether or not any core connected persons of the issuer have notified the issuer that they have a present intention to sell shares to the issuer or have undertaken not to sell any of the shares held by them to the issuer, in the event that the issuer is authorised to make purchases of shares;
- Rule 885, Listing Manual**
- In the case of off-market acquisition in accordance with an equal access scheme, an issuer must issue an offer document to all shareholders containing at least the following information:–
- (1) terms and conditions of offer;
 - (2) period and procedures for acceptances; and
 - (3) information in Rule 883(2), (3), (4), (5) and (6).
- (c) Reporting Requirements**
- Rule 886(1), Listing Manual**
- Where an issuer purchases its shares by way of a market purchase, the issuer shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9:00 a.m. on the market day following the day of purchase of any of its shares.
- In a case of an off market purchase under an equal access scheme, an issuer must notify the SGX-ST by 9:00 a.m. on the second market day after the close of acceptances of the offer.
- Rule 886(2), Listing Manual**
- Notification of a purchase by the issuer of its shares must be in the form of Appendix 8.3.2 of the Listing Manual for an issuer with a dual listing on another stock exchange. Such notification would include, *inter alia*, the name of the overseas exchange on which the company's shares are also listed, the maximum number of shares

- (10) a statement giving the highest and lowest prices at which the relevant shares have traded on the Hong Kong Stock Exchange during each of the previous twelve (12) months; and
- (11) the disclaimer of the Hong Kong Stock Exchange in the form set out under the Hong Kong Listing Rules.
- authorised for purchase, details of the total number of shares authorised for purchase, the date of purchases, the total number of shares purchased, the purchase price per share, the highest and lowest prices paid for such shares, the total purchase consideration, the cumulative number of shares purchased to date and the number of issued shares after the purchase.

Rule 10.06(2), Hong Kong Listing Rules: Dealing Restrictions

The buy-back of shares by an issuer is subject to various dealing restrictions, including, among others, that an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5.0% or more than the average closing market price for the five (5) preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

Rule 10.06(4), Hong Kong Listing Rules: Reporting Requirements

- (a) An issuer is required to submit for publication to the Hong Kong Stock Exchange within thirty (30) minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the issuer makes a purchase of shares (whether on the Hong Kong Stock Exchange or otherwise), the total number of shares purchased by the issuer the previous day, the purchase price per share or the highest and lowest prices paid for such purchases, where relevant, and shall confirm that those purchases which were made on the Hong Kong Stock Exchange were made in accordance with the Hong Kong Listing Rules and if the

issuer's primary listing is on the Hong Kong Stock Exchange, that there have been no material changes to the particulars contained in the explanatory statement. In respect of purchases made on another stock exchange, the issuer's report must confirm that those purchases were made in accordance with the domestic rules applying to purchases on that other stock exchange. Such reports shall be made on a return in such form and containing such information as the Hong Kong Stock Exchange may from time to time prescribe. In the event that no shares are purchased on any particular day then no return need be made to the Hong Kong Stock Exchange. The issuer should make arrangements with its brokers to ensure that they provide to the issuer in a timely fashion the necessary information to enable the issuer to make the report to the Hong Kong Stock Exchange.

- (b) An issuer is also required to include in its annual report and accounts a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Hong Kong Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the issuer for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

Solicitation for Proxy

Investors holding securities in listed companies listed on the Hong Kong Stock Exchange through CCASS who want to attend the shareholders' meetings in person or appoint proxies to vote on their behalf have to solicit for proxy by giving instructions to CCASS directly or through their broker firms (as the case may be) to authorise the investors as corporate representatives or proxies of Hong Kong Securities Clearing Company Limited Nominees (or any successor thereto) in respect of such shareholding of the investors in the listed companies.

Depositors who wish to attend and vote at the extraordinary general meeting, and whose names are shown in the records of the Central Depository (Pte) Limited ("CDP") as at a time not earlier than 72 hours prior to the time of the extraordinary general meeting supplied by CDP to the company, may attend the extraordinary general meeting in person. Such depositors who are individuals and who wish to attend the extraordinary general meeting in person need not take any further action and can attend and vote at the extraordinary general meeting.

Issuance of New Shares, Convertible Bonds or Bonds with Warrants**Sections 140 and 141, HKCO: Allotment and Issues of Shares**

The directors of a company may exercise a power (i) to allot shares in the company; or (ii) to grant rights to subscribe for, or to convert any security into, shares in the company, only if the company gives approval in advance by resolution of the company.

Rules 13.36(1) to (3), Hong Kong Listing Rules: Pre-emptive rights

Except in the circumstances, mentioned in Rule 13.36(2) of the Hong Kong Listing Rules:

- (a) the directors of the issuer shall obtain the consent of shareholders in general meeting prior to allotting, issuing or granting: (i) shares; (ii) securities convertible into shares; or (iii) options, warrants or similar rights to subscribe for any shares or such convertible securities; and

Power of Directors to Allot and Issue Shares

The power to issue shares in a company is usually vested with the directors of that company subject to any restrictions in the constitution of that company.

However, notwithstanding anything to the contrary in the constitution of a company, prior approval of the company at a general meeting is required to authorise the directors to exercise any power of the company to issue shares. Such approval need not be specific but may be general.

Rule 805, Listing Manual

Except as provided in Rule 806, an issuer must obtain the prior approval of shareholders in general meeting for the following:–

- (1) the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer; or

- (b) the directors of the issuer shall obtain consent of the shareholders in general meeting prior to allotting any voting shares if such allotment would effectively alter the control of the issuer.
- (2) if a principal subsidiary of an issuer issues shares or convertible securities or options that will or may result in:–

No such consent as is referred to in Rule 13.36(1)(a) of the Hong Kong Listing Rules shall be required:

- (a) the principal subsidiary ceasing to be a subsidiary of the issuer; or
- (b) a percentage reduction of 20.0% or more of the issuer's equity interest in the principal subsidiary.
- (a) for the allotment, issue or grant of such securities pursuant to an offer made to the shareholders of the issuer which excludes for that purpose any shareholder that is resident in a place outside Hong Kong provided the directors of the issuer consider such exclusion to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place and, where appropriate, to holders of other equity securities of the issuer entitled to be offered them, pro rata (apart from fractional entitlements) to their existing holdings; or
- (b) if, but only to the extent that, the existing shareholders of the issuer have by ordinary resolution in general meeting given a general mandate to the directors of the issuer, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued,

Rule 806(1), Listing Manual

A company need not obtain the prior approval of shareholders in a general meeting for the issue of securities if the shareholders had by ordinary resolution in a general meeting, given a general mandate to the directors of the issuer to issue:–

- (i) shares; or
- (ii) convertible securities; or
- (iii) additional convertible securities issued pursuant to Rule 829, notwithstanding that the general mandate may have ceased to be in force at the time the securities are issued, provided that the adjustment does not give the holder a benefit that a shareholder does not receive; or
- (iv) shares arising from the conversion of the securities in (ii) and (iii) notwithstanding that the general mandate may have ceased to be in force at the time the shares are to be issued.

allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of securities allotted or agreed to be allotted must not exceed the aggregate of (i) 20.0% of the number of issued shares of the issuer as at the date of the resolution granting the general mandate (or in the case of a scheme of arrangement involving an introduction in the circumstances set out in Rule 7.14(3) of the Hong Kong Listing Rules, 20.0% of the number of issued shares of an overseas issuer following the implementation of such scheme) and (ii) the number of such securities repurchased by the issuer itself since the granting of the general mandate (up to a maximum number equivalent to 10% of the number of issued shares of the issuer as at the date of the resolution granting the repurchase mandate), provided that the existing shareholders of the issuer have by a separate ordinary resolution in general meeting given a general mandate to the directors of the issuer to add such repurchased securities to the 20.0% general mandate.

A general mandate to directors to issue and allot shares shall only continue in force until (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution at which time it shall lapse, unless such mandate is renewed by the shareholders; or (b) revoked or varied by the shareholders at general meeting, whichever occurs first.

Rule 806(2), Listing Manual

A general mandate must limit the aggregate number of shares and convertible securities that may be issued. The limit must be not more than 50.0% of the total number of issued shares excluding treasury shares, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20.0% of the total number of issued shares excluding treasury shares.

Unless prior shareholder approval is required under the Listing Manual, an issue of treasury shares will not require further shareholder approval, and will not be included in the aforementioned limits.

Rule 806(6), Listing Manual

A general mandate may remain in force until the earlier of the following:–

- (a) the conclusion of the first annual general meeting of the issuer following the passing of the resolution. By an ordinary resolution passed at that meeting, the mandate may be renewed, either unconditionally or subject to conditions; or
- (b) it is revoked or varied by ordinary resolution of the shareholders in general meeting.

Specific Mandate**Rule 824, Listing Manual**

Every issue of company warrants or other convertible securities not covered under a general mandate must be specifically approved by shareholders in general meeting.

Rule 13.36(5), Hong Kong Listing Rules: Placing of Securities for Cash

In the case of a placing of securities for cash consideration, the issuer may not issue any securities pursuant to a general mandate given under Rule 13.36(2)(b) of the Hong Kong Listing Rules if the relevant price represents a discount of 20.0% or more to the benchmarked price of the securities, Such benchmarked price being the higher of:–

- (a) the closing price on the date of the relevant placing agreement or other agreement involving the proposed issue of securities under the general mandate; and
- (b) the average of the closing prices in the five (5) trading days immediately prior to the earlier of:–
 - (i) the date of the announcement of the placing or the proposed transaction or arrangement involving the proposed issue of securities under the general mandate;
 - (ii) the date of the placing agreement or other agreement involving the proposed issue of securities under the general mandate; and

Issue of Shares, Company Warrants and Convertible Securities For Cash (Other than Rights Issues)**Rule 811, Listing Manual**

- (1) An issue of shares must not be priced at more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the placement agreement is signed.

Rule 811(2): Issuance of warrants and other convertible securities**Rule 811(2), Listing Manual**

An issue of company warrants or other convertible securities is subject to the following requirements:–

- (a) if the conversion price is fixed, the price must not be more than 10.0% discount to the prevailing market price of the underlying shares prior to the signing of the placement or subscription agreement; and

(iii) the date on which the placing or subscription price is fixed,

unless the issuer can satisfy the Hong Kong Stock Exchange that it is in a serious financial position and that the only way it can be saved is by an urgent rescue operation which involves the issue of new securities at a price representing a discount of 20.0% or more to the benchmarked price of the securities or that there are other exceptional circumstances. The issuer shall provide the Hong Kong Stock Exchange with detailed information on the allottees to be issued with securities under the general mandate.

Rule 15.02, Hong Kong Listing Rules: Options, warrants and similar rights

All warrants must, prior to the issue or grant thereof, be approved by the Hong Kong Stock Exchange and in addition, where they are warrants to subscribe equity securities, by the shareholders in general meeting. In the absence of exceptional circumstances which would include, by way of example, a rescue reorganisation, the Hong Kong Stock Exchange will only grant approval to the issue or grant of warrants to subscribe securities if the following requirements are complied with:

(1) the securities to be issued on exercise of the warrants must not, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is

(b) if the conversion price is based on a formula, any discount in the price-fixing formula must not be more than 10.0% of the prevailing market price of the underlying shares before conversion.

Rule 811(3), Listing Manual

Rules 811(1) and (2) are not applicable if specific shareholder approval is obtained for the issue of shares, company warrants or other convertible securities.

Rule 811(4), Listing Manual

Where specific shareholders' approval is sought, the circular must include the following:–

- (a) information required under Rule 810 of the Listing Manual; and
- (b) the basis upon which the discount was determined.

Rule 824, Listing Manual

Every issue of company warrants or other convertible securities not covered under a general mandate (Rule 806, Listing Manual) must be specifically approved by shareholders in general meeting.

Rule 825, Listing Manual

In procuring the approval of shareholders in a general meeting, the circular to the shareholders must include the recommendations of the board of directors of the issuer on such an issue of company warrants or convertible

permissible, exceed 20.0% of the number of issued shares of the issuer at the time such warrants are issued.

Options granted under employee or executive share schemes which comply with Chapter 17 of the Hong Kong Listing Rules are excluded for the purpose of this limit; and

- (2) such warrants must expire not less than one and not more than five (5) years from the date of issue or grant and must not be convertible into further rights to subscribe securities which expire less than one year or more than five (5) years after the date of issue or grant of the original warrants.

Rule 15.03, Hong Kong Listing Rules

The circular or notice to be sent to shareholders convening the requisite meeting under Rule 15.02 of the Hong Kong Listing Rules must include, at least, the maximum number of securities which would be issued on exercise of the warrants, the period during which the warrants may be exercised and the date when this right commences, the amount payable on the exercise of the warrants, the arrangements for transfer or transmission of the warrants, the rights of the holders on the liquidation of the issuer, the arrangements for the variation in the subscription or purchase price or number of securities to take account of alterations to the share capital of the issuer, the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer, and a summary of any other material terms of the warrants.

securities and the basis for such recommendation(s).

Rule 826, Listing Manual

If application is made for the listing of company warrants or other convertible securities, the SGX-ST will normally require a sufficient spread of holdings to provide for an orderly market in the securities. As a guide, the SGX-ST expects at least 100 warrant holders for a class of company warrants.

Rule 827, Listing Manual

Company warrants or other convertible securities may be listed only if the underlying securities are (or will become at the same time) one of the following:–

- (1) a class of equity securities listed on the SGX-ST; or
- (2) a class of equity securities listed or dealt in on a stock market approved by the SGX-ST.

Rule 828, Listing Manual

Each company warrant must:–

- (1) give the registered holder the right to subscribe for or buy one (1) share in the total number of issued shares excluding treasury shares of the issuer; and
- (2) not be expressed in terms of dollar value.

Rule 829, Listing Manual

The terms of the issue must provide for:–

- (1) adjustment to the exercise or conversion price and, where appropriate, the number of company warrants or other convertible securities, in the event of rights, bonus or other capitalisation issues;
- (2) the expiry of the company warrants or other convertible securities to be announced, and notice of expiry to be sent to all holders of the company warrants or other convertible securities at least one (1) month before the expiration date; and
- (3) any material alteration to the terms of company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the alterations are made pursuant to the terms of the issue.

Rule 830, Listing Manual

An issuer must announce any adjustment made pursuant to Rule 829(1).

Rule 831, Listing Manual

Except where the alterations are made pursuant to the terms of an issue, an issuer must not:–

- (i) extend the exercise period of an existing company warrant;

- (ii) issue a new company warrant to replace an existing company warrant;
- (iii) change the exercise price of an existing company warrant; or
- (iv) change the exercise ratio of an existing company warrant.

Rule 832, Listing Manual

A circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include at least the following information:–

- (1) the maximum number of the underlying securities which would be issued or transferred on exercise or conversion of the company warrants or other convertible securities;
- (2) the period during which the company warrants or other convertible securities may be exercised and the dates when this right commences and expires;
- (3) the amount payable on the exercise of the company warrants or other convertible securities;
- (4) the arrangement for transfer or transmission of the company warrants or other convertible securities;
- (5) the rights of the holders on the liquidation of the issuer;

- (6) the arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer;
- (7) the rights (if any) of the holders to participate in any distributions and/or offers of further securities made by the issuer;
- (8) a summary of any other material terms of the company warrants or other convertible securities;
- (9) purpose for and use of proceeds of the issue, including the use of future proceeds arising from the conversion/exercise of the company warrants or other convertible securities; and
- (10) the financial effects of the issue to the issuer.

Rules 7.19(6), Hong Kong Listing Rules: Rights issue

If the proposed rights issue would increase either the number of issued shares or the market capitalisation of the issuer by more than 50.0% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the twelve (12) month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such twelve (12) month period where dealing in respect of the shares issued pursuant thereto commenced within such twelve (12) month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion)

Chapter 8 Part V: Rights Issue

Rule 814, Listing Manual

- (1) An issuer which intends to make a right issue must announce (having regard to Rule 704(25)) the issue promptly, stating the following:–
 - (a) price, terms and purpose of the issue, including the amount of proceeds proposed to be raised from the issue and the intended use of such proceeds on a percentage allocation basis (which could be expressed as a range if the exact allocation has not been determined);

- granted or to be granted to shareholders as part of such rights issues or open offers):
- (a) the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. The issuer must disclose the information required under Rule 2.17 of the Hong Kong Listing Rules in the circular to shareholders;
- (b) the issuer shall set out in the circular to shareholders the purpose of the proposed rights issue, together with the total funds expected to be raised and a detailed breakdown and description of the proposed use of the proceeds. The issuer shall also include the total funds raised and a detailed breakdown and description of the funds raised on any issue of equity securities in the twelve (12) months immediately preceding the announcement of the proposed rights issue, the use of such proceeds, the intended use of any amount not yet utilised and how the issuer has dealt with such amount; and
- (c) the Hong Kong Stock Exchange reserves the right to require the rights issue to be fully underwritten.
- (b) whether the issue will be underwritten;
- (c) the financial circumstances which call for the issue; and
- (d) whether it has obtained or will be seeking the approval of the SGX-ST for the listing and quotation of the new shares arising from the rights issue.
- In addition, an issuer must observe the disclosure requirements in Appendix 8.2 of the Listing Manual.
- (2) If a rights issue involves an issue of convertible securities, the issuer must also comply with Part VI of Chapter 8 of the Listing Manual.
- Rule 815, Listing Manual**
- An issuer must announce any significant disbursement of the proceeds raised from the rights issue.
- Rule 816, Listing Manual**
- (1) Subject to Rule 816(2), a rights issue must provide for the rights to subscribe for securities to be renounceable in part or in whole in favour of a third party at the option of the entitled shareholders.
- (2) (a) An issuer can undertake non-renounceable rights issues:–
- (i) subject to specific shareholders' approval; or

- (ii) in reliance on the general mandate to issue rights shares in a non-renounceable rights issue if the rights shares are priced at not more than 10.0% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the rights issue is announced. If trading in the issuer's shares is not available for a full market day, the weighted average price must be based on the trades done on the preceding market day up to the time the rights issue is announced.
- (b) The non-renounceable rights issue must comply with Part V of Chapter 8 of the Listing Manual except Rule 816(1).

Rule 823, Listing Manual

An issuer making a rights issue must observe any time-table published by the SGX-ST.

Rule 833, Listing Manual

The following additional requirements apply to an offer of company warrants or other convertible securities by way of a rights issue or bought deal:–

- (1) The issuer's announcement of the rights issue or bought deal must include either:–
 - (a) the exercise or conversion price of the company warrants or other convertible securities; or
 - (b) a price-fixing formula to determine the exercise or conversion price. The price-fixing formula must not contain any discretionary element and the amount of premium or discount (in relation to the underlying share price) must be specified.
- (2) Where a price-fixing formula is adopted:–
 - (a) if the issue is not underwritten, the issuer must fix and announce the exercise or conversion price before the close of the offer; or

- (b) if the issue is underwritten, the issuer must fix and announce the exercise or conversion price before the commencement of nil-paid rights trading.

Section 270 of the SFO: Insider dealing

In general terms, subject to the specified exempted circumstances, Section 270 of the SFO prohibits persons from dealing in listed securities (or their derivatives) of a corporation, or otherwise counsels or procures another person to deal in such listed shares (or their derivatives) when such person is connected with the corporation and has information which he knows is relevant information in relation to the corporation.

Section 278 of the SFO: Stock Market Manipulation

Section 278 of the SFO prohibits persons in Hong Kong or elsewhere from:

- (a) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction increase, or are likely to increase, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to purchase or subscribe for, or to refrain from selling, securities of the corporation or of a related corporation of the corporation;

Sections 218 and 219, SFA

Sections 218 and 219 of the Singapore SFA prohibit persons from dealing in securities of a corporation if any such person knows or reasonably ought to know that he is in possession of information that is not generally available, and if it was generally available it might have a material effect on the price or value of securities of that corporation.

Such persons include:–

- (1) officers of a corporation or a related corporation;
- (2) substantial shareholders of a corporation or a related corporation; and
- (3) person who occupy position reasonably expected to give him access to inside information by virtue of:–
 - any professional or business relationship existing between himself (or his employer or a corporation of which he is an officer) and that corporation or a related corporation; or
 - being an officer of a substantial shareholder in that corporation or in a related corporation.

- (b) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction reduce, or are likely to reduce, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell, or to refrain from purchasing, securities of the corporation or of a related corporation of the corporation; or
- (c) entering into or carrying out, directly or indirectly, two (2) or more transactions in securities of a corporation that by themselves or in conjunction with any other transaction maintain or stabilise, or are likely to maintain or stabilise, the price of any securities traded on a relevant recognised market or by means of authorised automated trading services, with the intention of inducing another person to sell, purchase or subscribe for, or to refrain from selling, purchasing or subscribing for, securities of the corporation or of a related corporation of the corporation.

**Securities Market Manipulation
Section 198(1), SFA**

No person shall effect, take part in, be concerned in or carry out, directly or indirectly, two (2) or more transactions in securities of a corporation, being transactions that have or likely to have the effect of raising, lowering, maintaining, or stabilising the price of the securities with intent to induce other persons to subscribe for, purchase or sell securities of the corporation or of a related corporation.

**Rules 3.10 and 8.12, Hong Kong
Listing Rules: Board Composition**

Every board of directors of an issuer must include at least three (3) independent non-executive directors and the number of independent non-executive directors must represent at least one-third of the board; and at least one (1) of the independent non-executive directors must have appropriate

Board composition

Audit Committee

**Rule 12 of the Code of Corporate
Governance (“COCG”)**

The board of directors (“**Board**”) should establish an audit committee (“**AC**”) with written terms of reference which clearly set out its authority and duties.

professional qualifications or accounting or related financial management expertise.

A new applicant applying for a primary listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two (2) of its executive directors must be ordinarily resident of Hong Kong.

Rules 3.21, 3.22 and paragraph C.3 of Appendix 14, Hong Kong Listing Rules: Audit Committee

Every listed issuer must establish an audit committee comprising non-executive directors only. The audit committee must comprise a minimum of three (3) members, at least one (1) of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise. The majority of the audit committee members must be independent non-executive directors of the listed issuer. The audit committee must be chaired by an independent non-executive director.

The board of directors of the issuer must approve and provide written terms of reference as required under Rule 3.21 and paragraph C.3 of Appendix 14 to the Hong Kong Listing Rules for the audit committee.

Rules 3.25, 3.26 and paragraph B.1 of Appendix 14, Hong Kong Listing Rules: Remuneration Committee

An issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a

Rule 12.1, COCG

The AC should comprise at least three directors, all non-executive, the majority of whom including the chairman should be independent. All of the members of the AC should be non-executive directors.

Rule 12.2, COCG

Our Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two (2) members of the AC, including the AC Chairman, should have accounting or related financial management expertise or experience, as the board of directors interprets such qualification in its business judgment.

Remuneration Committee

Rule 7, COCG

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing

majority of independent non-executive directors, with specific terms of reference that clearly establish its authority and duties, including the terms of references set out in paragraph B.1.2 of Appendix 14 to the Hong Kong Listing Rules.

The board of directors must approve and provide written terms of reference for the remuneration committee which clearly establish its authority and duties.

Paragraphs A.5.1 and A.5.2 of Appendix 14 of the Hong Kong Listing Rules: Nominating Committee

Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.

the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Rule 7.1, COCG

Our Board should establish a Remuneration Committee (“RC”) with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three (3) directors, the majority of whom, including the RC Chairman, should be independent.

Nominating Committee

Rule 4, COCG

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

Rule 4.1, COCG

Our Board should establish a NC to make recommendations to our Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three (3) directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC.

Interested Person Transactions or Connected Transactions**Chapter 14A of the Hong Kong Listing Rules (Connected Transactions)**

Chapter 14A of the Hong Kong Listing Rules specifies circumstances in which transactions between an issuer and certain specified persons (including connected persons) are, unless otherwise exempted, subject to the shareholders' approval, annual review and disclosure requirements.

Rules 14A.07 and 14A.24, Hong Kong Listing Rules

"Connected person" is defined to include a director, chief executive or substantial shareholder of the listed issuer or any of its subsidiaries, any person who was a director of the listed issuer or any of its subsidiaries in the last twelve (12) months, a supervisor of a PRC issuer or any of its subsidiaries, an associate of the respective persons as aforesaid, a connected subsidiary, or a person deemed to be connected by the Hong Kong Stock Exchange.

"Financial assistance" includes granting credit, lending money, or providing an indemnity against obligations under a loan, or guaranteeing or providing security for a loan;

"Transaction" include both capital and revenue nature transactions, whether or not conducted in the ordinary and usual course of business of the listed issuer's group. This includes the following types of transactions:–

- (a) the acquisition or disposal of assets by a listed issuer's group including deemed disposals;

Chapter 9, Listing Manual

Chapter 9 of the Listing Manual, which applies to our Company, prescribes situations in which transactions between entities at risk (as defined in the Listing Manual) and interested persons (as defined in the Listing Manual) are required to be disclosed or are subject to the prior approval of shareholders.

Rule 904, Listing Manual

For the purposes of Chapter 9, the following definitions apply:–

- (1) "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;
- (2) "entity at risk" means:–
 - (a) the issuer;
 - (b) a subsidiary of the issuer that is not listed on the SGX-ST or an approved exchange; or
 - (c) an associated company of the issuer that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.

- (b) any transaction involving a listed issuer's group granting, accepting, transferring, exercising or terminating an option to acquire or dispose of assets or to subscribe for securities; or the issuer's group deciding not to exercise an option to acquire or dispose of assets or to subscribe for securities;
- (c) entering into or terminating finance leases or operating leases or sub-leases;
- (d) granting an indemnity or providing or receiving financial assistance;
- (e) entering into an agreement or arrangement to set up a joint venture entity in any form, such as a partnership or a company, or any other form of joint arrangement;
- (f) issuing new securities of the listed issuer or its subsidiaries;
- (g) providing, receiving or sharing of services; or
- (h) acquiring or providing raw materials, intermediate products and/or finished goods.
- (3) "financial assistance" includes:–
- (a) the lending or borrowing of money, the guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; and
- (b) the forgiving of a debt, the releasing of or neglect in enforcing an obligation of another, or the assuming of the obligations of another.
- (4) "interested person" means:–
- (a) a director, chief executive officer, or controlling shareholder of the issuer; or
- (b) an associate of any such director, chief executive officer, or controlling shareholder.
- (5) "interested person transaction" means a transaction between an entity at risk and an interested person.
- (6) "transaction" includes:–
- (a) the provision or receipt of financial assistance;
- (b) the acquisition, disposal or leasing of assets;
- (c) the provision or receipt of services;
- (d) the issuance or subscription of securities;

(e) the granting of or being granted options; and

(f) the establishment of joint ventures or joint investments;

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

Rules 14A.35 to 37, 14A.49, 14A.71, 14A.76, Hong Kong Listing Rules: Reporting, Announcement and Independent Shareholders' Approval Requirements for Connected Transactions

Rules 14A.35, 14A.36 and 14A.47 of the Hong Kong Listing Rules

Where any connected transaction is proposed, the transaction must be announced as soon as practicable after its terms have been agreed and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed, unless it is otherwise exempted under the Hong Kong Listing Rules.

Rules 14A.37, 14A.73, 14A.76 of the Hong Kong Listing Rules

Certain categories of transactions are exempt from the general meeting requirements subject only to disclosure requirements and certain categories of transactions are exempt from all such requirements. Amongst others, exemptions under the Hong Kong Listing Rules include a connected

When Announcement Required Rule 905, Listing Manual

(1) An issuer must make an immediate announcement of any interested person transaction of a value equal to, or more than, 3.0% of the group's latest audited net tangible assets.

(2) If the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3.0% or more of the group's latest audited net tangible assets, the issuer must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year.

(3) Rules 905 (1) and (2) do not apply to any transaction below S\$100,000.

When Shareholder Approval Required Rule 906, Listing Manual

(1) an issuer must obtain shareholder approval for any interested person transaction of a value equal to, or

transaction on normal commercial terms constituting a de minimis transaction under Rule 14A.76(1) of the Hong Kong Listing Rules, which will be exempt from shareholders' approval, annual review and all disclosure requirements, where each of the percentage ratios (other than the profits ratio) is less than 0.1% or less than 1.0% (where the connected transaction only involves a connected person at the issuer's subsidiary's level), or each of the percentage ratios (other than the profits ratio) is less than 5.0% and the total consideration is less than HK\$3,000,000.

The Hong Kong Stock Exchange may waive the general meeting requirement and accept a written shareholders' approval, subject to the conditions as set out in Rule 14A.37 of the Hong Kong Listing Rules.

Rules 14A.49, 14A.71, Hong Kong Listing Rules: Reporting Requirements

The listed issuer's annual report must contain the following information on the connected transactions conducted in that financial year (including continuing connected transactions under agreements signed in previous years):–

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms;

more than:–

- (a) 5.0% of the group's latest audited net tangible assets; or
 - (b) 5.0% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation.
- (2) Rule 906(1) does not apply to any transaction below S\$100,000.

Rule 907, Listing Manual

An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the prescribed format.

Rule 920, Listing Manual

- (1) An issuer may seek a general mandate from shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of

- (5) the nature of the connected person's interest in the transaction; and
- (6) for continuing connected transactions,
- a. a confirmation from the listed issuer's independent non-executive directors on the matters set out in Rule 14A.55 of the Hong Kong Listing Rules; and
 - b. a statement from the listed issuer's board of directors whether the auditors have confirmed the matters set out in Rule 14A.56 of the Hong Kong Listing Rules.
- the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.
- (a) An issuer must:–
- (i) disclose the general mandate in the annual report, giving details of the aggregate value of transactions conducted pursuant to the general mandate during the financial year; and
 - (ii) announce the aggregate value of transactions conducted pursuant to the general mandate for the financial periods which it is required to report on pursuant to Rule 705 within the time required for the announcement of such report.
- (b) A circular to shareholders seeking a general mandate must include:–
- (i) the class of interested persons with which the entity at risk will be transacting;
 - (ii) the nature of the transactions contemplated under the mandate;
 - (iii) the rationale for and benefit to the entity at risk;

- (iv) the methods or procedures for determining transaction prices;
 - (v) the independent financial adviser's opinion on whether the methods or procedures in (iv) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders;
 - (vi) an opinion from the audit committee if it takes a different view to the independent financial adviser;
 - (vii) a statement from the issuer that it will obtain a fresh mandate from shareholders if the methods or procedures in (iv) become inappropriate; and
 - (viii) a statement that the interested person will abstain, and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.
- (c) An independent financial adviser's opinion is not required for the renewal of a general mandate provided that

the audit committee confirms that:-

- (i) the methods or procedures for determining the transaction prices have not changed since last shareholder approval; and
 - (ii) the methods or procedures in Rule 920(1)(c)(i) of the Listing Manual are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.
- (d) Transactions conducted under a general mandate are not separately subject to Rules 905 and 906 of the Listing Manual.

Rule 14A.81, Hong Kong Listing Rules: Aggregation of Transactions

The Hong Kong Stock Exchange will aggregate a series of connected transactions and treat them as if they were one (1) transaction if they were all entered into or completed within a twelve (12) month period or are otherwise related. The listed issuer must comply with the applicable connected transaction requirements based on the classification of the connected transactions when aggregated. The aggregation period will cover twenty-four (24) months if the connected transactions are a series of acquisitions of assets being aggregated which may constitute a reverse takeover.

Rule 14A.82, Hong Kong Listing Rules: Aggregation of Transactions

Factors that the Hong Kong Stock Exchange will consider for aggregation of a series of connected transactions include whether:

- (1) they are entered into by the listed issuer's group with the same party, or parties who are connected with one another;
- (2) they involve the acquisition or disposal of parts of one asset, or securities or interests in a company or group of companies; or
- (3) they together lead to substantial involvement by the listed issuer's group in a new business activity.

Rule 14A.83, Hong Kong Listing Rules: Aggregation of Transactions

The Hong Kong Stock Exchange may aggregate all continuing connected transactions with a connected person.

Rule 908, Listing Manual

In interpreting the term "same interested person" for the purpose of aggregation in Rules 905 and 906 of the Listing Manual, the following applies:–

- (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person.
- (2) If an interested person, (which is a member of a group) is listed, its transactions with the entity at risk need not be aggregated with transactions between the entity at risk and other interested persons of the same group, provided that the listed interested person and other listed interested persons have boards the majority of whose directors are different and are not accustomed to act on the instructions of the other interested persons and their associates and have audit committees whose members are completely different.

Rule 918, Listing Manual

If a transaction requires shareholder approval, it must be obtained either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction.

Rule 919, Listing Manual

In a meeting to obtain shareholder approval, the interested person and any associate of the interested person must not vote on the resolution, nor accept appointments as proxies unless specific instructions as to voting are given.

**Rule 14A.84, Hong Kong Listing
Rules: Aggregation of Transactions**

The issuer must consult the Hong Kong Stock Exchange before the listed issuer's group enters into any connected transaction if:

- (1) the transaction and any other connected transactions entered into or completed by the listed issuer's group in the last twelve (12) months fall under any of the circumstances described in Rule 14A.82 of the Hong Kong Listing Rules; or
- (2) the transaction and any other transactions entered into by the listed issuer's group involve the acquisition of assets from a person or group of persons or any of their associates within twenty-four (24) months after the person(s) gain control (as defined in the HK Takeovers Code) of the listed issuer.

**Rule 14A.85, Hong Kong Listing
Rules: Aggregation of Transactions**

The listed issuer must provide information to the Hong Kong Stock Exchange on whether it should aggregate the transactions.

**Rule 14A.86, Hong Kong Listing
Rules: Aggregation of Transactions**

The Hong Kong Stock Exchange may aggregate a listed issuer's connected transactions even if the listed issuer has not consulted the Hong Kong Stock Exchange.

**Rules 14A.76, 14A.87 to 14A.91 14A.92
to 14A.96, 14A.97 to 14A.101, Hong
Kong Listing Rules: Exemptions****Exceptions****Rule 915, Listing Manual**

The connected transactions which can be exempt from the connected transaction requirements include:–

The following transactions are not required to comply with Rules 905, 906 and 907 of the Listing Manual:–

- | | |
|---|---|
| <p>(1) de minimis transactions under Rule 14A.76 of the Hong Kong Listing Rules;</p> <p>(2) financial assistance under Rules 14A.87 to 14A.91 of the Hong Kong Listing Rules;</p> <p>(3) issue of new securities by the listed issuer or its subsidiary if (a) the connected person receives a pro rata entitlement to the issue as a shareholder; (b) the connected person subscribes for the securities in a rights issue or open offer; (c) the securities are issued to the connected person under a share option scheme; or (d) the securities are issued under a “top-up placing and subscription”. The detailed requirements of the aforesaid are set out in Rule 14A.92 of the Hong Kong Listing Rules;</p> <p>(4) the Hong Kong Stock Exchange dealings under Rule 14A.93 of the Hong Kong Listing Rules;</p> <p>(5) any buy-back under Rule 14A.94 of the Hong Kong Listing Rules of own securities by a listed issuer or its subsidiary from a connected person on the Hong Kong Stock Exchange or a recognised stock exchange or under a general offer made under the Code on Share Buy-backs;</p> <p>(6) the entering into of a service contract</p> | <p>(1) a payment of dividends, a subdivision of shares, an issue of securities by way of a bonus issue, a preferential offer, or an off-market acquisition of the issuer’s shares, made to all shareholders on a pro-rata basis, including the exercise of rights, options or company warrants granted under the preferential offer;</p> <p>(2) the grant of options, and the issue of securities pursuant to the exercise of options, under an employees’ share option scheme approved by the SGX-ST;</p> <p>(3) a transaction between an entity at risk and an investee company, where the interested person’s interest in the investee company, other than that held through the issuer, is less than 5.0%;</p> <p>(4) a transaction in marketable securities carried out in the open market where the counterparty’s identity is unknown to the issuer at the time of the transaction;</p> <p>(5) a transaction between an entity at risk and an interested person for the provision of goods or services if:–</p> <p>(a) the goods or services are sold or rendered based on a fixed or graduated scale, which is publicly quoted; and</p> |
|---|---|

- by a director of the listed issuer with the listed issuer or its subsidiary under Rule 14A.95 of the Hong Kong Listing Rules and purchase and maintenance of insurance for a director of the listed issuer or its subsidiaries in accordance with Rule 14A.96 of the Hong Kong Listing Rules;
- (7) buying as consumer or selling consumer goods or services to a connected person on normal commercial terms or better in its ordinary and usual course of business if such goods and services are (a) of a type ordinarily supplied for private use or consumption, (b) for the buyer's own consumption or use, (c) consumed or used by the buyer in the same state as when they were bought (d) on terms no more favourable to the connected person or no less favourable to the listed issuer's group than those available from independent third parties;
- (8) the sharing of administrative services between a listed issuer and a connected person on a cost basis under Rule 14A.98 of the Hong Kong Listing Rules;
- (9) transactions with associates of passive investors under Rule 14A.99 to 14A.100 of the Hong Kong Listing Rules; and
- (10) transactions with connected persons at the subsidiary level under Rule 14A.101 of the Hong Kong Listing Rules.
- (b) the sale prices are applied consistently to all customers or class of customers.
- Such transactions include telecommunication and postal services, public utility services, and sale of fixed price goods at retail outlets.
- (6) the provision of financial assistance or services by a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business;
- (7) the receipt of financial assistance or services from a financial institution that is licensed or approved by the Monetary Authority of Singapore, on normal commercial terms and in the ordinary course of business; and
- (8) director's fees and remuneration, and employment remuneration (excluding "golden parachute" payments).

Rule 916, Listing Manual

The following transactions are not required to comply with Rule 906 of the Listing Manual:–

- (1) the entering into, or renewal of a lease or tenancy of real property of not more than three (3) years if the terms are supported by independent valuation;

- (2) investment in a joint venture with an interested person if:–
 - (a) the risks and rewards are in proportion to the equity of each joint venture partner;
 - (b) issuer confirms by an announcement that its audit committee is of the view that the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders; and
 - (c) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture.
- (3) The provision of a loan to a joint venture with an interested person if:–
 - (a) the loan is extended by all joint venture partners in proportion to their equity and on the same terms;
 - (b) the interested person does not have an existing equity interest in the joint venture prior to the participation of the entity at risk in the joint venture; and

- (c) the issuer confirms by an announcement that its audit committee is of the view that:
 - (i) the provision of the loan is not prejudicial to the interests of the issuer and its minority shareholders; and
 - (ii) the risks and rewards of the joint venture are in proportion to the equity of each joint venture partner and the terms of the joint venture are not prejudicial to the interests of the issuer and its minority shareholders.
- (4) the award of a contract by way of public tender to an interested person if:-
 - (a) the awarder entity at risk announces the following information:-
 - (i) the prices of all bids submitted;
 - (ii) an explanation of the basis for selection of the winning bid; and
 - (b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, its listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the

instructions of the interested person or its associates and have audit committees whose members are completely different.

(5) the receipt of a contract which was awarded by way of public tender, by an interested person if:–

(a) the bidder entity at risk announces the prices of all bids submitted; and

(b) both the listed bidder (or if the bidder is unlisted, its listed parent company) and listed awarder (or if the awarder is unlisted, the listed parent company) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different.

**RESTRICTIONS ON DEALINGS OF DIRECTORS BEFORE PUBLICATION
OF THE FINANCIAL RESULTS****Rules A.3, B.8 and C.14 of Appendix
10, Hong Kong Listing Rules**Rule A.3 of Appendix 10, Hong Kong
Listing Rules

A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:–

- (i) during the period of sixty (60) days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of thirty (30) days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results,

unless the circumstances are exceptional as described in Rule C.14 of Appendix 10 of the Hong Kong Listing Rules below. In any event, the director must comply with the procedure in the Rules B.8 and B.9 of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Directors Dealing Code**”).

The listed issuer must notify the Hong Kong Stock Exchange in advance of the commencement of each period during which directors are not allowed to deal under Rule A.3 of Appendix 10 of the Hong Kong Listing Rules. Such period will cover any period of delay in the publication of a results announcement.

Rule 1207(19)(c), Listing Manual

A listed issuer and its officers should not deal in the listed issuer’s securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three (3) quarters of its financial year and one month before the announcement of the company’s full year financial statements (if required to announce quarterly financial statements), or one month before the announcement of the company’s half year and full year financial statements (if not required to announce quarterly financial statements).

Rule C.14 of Appendix 10, Hong Kong
Listing Rules

If a director proposes to sell or otherwise dispose of securities of the listed issuer under exceptional circumstances where the sale or disposal is otherwise prohibited under our Directors Dealing Code, the director must comply with the provisions of the Rule B.8 of our Directors Dealing Code regarding prior written notice and acknowledgement. The director must satisfy the chairman or the designated director that the circumstances are exceptional and the proposed sale or disposal is the only reasonable course of action available to the director before the director can sell or dispose of the securities. The listed issuer shall give written notice of such sale or disposal to the Hong Kong Stock Exchange as soon as practicable stating why it considered the circumstances to be exceptional. The listed issuer shall publish an announcement in accordance with Rule 2.07C of the Hong Kong Listing Rules immediately after any such sale or disposal and state that the chairman or the designated director is satisfied that there were exceptional circumstances for such sale or disposal of securities by the director.

Rule B.8

Under our Directors Dealing Code, a director must not deal in any securities of the listed issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. In his own case, the

chairman must first notify the board at a board meeting, or alternatively notify a director (otherwise than himself) designated by the board for the purpose and receive a dated written acknowledgement before any dealing. The designated director must not deal in any securities of the listed issuer without first notifying the chairman and receiving a dated written acknowledgement.

In each case, (a) a response to a request for clearance to deal must be given to the relevant director within five (5) business days of the request being made; and (b) the clearance to deal in accordance with (a) above must be valid for no longer than five (5) business days of clearance being received.

Rule B.9

The procedure established within the listed issuer must, as a minimum, provide for there to be a written record maintained by the listed issuer that the appropriate notification was given and acknowledged pursuant to Rule B.8 of our Directors Dealing Code, and for the director concerned to have received written confirmation to that effect.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND THE SUBSIDIARIES OF OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in Singapore under the Companies Act as a private company limited by shares on November 19, 2002. Our Company was formerly known as Asia Water Technology Ltd. and was listed on the SGX-ST Catalist Board in March 2005. Our Company was subsequently renamed to SIIC Environment Holdings Ltd. and transferred to the SGX-ST Main Board in November 2012.

Our Company has established a place of business in Hong Kong at Unit 912, 9/F Two Harbourfront 22 Tak Fung Street Hunghom, Kowloon Hong Kong and was registered on September 28, 2017 as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance. Mr. Man Yun Wah has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our registered place of business in Hong Kong as set out above.

As our Company was incorporated in Singapore, its operation is subject to relevant laws and regulations of Singapore and our Constitution. A summary of our Constitution and the salient provisions of the laws of Singapore is set out in this appendix and the major differences between certain applicable Hong Kong and Singapore laws and regulations are set out in Appendix V to this listing document.

2. Changes in share capital of our Company

Upon our establishment on November 19, 2002, the initial registered share capital of our Company was S\$2, divided into 2 Shares of S\$1 each.

On September 25, 2015, our Company's issued and paid-up share capital of approximately RMB3,278,603,000, originally divided into 9,589,574,132 Shares, were consolidated into 1,917,914,826 Shares. Every five shares registered in the name or standing to the credit of the securities account of each shareholder or depositor as at the books closure date were consolidated into one Share.

Pursuant to a share sale and purchase agreement dated June 8, 2012 which our Company entered into with Target Trend Management Ltd., among others, in relation to the acquisition of Rise Wealth by our Company, our Company allotted and issued 26,730,407 consolidated earn-out Shares at the issue price of S\$0.34 per Share to Target Trend Management Ltd. on December 22, 2015.

On January 16, 2017, SIHL Holdings entered into a share placement agreement with our Company, pursuant to which SIHL Holdings, through Triumph Power, agreed to subscribe for, and our Company agreed to allot and issue, 350,000,000 new Shares. The said placement was completed on May 5, 2017 and SIIC became interested in (directly or indirectly) 1,197,688,226 Shares, representing approximately 45.94% of our total issued Shares. Our Company's issued share capital was then increased from 2,256,588,726 Shares to 2,606,588,726 Shares.

On March 8, 2018, the 56,400 treasury shares of our Company were cancelled pursuant to section 76k(d) of the Companies Act.

Save as disclosed above, there has been no alteration in the share capital of our Company in the two years preceding the date of this listing document.

Save as disclosed above, as of the Latest Practicable Date, our Company had no founder shares, management shares, treasury shares or deferred shares.

3. Resolution of our Shareholders passed at the general meetings of our Company held on April 25, 2017

At the annual general meeting of our Company held on April 25, 2017, resolutions of our Shareholders were passed pursuant to which, amongst other things, our Directors were approved pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual:

- (1) (i) to issue Shares whether by way of rights, bonus or otherwise; and/or
 - (ii) to make or grant offers, agreements or options (collectively, the “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as our Directors may in their absolute discretion deem fit; and
- (2) (Notwithstanding the authority conferred by such resolution may have ceased to be in force) to issue Shares in pursuance of any instruments made or granted by our Directors 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 such resolutions):
 - (i) by way of renounceable rights issues on a pro rata basis to the Shareholders (the “**Renounceable Rights Issues**”) shall not exceed 100% of the total number of issued Shares excluding treasury shares (as calculated in paragraph (3) below); and
 - (ii) otherwise than by way of Renounceable Rights Issues (the “**Other Share Issues**”) shall not exceed 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 shall not exceed 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% 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 paragraph (1)(i) and (1)(ii) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares)) in the capital of our Company at the time of the passing of such resolution, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) new shares arising from exercising share options or vesting or share awards which are outstanding or subsisting at the time such resolution is passed; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (4) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and our Constitution; and
- (5) unless revoked or varied by our Company in a general meeting, the authority conferred by such resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

At an annual general meeting of our Company held on April 25, 2017, approval was also given to our Directors, for the purposes of section 76C and 76E of the Companies Act, to make purchase or otherwise acquire issued shares in the capital of our Company from time to time (whether by way of on-market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as ascertained as at the date of the annual general meeting of our Company) at the price determined by our Directors, which shall not exceed (1) in the case of an on-market purchase, 105% of the Average Closing Price⁽¹⁾ of the Shares; and (2) in the case of an off-market purchase, 120% of the Average Closing Price of the Shares. This mandate shall, unless revoked or varied by our Company in a general meeting, continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

Note:

- (1) *“Average Closing Price” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, immediately preceding the date of making the on-market share purchase or, as the case may be, the date of making of the offer pursuant to the off-market purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five market days.*

At the extraordinary general meeting of our Company held on January 29, 2018, resolutions of Shareholders were passed pursuant to which, among other things, approval was given for:

- (1) the proposed Listing; and
- (2) the proposed adoption of the Constitution.

4. Changes in the share capital or registered capital of our subsidiaries

A list of our principal subsidiaries as at the date of this listing document is set out in the Accountant’s Report in Appendix I to this listing document. The following sets out the alterations in the registered capital of our subsidiaries that took place within two years preceding the date of this listing document.

- (1) **SIIC Environment (Yiyang Chengbei) Wastewater Treatment Co., Ltd.** (上實環境(益陽城北)污水處理有限公司)

The registered capital of SIIC Environment (Yiyang Chengbei) Wastewater Treatment Co., Ltd., our 75.50% owned subsidiary, was increased from RMB10.0 million to RMB30.0 million on June 12, 2017.

(2) *Henan SIIC Investment Co., Ltd.* (河南上實投資有限公司)

The registered capital of Henan SIIC Investment Co., Ltd., our 69.11% owned subsidiary, was increased from RMB30.0 million to RMB42.31 million on December 18, 2015. The registered capital was then increased from RMB42.31 million to RMB300 million on September 23, 2016.

(3) *SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd.* (上實環境(銀川)污水處理有限公司)

The registered capital of SIIC Environment (Yinchuan) Wastewater Treatment Co., Ltd., our 100% owned subsidiary, was increased from RMB128.1 million to RMB183.1 million on September 6, 2016.

(4) *Dazhou Jiajing Environmental Renewable Resources Co., Ltd.* (達州佳境環保再生資源有限公司)

The registered capital of Dazhou Jiajing Environmental Renewable Resources Co., Ltd., our directly wholly-owned subsidiary, was increased from RMB139.45 million to RMB154.45 million on May 12, 2016.

(5) *Shuangyashan Longjiang Environmental Protection Water Services Limited Liability Company* (雙鴨山龍江環保水務有限責任公司)

The registered capital of Shuangyashan Longjiang Environmental Protection Water Services Limited Liability Company, our 57.97% owned subsidiary, was increased from RMB66.0 million to RMB78.0 million on June 29, 2016.

(6) *Shangzhi Longjiang Environmental Water Services Co., Ltd.* (尚志龍江環保水務有限公司)

Shangzhi Longjiang Environmental Water Services Co., Ltd., our 57.97% owned subsidiary, was established with a registered capital of RMB28.0 million on May 31, 2016.

(7) *Heihe Longjiang Huanbao Zhishui Co., Ltd.* (黑河龍江環保治水有限公司)

The registered capital of Heihe Longjiang Huanbao Zhishui Co., Ltd., our 57.58% owned subsidiary, was increased from RMB15.0 million to RMB20.0 million on May 16, 2016.

(8) *Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd.* (上海青浦第二污水處理廠有限公司)

The registered capital of Shanghai Qingpu Second Wastewater Treatment Plant Co., Ltd., our 87.75% owned subsidiary, was increased from RMB15.0 million to RMB30.0 million on October 25, 2016 and increased from RMB30.0 million to RMB370.0 million on March 15, 2017.

(9) *SIIC Environment Gaoxin (Weifang) Wastewater Treatment Co., Ltd.* (上實環境高新(濰坊)污水處理有限公司)

The registered capital of SIIC Environment Gaoxin (Weifang) Wastewater Treatment Co., Ltd., our 75.50% owned subsidiary, was increased from RMB30.0 million to RMB37.0 million on January 17, 2018.

(10) *Lianxi (Wanzai) Water Co., Ltd.* (聯熹(萬載)水務有限公司)

The registered capital Lianxi (Wanzai) Water Co., Ltd., our 60.00% owned subsidiary, was increased from USD3.0 million to RMB30.8 million on October 23, 2017.

(11) *Wulian Xinneng Environmental Protection Power Generation Co., Ltd.* (五蓮新能環保發電有限公司)

The registered capital of Wulian Xinneng Environmental Protection Power Generation Co., Ltd., our 82.94% owned subsidiary, was increased from RMB5.0 million to RMB50.0 million on August 2, 2016.

(12) *Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.* (余姚市小曹娥城市污水處理有限公司)

The registered capital of Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd., our 69.11% owned subsidiary, was increased from RMB40.0 million to RMB80.0 million on January 12, 2018.

(13) *Pinghu Dushan Wastewater Treatment Co., Ltd.* (平湖市獨山污水處理有限公司)

The registered capital of Pinghu Dushan Wastewater Treatment Co., Ltd., our wholly-owned subsidiary, was increased from RMB20.0 million to RMB50.5 million on December 25, 2017.

(14) *Ningan Longjiang Environmental Protection Water-control Co., Ltd.* (寧安龍江環保治水有限公司)

The registered capital of Ningan Longjiang Environmental Protection Water-control Co., Ltd., our 57.54% owned subsidiary, was increased from RMB6.0 million to RMB12.0 million on June 23, 2016.

(15) *Jixi Longjiang Environmental Protection Water-control Co., Ltd.* (雞西龍江環保治水有限公司)

The registered capital of Jixi Longjiang Environmental Protection Water-control Co., Ltd., our 57.97% owned subsidiary, was increased from RMB36.0 million to RMB80.0 million on March 27, 2017.

(16) Taizhou Kaidi Wastewater Treatment Co., Ltd. (台州凱迪污水處理有限公司)

The registered capital of Taizhou Kaidi Wastewater Treatment Co., Ltd., our wholly-owned subsidiary, was increased from RMB25.0 million to RMB75.0 million on September 21, 2016.

(17) Dalian SIIC Environment Quanshui River Wastewater Treatment Co., Ltd. (大連上實環境泉水河新能源有限公司)

Dalian SIIC Environment Quanshui River New Energy Co., Ltd., our 75.50% owned subsidiary, was established with a registered capital of RMB2.6 million on September 28, 2017.

(18) SIIC Environment Industrial (Taixing) Co. Ltd. (上實環境實業(泰興)有限公司)

SIIC Environment Industrial (Taixing) Co. Ltd., our wholly-owned subsidiary, was established with a registered capital of USD8.0 million on November 16, 2017.

(19) Taixing City Nanfang Water Co., Ltd. (泰興市南方水務有限公司)

Taixing City Nanfang Water Co., Ltd., our 91.20% owned subsidiary, was established with a registered capital of RMB30.0 million on November 20, 2017.

(20) Lianxi (Wuhan) Water Co., Ltd. (聯熹水務(武漢)有限公司)

Lianxi (Wuhan) Water Co., Ltd., our 60.00% owned subsidiary, was established with a registered capital of RMB300.0 million on May 18, 2017.

(21) Lianxi (Yongfeng) Water Co., Ltd. (聯熹水務(永豐)有限公司)

Lianxi (Yongfeng) Water Co., Ltd., our 60.00% owned subsidiary, was established with a registered capital of USD4.0 million on August 4, 2017.

(22) Fujin City Shenglin Water Co., Ltd. (富錦市晟麟水務有限公司)

Fujin City Shenglin Water Co., Ltd., our 57.13% owned subsidiary, was established with a registered capital of RMB18.0 million on August 17, 2016.

(23) Lingbi Chenxin Green Industry Development Co., Ltd. (靈璧臣信綠色產業發展有限公司)

Lingbi Chenxin Green Industry Development Co., Ltd., our 46.38% owned subsidiary, was established with a registered capital of RMB44.0 million on June 22, 2017.

(24) Harbin City Lancheng Longjiang Environment Water Co., Ltd. (哈爾濱市蘭城龍江環保水務有限公司)

Harbin City Lancheng Longjiang Environment Water Co., Ltd., our 57.97% owned subsidiary, was established with a registered capital of RMB120.0 million on January 4, 2018.

(25) Suiping SIIC Water Co., Ltd. (遂平上實水務有限公司)

Suiping SIIC Water Co., Ltd., our 69.11% owned subsidiary, was established with a registered capital of RMB160.0 million on November 16, 2017.

(26) Shen Xian SIIC Nan Yi Recycle New Energy Co., Ltd. (莘縣上實南一再再生能源有限公司)

Shen Xian SIIC Nan Yi Recycle New Energy Co., Ltd., our 64.51% owned subsidiary, was established with a registered capital of RMB116.7 million on June 7, 2017.

(27) Weifang SIIC Environment New Energy Co., Ltd. (濰坊上實環境新能源有限公司)

Weifang SIIC Environment New Energy Co., Ltd., our 75.50% owned subsidiary, was established with a registered capital of RMB4.2 million on October 9, 2017.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within two years immediately preceding the date of this Listing Document.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within two years preceding the date of this listing document and are or may be material:

- (1) the sale and purchase agreement dated September 27, 2016 entered into among our Company, Asia Wisdom Investments Limited (a wholly owned subsidiary of our Company), Ranhill Water Technologies (Cayman) Limited and Ranhill Holdings Berhad in relation to the acquisition of 60% equity interest in Ranhill, details of which are set out in “History and Development – Major Acquisitions – Ranhill”;
- (2) the two sale and purchase agreements both dated October 18, 2016 entered into (i) between Gold Orient Investments Limited (a wholly owned subsidiary of our Company) and Tsinghua Tongfang Co., Ltd. (同方股份有限公司) and (ii) between SIIC Environment Holdings (Shenzhen) Co., Ltd. (a wholly owned subsidiary of our Company) and Changzhou Wei Run Heavy Industry Machinery Co., Ltd. (常州偉潤重工機械有限公司), respectively, in relation to the acquisition of the equity interest in Longjiang, details of which are set out in “History and Development – Major Acquisitions – Longjiang”;
- (3) the placement agreement dated January 16, 2017 entered into by and between the Company and SIHL Holdings in relation to the subscription of 350,000,000 new Shares, details of which are set out in “History and Development – Our Corporate Development and Principal Subsidiaries – Our Company”;








- (4) the Deeds of Non-Competition Undertakings;
- (5) the Deed of Indemnity;
- (6) the Entrustment Agreement;
- (7) the call option deed dated March 8, 2018 entered into by SIHL Holdings, Shun Yuen and Topper Gain in favour of our Company, details of which are set out in “Relationship with our Controlling Shareholders – Measures in relation to the Minority Equity Investment in Longjiang – Longjiang Call Option Deed”; and
- (8) a sponsor agreement relating to the Listing dated March 9, 2018 entered into among the Company, SIHL Holdings and the Sole Sponsor.

2. Intellectual property rights

(1) Trademarks

- (i) *Registered trademarks owned by our Group*

As of the Latest Practicable Date, our Group was the registered owner of the following trademarks which are material in relation to our business:


	Trademark	Applicant	Application No.	Place of Application	Class ⁽¹⁾	Registration Date	Expiration Date
1.		South Water Co., Ltd.	6080757	China	39	July 28, 2010	July 27, 2020
2.		SIIC Environment Holdings (Weifang) Co., Ltd.	7821348	China	39	February 21, 2011	February 20, 2021
3.		SIIC Environment Holdings (Weifang) Co., Ltd.	7821428	China	7	February 21, 2011	February 20, 2021
4.		SIIC Environment Holdings (Weifang) Co., Ltd.	7821408	China	11	March 28, 2011	March 27, 2021
5.		Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd.	8615647	China	40	September 14, 2011	September 13, 2021
6.		Longjiang Environmental Protection Group Co., Ltd.	8793501	China	40	November 14, 2011	November 13, 2021
7.		Longjiang Environmental Protection Group Co., Ltd.	10542754	China	40	May 21, 2013	May 20, 2023

Note:

(1) The class number represents the specifications of products or services which have already been registered. Detailed specifications of products or services represented by that class number are set out in the relevant registration certificates.

(ii) Applications for registration of trademarks

As of the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which had not yet been granted:

	Trademark	Applicant	Application No.	Place of Application	Class ⁽¹⁾	Application Date
1.		Our Company	304284298	Hong Kong	1, 35, 36, 37, 39, 40 and 42	September 25, 2017

Note:

(1) *The class number represents the specifications of products or services which have already been registered. Detailed specifications of products or services represented by that class number are set out in the relevant registration certificates.*

(2) **Patents**

As of the Latest Practicable Date, we had been granted the following patents in the PRC which are material to our business:

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
1.	Stepped resin separation device (階梯形樹脂分離裝置)	SIIC Holding (Wuhan) Co. Ltd.	ZL 98113563.3	Invention patent	May 20, 1998	November 24, 1999
2.	Cyclical sequential activated sludge process wastewater treatment process and its reactive sludge reactor (循環序批式活性污泥法污水處理工藝及其活性污泥反應器)	SIIC Holding (Wuhan) Co. Ltd.	ZL 200610018502.2	Invention patent	March 9, 2006	February 20, 2008
3.	Industrial waste water circulating fluidized bed depth treatment equipment (工業廢水循環流化床深度處理設備)	SIIC Holding (Wuhan) Co. Ltd.	ZL 201110151991.X	Invention patent	June 8, 2011	October 3, 2012
4.	A device and method used for treating high concentrations of landfill leachate (一種用於處理高濃度垃圾滲濾液的裝置和方法)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201110211863.X	Invention patent	July 27, 2011	March 27, 2013
5.	A device and method used for horizontal well sewage treatment (一種水平井污水處理裝置及方法)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201110242317.2	Invention patent	August 23, 2011	February 13, 2013
6.	Fiber permeable filter tank (纖維透水管過濾池)	Fudan Water Engineering and Technology Co., Ltd.	ZL 20112 0268744.3	Utility model patent	July 27, 2011	April 18, 2012
7.	A device used for treating high concentrations of landfill leachate (一種用於處理高濃度垃圾滲濾液的裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120268398.9	Utility model patent	July 27, 2011	April 18, 2012

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
8.	Exhaust treatment device (廢氣處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120268400.2	Utility model patent	July 27, 2011	April 18, 2012
9.	A suction conveyor with central rotation in a sedimentation tank (一種圓周沉澱池中心旋轉吸泥輸送機)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120269795.8	Utility model patent	July 28, 2011	April 18, 2012
10.	An updated reciprocating siphon mud scraper used in secondary settling pond (一種改進型二沉池往復虹吸式刮泥機)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120268621.X	Utility model patent	July 27, 2011	April 4, 2012
11.	An organic wastewater anaerobic reaction device (有機廢水厭氧反應裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120268429.0	Utility model patent	July 27, 2011	February 22, 2012
12.	An out-clamped valve made of rubber (外夾橡膠閥門)	Fudan Water Engineering and Technology Co., Ltd.	ZL 20112 0268727.X	Utility model patent	July 27, 2011	March 14, 2012
13.	A device utilizing the afterheat in the pipeline of fan to dry sludge (一種利用風機管道餘熱乾化污泥的裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120268714.2	Utility model patent	July 27, 2011	March 14, 2012
14.	A large ecological sludge treatment device (一種大型生態污泥處置裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120307846.1	Utility model patent	August 23, 2011	March 21, 2012
15.	A structure used to repair water and gas conduit (一種用於修補水氣管道的結構)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120307868.8	Utility model patent	August 23, 2011	June 13, 2012
16.	Air-lift bridge type sand sucker (氣提式橋式吸砂機)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120307774.0	Utility model patent	August 23, 2011	May 30, 2012
17.	A peripheral inlet sedimentation tank (一種周邊進水沉澱池)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120307771.7	Utility model patent	August 23, 2011	May 30, 2012

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
18.	A device used for anaerobic digestion of municipal waste treatment (一種用於處理城市生活垃圾厭氧消化的裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120348837.7	Utility model patent	September 16, 2011	April 18, 2012
19.	An improved device used for aerobic fermentation of municipal waste (一種城市生活垃圾好氧發酵改進裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 201120348046.4	Utility model patent	September 16, 2011	July 4, 2012
20.	A wastewater treatment device for tea polyphenol production and processing (一種茶多酚生產加工廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413940.4	Utility model	December 22, 2016	August 29, 2017
21.	A wastewater treatment device for textile mills (一種紡織印染廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1416778.1	Utility model	December 22, 2016	August 29, 2017
22.	A wastewater treatment device for fowl and livestock production (一種禽畜生產廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413939.1	Utility model	December 22, 2016	August 29, 2017
23.	A wastewater treatment device for seafood processing (一種海產品加工廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413933.4	Utility model	December 22, 2016	August 29, 2017
24.	A wastewater treatment device for synthetic rubber processing (一種合成橡膠加工廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413915.6	Utility model	December 22, 2016	August 29, 2017
25.	A large wastewater plant treatment device for community (一種大型社區污水站處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413927.9	Utility model	December 22, 2016	August 29, 2017
26.	A wastewater treatment device for high concentration of plush (一種高濃度毛絨廢水處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2016 2 1413926.4	Utility model	December 22, 2016	August 29, 2017

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
27.	A denitrified acinetobacter at low temperature and its application (一株低溫脫氮不動桿菌及其應用)	Longjiang Environmental Protection Group Co., Ltd. and Institute of Microbiology, Heilongjiang Academy of Sciences	ZL 201410513118.4	Invention patent	September 29, 2014	March 1, 2017
28.	A method using A/O-MBR water treatment device to treat waste water (利用A/O-MBR水處理裝置處理污水的方法)	Longjiang Environmental Protection Group Co., Ltd.	ZL 201110095072.5	Invention patent	April 15, 2011	October 3, 2012
29.	An integrated A/O improvement wastewater treatment equipment (一體化A/O改良污水處理設備)	Longjiang Environmental Protection Group Co., Ltd. and Harbin Institute of Technology	ZL 200910073408.0	Invention patent	December 14, 2009	June 29, 2011
30.	An adjustable jet aeration device (一種可調節的射流曝氣裝置)	Longjiang Environmental Protection Group Co., Ltd. and Harbin Institute of Technology	ZL 200910073409.5	Invention patent	December 14, 2009	April 25, 2012
31.	An urban wastewater treatment technology and relevant device (一種城鎮污水處理技術及其裝置)	Longjiang Environmental Protection Group Co., Ltd. and Harbin Institute of Technology	ZL 200910073407.6	Invention patent	December 14, 2009	October 26, 2011
32.	A chlorine dioxide generation method and device (一種二氧化氯發生方法和裝置)	Longjiang Environmental Protection Group Co., Ltd.	98100962X	Invention patent	March 27, 1998	July 23, 2003
33.	A/O-MBR water treatment device (A/O-MBR水處理裝置)	Longjiang Environmental Protection Group Co., Ltd.	ZL 201120111535.8	Utility model patent	April 15, 2011	September 7, 2011
34.	A 360-degree inflow rotation type underwater filter bed device and filtering method (一種360度進水旋轉水下過濾床裝置及過濾方法)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2013102012121	Utility model patent	May 27, 2013	July 29, 2015

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
35.	A 360-degree inflow rotation type underwater bio-bed treatment device and filtering method (一種360度旋轉水下生物床處理裝置及方法)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2014105385439	Utility model patent	October 13, 2014	April 27, 2016
36.	A 360-degree inflow rotation type underwater filter bed device (一種360度進水旋轉水下過濾床裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2013202950245	Utility model patent	May 27, 2013	November 6, 2013
37.	A 360-degree inflow rotation type underwater bio-bed treatment device (一種360度旋轉水下生物床處理裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2014205897409	Utility model patent	October 13, 2014	January 21, 2015
38.	A bucket-type filter bin used for 360-degree rotation type underwater filter bed (一種用於360度水下旋轉濾床的斗型濾倉)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211008399	Utility model patent	December 25, 2015	August 31, 2016
39.	A fixing device used for 360-degree rotation type underwater filter bed (一種用於360度水下旋轉濾床的固定裝置)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211008914	Utility model patent	December 25, 2015	August 31, 2016
40.	A new pipeline hold hoop used for 360-degree rotation type underwater filter bed (一種用於360度水下旋轉濾床的新型管道抱箍)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211009194	Utility model patent	December 25, 2015	June 29, 2016
41.	A supporting keel used for 360-degree rotation type underwater filter bed (一種用於360度水下旋轉濾床的支撐龍骨)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211009175	Utility model patent	December 25, 2015	August 31, 2016
42.	An intermediate box used for 360-degree rotation type underwater filter bed (一種用於360度水下旋轉濾床的中間箱體)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211008628	Utility model patent	December 25, 2015	August 17, 2016

	Patent	Patentee	Patent No.	Patent Type	Application Date	Registration Date
43.	A cylindrical filter bed (一種圓筒形濾床)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015211009353	Utility model patent	December 25, 2015	August 31, 2016
44.	Filter bed (過濾床)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015305572604	Design patent	December 25, 2015	August 10, 2016
45.	Filter vat (過濾桶)	Fudan Water Engineering and Technology Co., Ltd.	ZL 2015305572587	Design patent	December 25, 2015	June 29, 2016

As of the Latest Practicable Date, our Group had applied for registration of the following patent, the registration of which had not yet been granted:

	Patent	Applicant	Patent No.	Patent Type	Application Date	Issuance Date of Notice of Grant of Patent
1.	Experimental device used for testing the joint optimal operation between water supply network pump and valve (用於測試供水管網水泵與閘門聯合優化調度的實驗裝置)	Tianjin Sambo Water Technology Co., Ltd and Longjiang Environmental Protection Group Co., Ltd.	ZL 201720660215.5	Utility model patent	June 7, 2017	November 15, 2017

(3) Domain names

As of the Latest Practicable Date, our Group had registered the following domain name which are currently used by us:

	Domain Names	Registered Owner	Registration Date	Expiry Date
1.	southwater.com.cn	South Water Co., Ltd.	December 12, 2006	December 12, 2023
2.	www.wfwater.cn	Weifang Tap Water Co. Ltd.	August 5, 2013	August 5, 2018
3.	www.sienwater.com	SIIC Environment Holdings (Weifang) Co., Ltd.	July 16, 2013	July 16, 2018
4.	www.ranhillchina.com	Ranhill Water Technologies (Shanghai) Co., Ltd.	May 21, 2014	May 21, 2018 ⁽¹⁾
5.	www.siicenv.com	our Company	December 4, 2012	December 4, 2018
6.	siicenv-wuhan.com	SIIC Holding (Wuhan) Co. Ltd.	May 24, 2013	May 24, 2019

Note:

(1) We will extend this domain name before it's expiry date.

Save as mentioned above, there are no other trade or service marks, patents, other intellectual property rights which are material in relation to our business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(i) Interests and short positions of our Directors and the chief executive of our Company in our Shares, underlying shares and debentures of our Company and its associated corporations

So far as our Directors are aware, immediately following completion of the Introduction, based on the information available on the Latest Practicable Date, the interests or short positions of our Directors and chief executive of our Company in the Shares or underlying shares of or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to notify our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Hong Kong Listing Rules, will be as follows:

Interests or short positions in our Company:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of Shares</u>	<u>Percentage of interest in our Company</u>
Yang Changmin	beneficial interest	11,083,694 (L)*	0.43%

Interests or short positions in SIHL Holdings, our associated corporation:

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Number of shares</u>	<u>Percentage of interest in the associated corporation</u>
Zhou Jun	beneficial interest	195,000 (L)	0.02%

Note:

* (L) denotes long position

(ii) Interests and short positions of substantial shareholders in our Shares and underlying Shares

So far as our Directors are aware, immediately following completion of the Introduction, based on the information available on the Latest Practicable Date, other than a Director or chief executive of our Company whose interests are disclosed under the sub-paragraph headed "Interests and short positions of our Directors and the chief executive of our Company in our Shares, underlying shares or debentures of our Company and its associated corporations" above, the following persons have interest and/or short positions in the Shares or underlying

shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Interests or short positions in our Company:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares	Percentage of interest in our Company
Triumph Power	Beneficial interest	986,929,551 (L)	37.86%
S.I. Infrastructure ⁽¹⁾	Beneficial interest/ Interests in controlled corporation	1,152,348,026 (L)	44.21%
SIHL Holdings ⁽¹⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%
Value Partners Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%
Value Partners Hong Kong Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%
Value Partners Group Limited ⁽²⁾	Interests in controlled corporation	310,966,035 (L)	11.93%
Shanghai Investment Holdings Limited ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%
Shanghai Industrial Investment Treasury Company Limited ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%
SIIC ⁽³⁾	Interests in controlled corporation	1,207,025,926 (L)	46.31%
Value Partners Classic Fund ⁽⁴⁾	Beneficial interest	224,658,980 (L)	8.61%
China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited	Beneficial interest	223,712,917 (L)	8.58%
CECEP ⁽⁵⁾	Interests in controlled corporation	223,712,917 (L)	8.58%

Notes:

- (1) *Triumph Power directly holds 986,929,551 Shares, representing approximately 37.86% of the total issued share capital of our Company as of the Latest Practicable Date and immediately upon the Listing. S.I. Infrastructure (the sole shareholder of Triumph Power), directly holds 165,418,475 Shares and is also deemed to be interested in 986,929,551 Shares directly held by Triumph Power. SIHL Treasury, a wholly-owned subsidiary of SIHL Holdings, is interested in 54,677,900 Shares through certain nominees arrangements. SIHL Holdings is also the sole shareholder of S.I. Infrastructure. As such, SIHL Holdings is deemed to be interested in a total of 1,207,025,926 Shares, representing approximately 46.31% of the total issued share capital of our Company as of the Latest Practicable Date and immediately upon the Listing.*
- (2) *Value Partners Limited is a fund manager deemed to be interested in the Shares by virtue of the shareholding of our Shares by 13 funds (including Value Partners Classic Fund) under its management. 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 Value Partners Limited. Value Partners Hong Kong Limited is deemed to be interested in the Shares via its 100% ownership in Value Partners Limited. The said information was based on the information provided by Value Partners Limited to our Company in June 2017.*
- (3) *As of the Latest Practicable Date, Shanghai Investment Holdings Limited is directly interested in approximately 47.77% of the total issued share capital of SIHL Holdings and is indirectly interested in approximately 7.36% of the total issued share capital of SIHL Holdings through its wholly-owned subsidiary SIIC Capital (B.V.I.) Limited. Shanghai Industrial Investment Treasury Company Limited is directly interested in 100% of the total issued share capital of Shanghai Investment Holdings Limited. In addition, as of the Latest Practicable Date, SIIC is interested in approximately 59.00% of the total issued share capital of SIHL Holdings through its directly and indirectly wholly-owned subsidiaries. Therefore, each of SIIC, Shanghai Industrial Investment Treasury Company Limited and Shanghai Investment Holdings Limited is deemed to be interested in a total of 1,207,025,926 Shares by virtue of their interests in SIHL Holdings, representing approximately 46.31% of the total issued share capital of our Company as of the Latest Practicable Date and immediately upon the Introduction.*
- (4) *The said information was based on the information provided by Value Partners Limited to our Company in May 2017.*
- (5) *CECEP is deemed to be interested in the shares held by China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited as CECEP owns the entire issued share capital of China Energy Conservation & Environmental Protection (Hong Kong) Investment Co., Limited.*

* (L) denotes long position and (S) denotes short position

2. Particulars of our Directors' service agreements

None of our Directors have entered into any service contract or letter of appointment with our Company.

(1) Executive Directors and Non-executive Director

Mr. Zhou Jun, Mr. Feng Jun, Mr. Xu Xiaobing, Mr. Xu Zhan and Mr. Li Zengfu were appointed as our executive Directors on April 7, 2010, December 14, 2009, February 17, 2012, November 5, 2014, November 5, 2014 and May 12, 2016, respectively, subject to the terms of the Constitution of our Company. Mr. Zhou Jun was re-designated as a non-executive Director on March 12, 2018.

(2) *Independent non-executive Directors*

Mr. Yeo Guat Kwang, Mr. An Hongjun and Mr. Zhong Ming were appointed as our independent non-executive Directors on September 23, 2009, March 1, 2018 and March 1, 2018, respectively, subject to the terms of the Constitution of our Company.

3. Directors' remuneration

- (1) For the three financial years ended December 31, 2014, 2015 and 2016 and for the nine months ended September 30, 2017, the aggregate remuneration and Directors' fees paid by our Group to our Directors were approximately RMB4,858,000, RMB4,335,000, RMB3,621,000 and RMB2,897,000 respectively.
- (2) Our Directors confirmed that our Company's remuneration policies for Directors will remain the same immediately after the Introduction.
- (3) Under the arrangements currently in force, the aggregate remuneration paid and benefit in kind granted (excluding the discretionary bonus) payable by our Group to our Directors (including our non-executive Directors (in their respective capacity as directors)) for the year ending December 31, 2017, are expected to be approximately RMB1,807,219 for our executive Directors and approximately RMB1,783,974 for our independent non-executive Directors, including Mr. Tan Chong Huat who resigned and ceased to be an independent non-executive director as of December 22, 2017.
- (4) None of our Directors or any past directors of any members of our Group has been paid any sum of money for each of the three years ended December 31, 2017 as (i) an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.
- (5) There has been no arrangement under which a Director waived or agreed to waive any emoluments for each of the three years ended December 31, 2017.

4. Related party transactions

Our Group had entered into related party transactions within the two years immediately preceding the date of this listing document as mentioned in Note 46 headed "Related Party Transactions and Balances" to the audited financial statements set out in the Accountants' Report as set out in Appendix I to this listing document and the section headed "Connected Transactions" in this listing document.

5. Disclaimers

Save as disclosed in this listing document:

- (1) none of our Directors or chief executive has any interest and/or short position in the shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules, to be notified to us and the Hong Kong Stock Exchange once our Shares are listed;
- (2) our Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately after completion of the Introduction, have an interest or a short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group;
- (3) none of our Directors nor any of the parties listed in the paragraph headed “8. Qualifications of experts” in the paragraph headed “D. Other Information” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this listing document, acquired or disposed by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group;
- (4) none of our Directors nor any of the parties listed in the paragraph headed “8. Qualifications of experts in the paragraph headed “D. Other Information” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this listing document which is significant in relation to the business of our Group;
- (5) none of our Directors has any existing or proposed service contracts with our Company or any of its subsidiaries, excluding contracts which are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation);

- (6) our Directors confirm that as of the Latest Practicable Date, none of our Directors, their respective associates or our Shareholders who, to the knowledge of our Directors, are interested in 5% or more of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group during the Track Record Period;
- (7) none of our Directors is interested in any business apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business; and
- (8) none of the experts referred to in the paragraph headed "8. Qualifications of experts" in the paragraph headed "D. Other Information" in this Appendix has any shareholding in our Company or any of its subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of its subsidiaries.

D. OTHER INFORMATION

1. Share Option Scheme and Share Award Scheme

ESOS 2012

The following is a summary of the principal terms of the ESOS 2012 adopted by the resolutions of our Shareholders passed on April 27, 2012, and as amended on March 7, 2018 (the amendment will take effect upon the Introduction).

(1) Purpose

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 employees and executive directors of the Group and its parent group, and to give recognition to non-executive directors of the Group and its parent group who have contributed to the success and development of our Company and/or the Group. The ESOS 2012 will give such persons an opportunity to have a real and personal direct interest in our Company and to align the interests of such persons with those of the shareholders of our Company.

(2) Eligibility of Participants

Any of the following persons shall be eligible to participate in the ESOS 2012, at the absolute discretion of the Remuneration Committee:

- (i) a full-time employee of the Group (including any executive director) (the "**Group Employee**") who have attained the age of 21 as of the date on which the option under ESOS 2012 is offered (the "**Date of Offer**");
- (ii) executive directors of the Group (the "**Group Executive Directors**");

- (iii) non-executive directors (including independent non-executive directors) of the Group (the “**Group Non-Executive Directors**”) who, in the opinion of the Remuneration Committee, have contributed to the success and development of the Group;
- (iv) full-time employees (the “**Parent Group Employees**”) of the ultimate holding company and the holding company of our Company and/or their subsidiaries (the “**Parent Group**”) who have attained the age of 21 as of the Date of Offer and who, in the opinion of the Remuneration Committee, have contributed to the success and development of the Group; and
- (v) executive directors of the Parent Group (the “**Parent Group Executive Directors**”) and non-executive directors of the Parent Group (the “**Parent Group Non-Executive Directors**”) who, in the opinion of the Remuneration Committee, have contributed to the success and development of the Group.

Persons who hold directly or indirectly 15% or more of the nominal amount of all voting shares of our Company or in fact exercises control over our Company (the “**ESOS Controlling Shareholders**”) or their associates may participate in ESOS 2012 provided that they meet the eligibility criteria set forth above and:

- (i) written justification has been provided to Shareholders for their participation at the introduction of the ESOS 2012 or prior to the first grant of options to them;
- (ii) the actual number and terms of any options to be granted to them have been specifically approved by independent Shareholders in a general meeting in separate resolutions for each such ESOS Controlling Shareholder or his associates;
- (iii) all conditions for their participation in the ESOS 2012 as may be required by the regulation of the SGX-ST from time to time are satisfied;
- (iv) the aggregate of the number of Shares comprised in options granted to the ESOS Controlling Shareholders or their associate(s) under the ESOS 2012 shall not exceed 25% of the total number of Shares (comprised in options and/or share awards) which may be granted under the ESOS 2012 and/or share awards granted under the ESAS or such other share-based incentive schemes of our Company; and
- (v) the aggregate of the number of Shares comprised in options granted to each ESOS Controlling Shareholder or their associate(s) shall not exceed 10% of the total number of Shares (comprised in options and/or share awards) which may be granted under the ESOS 2012 and/or share awards granted under the ESAS or such other share-based incentive schemes of our Company.

Persons who are Parent Group Employees and Parent Group Non-Executive Directors may participate in the ESOS 2012, if they meet the eligibility criteria set forth above and:

- (i) written justification has been provided to Shareholders for their participation at the introduction of the ESOS 2012 or prior to the first grant of Options to them;
- (ii) a grant of Options to a Participant who is a Parent Group Employee or Parent Group Non-Executive Director, where the number of Shares comprised in Options to be granted together with the number of Shares comprised in Options and/or share awards already granted to the said Participant under the ESOS 2012 and/or share awards granted under the ESAS or such other share-based incentive schemes of our Company, represent 5% or more of the total number of Shares (comprised in Options and/or share awards) which may be granted under the ESOS 2012 and/or share awards granted under the ESAS or such other share-based incentive schemes of our Company to Parent Group Employees and Parent Group Non-Executive Directors, shall be approved by independent Shareholders in a general meeting in separate resolutions for each such Parent Group Employee or Parent Group Non-Executive Director;
- (iii) all conditions for their participation in the ESOS 2012 as may be required by the regulation of the SGX-ST from time to time are satisfied; and
- (iv) the aggregate of the number of Shares comprised in options granted to Parent Group Employees and Parent Group Non-Executive Directors under the ESOS 2012 shall not exceed 20% of the total number of Shares (comprised in options and/or share awards) which may be granted under the ESOS 2012 and/or share awards granted under the share award scheme or such other share-based incentive schemes of our Company.

(3) *Limitations under the ESOS 2012*

The aggregate number of Shares over which the Remuneration Committee may grant options on any date, when added to the number of Shares issued and issuable in respect of all options granted under the ESOS 2012 and any other share-based incentive schemes of our Company, shall not exceed 15% of the issued share capital of our Company (excluding treasury shares) from time to time.

In addition, so long as our Company remains a subsidiary of SIHL Holdings or the Shares remain listed on the Hong Kong Stock Exchange:

- (i) the total number of new Shares which may be issued upon exercise of all options to be granted under the ESOS 2012 and any other share-based incentive schemes (but excluding the ESAS) must not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the ESOS 2012 by our Company. Options lapsed in accordance with the terms of the ESOS 2012 will not be factored in for the purpose of calculating the 10% limit; however

- (ii) notwithstanding (i) above, but subject to terms of this ESOS 2012, SIHL Holdings and our Company may seek the approvals of both the Shareholders and the shareholders of SIHL Holdings in their respective general meetings to refresh the 10% limit. However, the total number of Shares which may be issued upon exercise of all options, together with the Shares issued and to be issued under other share-based incentive schemes (but excluding the ESAS), 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 ESOS 2012 (including those outstanding, cancelled, lapsed in accordance with the ESOS 2012 or exercised options) will not be counted for the purpose of calculating the limit as refreshed; and
- (iii) SIHL Holdings and our Company may seek separate approvals by the shareholders of both SIHL Holdings and our Company in their respective general meetings for granting options beyond the 10% limit provided the options in excess of the limit are granted only to participants specifically identified by both our Company and SIHL Holdings before such approval is sought; provided always that the limit on the number of new Shares which may be issued upon exercise of all outstanding options granted, but yet to be exercised under the ESOS 2012 and any other share-based incentive schemes (but excluding the ESAS) must not exceed 30% of the Shares in issue from time to time. No options may be granted under the ESOS 2012 if this will result in the 30% limit being exceeded.

Further, so long as our Company remains a subsidiary of SIHL Holdings or the Shares remain listed on the Hong Kong Stock Exchange:

- (i) the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options), together with the Shares issued and to be issued to such participant under other share-based incentive schemes (but excluding the ESAS), in any 12-month period, must not exceed 1% of the total Shares in issue. Where any further grant of Options to a participant would result in the Shares issued, and to be issued upon exercise of all options granted and to be granted, to such participant (including exercised, cancelled and outstanding options), when aggregated with the Shares issued and to be issued to such participant under any other share-based incentive schemes (but excluding the ESAS), in the 12-month period up to and including the date of such further grant, represents in aggregate over 1% of the total Shares in issue, such further grant must be separately approved by the shareholders of both our Company and SIHL Holdings in their respective general meetings, and such participant and his associates (as defined in the Hong Kong Listing Rules) shall abstain from voting at such general meeting on any resolution relating to such grant;
- (ii) each grant of options to a director of SIHL Holdings, chief executive or substantial shareholder of SIHL Holdings, or any of their respective associates, under the ESOS 2012 must be approved by independent non-executive directors of SIHL Holdings

(excluding independent non-executive directors who are granted options); each grant of options to a Director, chief executive of our Company or substantial Shareholder, or any of their respective associates, under the ESOS 2012 must be approved by independent non-executive Directors (excluding independent non-executive Directors who are granted options) and

- (iii) where any grant of options to an substantial shareholders of SIHL Holdings or an independent non-executive director of SIHL Holdings, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), together with Shares issued and to be issued under other share-based incentive schemes (but excluding the ESAS), to such person in the 12-month period up to and including the Date of Offer (a) representing in aggregate over 0.1% of the Shares in issue; and (b) (in the event the Shares are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the shareholders of SIHL Holdings. Where any grant of options to an substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), together with Shares issued and to be issued under other share-based incentive schemes (but excluding the ESAS), to such person in the 12-month period up to and including the Date of Offer (a) representing in aggregate over 0.1% of the Shares in issue; and (b) (in the event the Shares are listed on the Hong Kong Stock Exchange), having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by the Shareholders.

(4) Grant and Acceptance of Options

The Remuneration Committee may, subject to the terms of the ESOS 2012, grant options at any time, and from time to time during the period when the ESOS 2012 is in force in its sole discretion provided that so long as our Company remains a subsidiary of SIHL Holdings or the Shares remain listed on the Hong Kong Stock Exchange, a grant of options may not be made after a price sensitive event affecting our Company and/or SIHL Holdings has occurred or a price sensitive matter has been the subject of a decision by our Directors or directors of SIHL Holdings, until an announcement of such price sensitive information has been published in accordance with the Hong Kong Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting for the approval of our Company and/or SIHL Holdings's results for any year, half-year, quarterly or any other interim period; and (ii) the deadline for our Company and/or SIHL Holdings to publish an announcement of its results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement, no option may be granted.

An option shall be personal to the participant to whom it is granted and shall not be transferred (other than to a participant's personal representative on the death of that participant), charged, assigned, pledged or otherwise disposed of, in whole or in part.

The offer of the grant of an option under this rule must be accepted by the offeree within 30 days from the Date of Offer of that option and, in any event, not later than 5.00 p.m. on the 30th day from such Date of Offer by completing, signing and returning the acceptance form accompanied by payment of S\$1.00 as consideration.

An offeree may accept or refuse the offer of the grant of an option in whole or in part. If only part of the offer is accepted, the offeree must accept the offer in integral multiples of 1,000 Shares.

If a grant of an option is not accepted in the manner as provided herein, such offer shall, upon the expiry of the 30 day period, automatically lapse and become null, void and of no effect.

(5) Subscription Price

The subscription price for each Share shall be the price which is equal to the average of the last dealt prices for the Shares, as determined by reference to the daily official list or any other publication published by the SGX-ST for the five consecutive trading days immediately preceding the Date of Offer of that option, rounded up in the case of cents (if applicable) to the nearest whole cent (the “**Market Price**”). The subscription price shall not be at a discount to the Market Price.

Subject as otherwise provided in the ESOS 2012, an option shall not vest earlier than the 1st anniversary of its Date of Offer.

(6) Rights to Exercise Options

Subject as otherwise provided in this ESOS 2012, an option shall be exercisable in whole or in part during the Exercise Period (as defined below) applicable to that option. Exercise of the options is not subject to any performance targets of our Company. Exercise Period is the period commencing after the first anniversary of the Date of Offer and expiring on the fifth anniversary of such Date of Offer, subject as otherwise provided in this ESOS 2012 and to any other conditions as may be determined by the Remuneration Committee from time to time.

(7) Lapse of Options

- (i) An option shall, to the extent unexercised, immediately lapse without any claim against our Company:
 - (a) subject to rules B and C below, on the first anniversary of the participant ceasing to be in the employment of the Group, for any reason whatsoever; and
 - (b) upon the bankruptcy of the participant or the happening of any other event which results in him being deprived of the legal or beneficial ownership of such option.

- (ii) If a participant ceases to be employed by the Group by reason of his:
- (a) ill health, injury or disability (in each case, evidenced to the satisfaction of the Remuneration Committee);
 - (b) redundancy;
 - (c) retirement at or after the legal retirement age;
 - (d) retirement before the legal retirement age with the consent of the Committee,

or any other reason approved in writing by the Remuneration Committee (including his resignation from employment following a demerger, change in management, or restructuring of (or affecting the business of) the company in which he is employed) he may, at the discretion of the Remuneration Committee, exercise any option in respect of such number of Shares comprised in that option within the period of one year after the date of such cessation of employment or such longer period as may be determined by the Remuneration Committee in its absolute discretion (but before the expiry of the Exercise Period), and upon the expiry of such period, the option shall lapse. The Remuneration Committee may, in exercising its discretion, allow the option to be exercised at any time, notwithstanding that the date of exercise of such option falls on a date prior to the first day of the Exercise Period in respect of such option.

- (iii) If a participant ceases to be employed by the Group:
- (a) by reason of the company in which he is employed ceasing to be a company within the Group due to a demerger, change of controlling stockholder, take-over, divestment, winding-up (whether or not voluntary and whether for the purposes of reorganisation, amalgamation or reconstruction) or merger, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group; or
 - (b) for any other similar reason, provided the Remuneration Committee gives its consent in writing,

he may, at the discretion of the Remuneration Committee, exercise any option then remaining unexercised in the manner and at the times provided in Rule A above, or within such other period during the Exercise Period as may be determined by the Remuneration Committee in its absolute discretion.

- (iv) If a participant dies and at the date of his death holds any unexercised option, such option may, at the discretion of the Remuneration Committee, be exercised by the duly appointed personal representatives of the participant within the period of 18 months after his death or such longer period as may be determined by the

Remuneration Committee in its absolute discretion (but before the expiry of the Exercise Period), and upon the expiry of such period, the option shall lapse. The Remuneration Committee may, in exercising its discretion, allow the option to be exercised at any time notwithstanding that the date of exercise of such option falls on a date prior to the first day of the Exercise Period in respect of such option.

- (v) If a participant being a Director ceases to be a director in the Group for any reason whatsoever, any option then held by him shall, to the extent unexercised, immediately lapse on the first anniversary of the above said cessation without any claim against our Company, unless otherwise determined by the Remuneration Committee in its absolute discretion. In exercising such discretion, the Remuneration Committee may also determine the period during which such option may continue to be exercisable, provided that such period may not in any event extend beyond the Exercise Period applicable to such option.
- (vi) Notwithstanding any provision herein to the contrary, the Remuneration Committee may, in its absolute discretion, by notice to the participants, suspend the exercise of any option for such period as the Remuneration Committee may determine, provided that the period of suspension shall not exceed in aggregate sixty (60) days in any one year.
- (vii) Any options granted but not exercised may be cancelled if the holder of such options agrees in writing. Issuance of new options to the same options holder may only be made if there are unissued Options available under the ESOS 2012 (excluding the cancelled options) and in compliance with the rules of the ESOS 2012 in force from time to time.

(8) *Winding Up*

If an order is made for the winding-up of our Company on the basis of its insolvency, all options, to the extent unexercised, shall lapse and become null and void. In the event that a notice is given by our Company to our shareholders to convene a shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to each participant and thereupon, every participant shall be entitled to exercise his Option (if not already exercised) to its full extent or to the extent specified (such exercise to occur not later than two business days prior to the proposed shareholders' meeting referred to above) by notice in writing to our Company, stating that the option is thereby exercised and the number of shares in respect of which it is exercised, accompanied by a remittance for the full amount of the subscription price for the shares in respect of which the notice is given, and our Company shall, as soon as possible and, in any event, no later than the day immediately prior to the date of the proposed shareholders' meeting, allot such number of shares to the Participant which fall to be issued pursuant to the exercise of the option. Our Company shall give notice to the participants of the passing of such resolution within seven days after the passing thereof.

In the event of a members' solvent voluntary winding-up (other than for amalgamation or reconstruction), the participant shall be entitled, subject to other terms of the ESOS 2012, within 30 days of the passing of the resolution of such winding-up (but not after the expiry of the Exercise Period relating thereto), to exercise any unexercised option at the discretion of the Remuneration Committee in respect of such number of Shares comprised in that option as may be determined by the Committee, after which such unexercised option shall lapse and become null and void.

(9) Variation of Capital

If a variation in the issued ordinary share capital of our Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation or distribution) shall take place, then the Remuneration Committee may determine whether:–

- (i) the subscription price for the Shares, the nominal value, class and/or number of Shares comprised in an option to the extent unexercised; and/or
- (ii) the nominal value, class and/or number of Shares over which options may be granted under the ESOS 2012,

shall be adjusted and, if so, the manner in which such adjustment shall be made, provided that such adjustments shall satisfy the requirements set out in the Listing Manual. Any adjustment under this rule should be made in such a way that a participant will not receive a benefit that a shareholder does not receive and accords a participant the same proportion of the equity share capital of our Company as that to which such participant would be entitled to if such variation of our Company's issued share capital did not take place. For any distribution other than a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of capital, our Company is required to comply with Rule 17.03(13) of the Hong Kong Listing Rules and in consultation with the Hong Kong Stock Exchange.

(10) Duration

The ESOS 2012 shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten years commencing on the commencement date of this scheme. This scheme may be terminated at any time by the Remuneration Committee or by resolution of our Company in general meeting.

The termination of the ESOS 2012 shall not affect options which have been granted and accepted, whether such options have been exercised (fully or partially) or not.

(11) Others

Any or all the provisions of the ESOS 2012 may be modified and/or altered at any time and from time to time by resolution of the Remuneration Committee, except that:–

- (i) no modification or alteration shall adversely alter the rights attaching to any option granted prior to such modification or alteration except with the consent in writing of such number of participants who, if they exercised their options in full, would thereby become entitled to not less than three-fourths of all the Shares which would fall to be allotted upon exercise in full of all outstanding options;
- (ii) the definitions of “Group”, “Group Executive”, “Group Director”, “Committee”, “Exercise Period”, “Participant”, “Offeree” and “Subscription Price” and the provisions of Rules 4, 5, 6, 7, 8, 9, 10.1, 10.5, 12 and this rule shall not be altered to the advantage of participants except with the prior approval of our Company’s shareholders in general meeting; and
- (iii) no modification or alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary, nor shall any alteration be made under Rules 843 to 848, and Rules 852 and 853 of the Listing Manual to the advantage of participants except with the prior approval of the Shareholders in general meeting.

Further, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the ESOS 2012 in any way to the extent necessary to cause the ESOS 2012 to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

So long as our Company remains a subsidiary of SIHL Holdings or the Shares remain listed on the Hong Kong Stock Exchange:

- (i) provisions of this ESOS 2012 relating to matters set out in Rule 17.03 of the Hong Kong Listing Rules cannot be altered to the advantage of participants without the prior approvals of the shareholders of both our Company and SIHL Holdings in their respective general meetings;
- (ii) any alterations to the terms and conditions of the ESOS 2012 which are of a material nature or any change to the terms of options granted must be approved by both the shareholders of our Company and SIHL Holdings, except where the alterations take effect automatically under the existing terms of the ESOS 2012; and
- (iii) the amended terms of the ESOS 2012 or the options must still comply with the relevant requirements of Chapter 17 of the Hong Kong Listing Rules.

(12) Number of Outstanding Option

As of the Latest Practicable Date, there was no option being granted and remained outstanding under the ESOS 2012.

ESAS

The following is a summary of the principal terms of the ESAS adopted by the resolutions of our Shareholders passed on April 27, 2012.

(1) Purpose

The ESAS is a performance incentive scheme which forms an integral part of the Group's incentive compensation program. It is hoped that through the ESAS, our Company will be able to remain an attractive and competitive employer and be better able to manage its fixed overhead costs without compromising on performance standards and efficiency.

(2) Eligibility of Selected Persons

A "selected person" ("**Selected Person**") is a person who has been granted an ESAS award. Any person shall be eligible to participate in the ESAS at the absolute discretion of the Remuneration Committee, or such other committee comprising Directors duly authorized and appointed by our Board to administer the ESAS, if at the date on which the ESAS awards are granted (referred to as "**Date of Grant**" hereinafter):

- (i) he shall be a Group employee, a Group Executive Director; or, Group Non-Executive Directors (including independent Directors), a Parent Group Employee, or a Parent Group Executive Director or Parent Group Non-executive Director, who, in the opinion of the Remuneration Committee, have contributed to the success and development of the Group;
- (ii) he shall have attained the age of 21; and
- (iii) he shall not be an undischarged bankrupt.

(3) Grant of ESAS Awards

Subject as provided in sub-section (6), the Remuneration Committee may grant ESAS awards to Group Employees, Parent Group Employees, Group Non-executive Directors and parent Group Non-executive, Directors as the Remuneration Committee may select in its absolute discretion, at any time during the period when the ESAS is in force.

Notwithstanding the above, so long as our Company remains a subsidiary of SIHL Holdings, any grant of the ESAS awards by the Remuneration Committee to Selected Persons who are connected persons of the Group shall be subject to compliance with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules relating to connected transactions. These requirements include the reporting of certain details in relation to such grant in SIHL Holdings's annual report and accounts, the issue of a public announcement on the terms of such grant, and the approval of such grant by the independent shareholders of SIHL Holdings.

The Remuneration Committee shall decide, in its absolute discretion, in relation to each ESAS award:

- (i) the Selected Person;
- (ii) the Date of Grant;
- (iii) the number of ordinary shares in the capital of our Company (referred to as “**Shares**” hereinafter) which are the subject of the ESAS award;
- (iv) the target(s) prescribed by the Remuneration Committee to be fulfilled by a Selected Person for any particular period under the ESAS, for the Selected Person, if deemed necessary (referred to as “**the Performance Target(s)**” hereinafter);
- (v) the prescribed period or periods, the duration of which is to be determined by the Remuneration Committee at the Date of Grant (referred to as “**Vesting Period(s)**” hereinafter);
- (vi) the extent to which Shares which are the subject of that ESAS award shall be released at the end of each prescribed vesting period;
- (vii) in relation to a performance-related ESAS award, the extent to which the Shares under that ESAS award shall be released on the prescribed performance target being satisfied or exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed vesting period; and
- (viii) such other conditions which the Remuneration Committee may determine in relation to that ESAS award.

As soon as reasonably practicable after making an ESAS award, the Remuneration Committee shall send to each Selected Person an ESAS award letter confirming the ESAS award and specifying in relation to the ESAS award:

- (i) the date of grant;

- (ii) the number of Shares which are the subject of the ESAS award;
- (iii) the prescribed vesting period(s);
- (iv) the extent to which Shares which are the subject of that ESAS award shall be released at the end of each prescribed vesting period;
- (v) in the case of a performance-related ESAS award, the performance period and the performance target; and
- (vi) such other conditions which the Remuneration Committee may determine in relation to that ESAS award.

Selected Persons are not required to pay for the grant of ESAS awards. An ESAS award or released ESAS award shall be personal to the Selected Person to whom it is granted and no ESAS award or released ESAS award or any rights thereunder shall be transferred, charged, assigned, pledged, mortgaged, encumbered or otherwise disposed of, in whole or in part, and if a Selected Person shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an ESAS award or released ESAS award, that ESAS award or released ESAS award shall immediately lapse.

(4) Events Prior to the Vesting Period

An ESAS award, to the extent not yet released, shall forthwith become void and cease to have effect on the occurrence of any of the following events (and in such an event, the Selected Person shall have no claim whatsoever against our Company, its Directors or employees):

- (i) a Selected Person, being a Group Employee or Parent Group Employee, ceasing for any reason whatsoever (including but not limited to ill health, injury or disability), to be in the employment of our Company and/or the relevant subsidiary or the parent group or in the event the company by which the employee is employed ceases to be a company in the Group or ceases to be a parent group;
- (ii) a Selected Person, being a non-executive Director, ceasing to be a Director of our Company and/or the relevant subsidiary or parent Group, as the case may be, for any reason whatsoever;
- (iii) upon the bankruptcy of the Selected Person or the happening of any other event which results in him being deprived of the legal or beneficial ownership of or interest in such ESAS award;
- (iv) if a Selected Person dies before an ESAS award is released, the ESAS award shall in such circumstances be given to the personal representatives of the Selected Person;

- (v) a Selected Person commits any breach of any of the terms of his ESAS award; and/or
- (vi) misconduct on the part of a Selected Person as determined by the Remuneration Committee in its discretion.

Unless otherwise provided, in the event of a take-over being made for the Shares, in relation to performance-related ESAS awards, a Selected Person shall be entitled to ESAS awards if he has met the performance target within the period commencing on the date on which such offer for a take-over of our Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (i) the expiry of six months thereafter, unless prior to the expiry of such six month period, at the recommendation of the offeror and with the approvals of the Remuneration Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last day of date on which the performance target are to be fulfilled); or
- (ii) the date of expiry of the period for which the performance period are to be fulfilled.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Companies Act and, being entitled to do so, gives notice to the Selected Persons that it intends to exercise such rights on a specified date, the Selected Persons shall be obliged to fulfill such Performance Target until the expiry of such specified date or the expiry date of the performance period relating thereto, whichever is earlier, before an ESAS award can be vested.

If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies, each Selected Person shall be entitled, notwithstanding any rules that are superior, to any ESAS awards so determined by the Remuneration Committee to be vested in him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

If an order is made for the winding-up of our Company on the basis of its insolvency, all ESAS awards, notwithstanding that they may have been so vested shall be deemed or become null and void. In relation to performance-related ESAS awards, in the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the ESAS awards shall so vest in the Selected Persons for so long as, in the absolute determination by the Remuneration Committee, the Selected Persons have met the performance target prior to the date that the members' voluntary winding-up shall be deemed to have been commenced or effective in law.

(5) *Release of ESAS Awards*

Subject to legislation and rules of the SGX-ST such consents or other required action of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to the compliance with the terms of the ESAS awards and the Constitution of our Company, our Company will have the flexibility to deliver Shares to Selected Persons upon Vesting of their ESAS awards by the following means as it deems fit in its sole and absolute discretion:

- (i) the allotment and issue to each Selected Person of the number of New Shares, deemed to be fully paid or credited upon their allotment and issuance;
- (ii) delivering existing Shares to the Selected Persons, whether such existing Shares are acquired pursuant to a share purchase mandate or (to the extent permitted by law) held as treasury shares or otherwise; and/or
- (iii) payment of the aggregate market price of the Shares in cash in lieu of allotment or transfer.

In determining whether to issue new Shares, or to purchase existing Shares to satisfy ESAS awards, the Remuneration Committee shall have the right to take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing market price of the Shares and the cost to our Company of either issuing new Shares or purchasing existing Shares.

The Remuneration Committee will take into account factors such as (but not limited to) the cost to our Company of releasing an ESAS award, wholly or partly, in the form of cash rather than Shares. In considering the cost factor, the Remuneration Committee will take into account relevant factors such as taxation issues arising from the issue of new Shares and/or purchase of existing Shares and the payment of cash, the availability of cash for payment and the cost of funding the cash payment, if necessary. In relation to each performance-related ESAS award, as soon as reasonably practicable after the end of the relevant performance period, the Remuneration Committee shall review the performance target specified in respect of that ESAS Award and determine whether it has been satisfied and, if so, the extent to which it has been satisfied.

The Remuneration Committee shall have the discretion to determine whether the performance target has been satisfied (whether fully or partially) or exceeded and, in making any such determination, the Remuneration Committee shall have the right to make reference to the audited results of our Company or the Group, as the case may be, to take into account such factors as the Remuneration Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events.

Subject to the following:

- (i) in relation to a performance-related ESAS award, the Remuneration Committee having determined that the performance target has been satisfied;
- (ii) the relevant Selected Person (being a Group Employee or Parent Group Employee) having continued to be a Group Employee or Parent Group Employee from the date of grant up to the end of the relevant vesting period;
- (iii) the Remuneration Committee being of the opinion that the job performance of the relevant Selected Person has been satisfactory;
- (iv) such consents (including any approvals required by the SGX-ST) as may be necessary;
- (v) compliance with the terms of the ESAS award, the ESAS, the Constitution of our Company;
- (vi) where Shares are to be allotted or transferred on the release of an ESAS Award, the Selected Person having a securities account with Central Depository (Pte) Limited (“CDP”) and compliance with the applicable requirements of CDP; and
- (vii) where new Shares are to be allotted on the release of an ESAS award, our Company being satisfied that the Shares which are the subject of the released ESAS award will be listed for quotation on the SGX-ST,

if the Remuneration Committee determines in its sole discretion that the Performance Target has not been satisfied or if the relevant Selected Person (being a Group Employee or Parent Group Employee) has not continued to be a Group Employee or Parent Group Employee from the date of grant up to the end of the relevant performance period, that ESAS award shall lapse and be of no value.

Our Company shall release Shares to Selected Person(s) to which his ESAS award relates on the vesting date upon the expiry of each vesting period in relation to an ESAS award. Shares which are the subject of a released ESAS award shall be vested to a Selected Person on the vesting date, which shall be a day on which the SGX-ST is open for trading of securities (referred to as “**Market Day**” hereinafter) falling as soon as practicable after the release of such ESAS award and, our Company shall within ten (10) Market Days after the vesting date, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Remuneration Committee may deem fit, or in the case of a transfer of Shares, do such acts or things which are necessary for the transfer to be effective.

Where new Shares are allotted upon the vesting of any ESAS Award, our Company shall, as soon as practicable after such allotment, apply to the SGX-ST for the listing and quotation of such Shares.

New Shares allotted and issued and/or Shares transferred, upon the release of an ESAS award shall:

- (i) be subject to all the provisions of the Constitution; and
- (ii) rank for any dividend, right, allotment or other distribution on the record date of which is on or after the relevant vesting date and (subject as aforesaid) will rank *pari passu* in all respects with the Shares then existing.

The Market Price is the average of the dealt price for a Share as determined by reference to the last dealt prices of the Shares on SGX-ST for the three consecutive Market Days immediately preceding the date on which the ESAS Award shall be vested. If payment in cash for the aggregate Market Price of the Shares is to be made in lieu of allotment or transfer, the payment shall be made within 10 Market Days after the vesting date of the ESAS Award.

The “aggregate Market Price” of the Shares to be paid to a Selected Person in lieu of allotment or transfer, shall be calculated in accordance with the following formula:

$$A = B \times C$$

Where:

- A is the aggregate Market Price of the Shares to be paid to the Selected Person in lieu of all or some of the Shares to be issued or transferred upon the release of an ESAS award;
- B is the Market Price of each Share; and
- C is such number of Shares (as determined by the Remuneration Committee in its sole and absolute discretion) to be vested to a Selected Person upon the release of the ESAS award in accordance with these rules.

(6) *Limitation on the Size of the ESAS*

The total number of new Shares which may be issued pursuant to ESAS awards granted on any date, when added to the number of new Shares issued and/or issuable in respect of all ESAS awards granted under the ESAS and any other share-based incentive schemes of our Company, shall not exceed 15% of the issued share capital of our Company (excluding treasury shares) from time to time.

The number of existing Shares which may be purchased from the market for delivery pursuant to the release of ESAS awards granted under the ESAS, will not be subject to any limit. Alternatively, our Company may make a release of ESAS awards in cash instead of Shares and Selected Persons entitled to such ESAS awards will receive in lieu of Shares, the aggregate market value of such Shares. Such methods will not be subject to any limit as they do not involve the issue of any new Shares.

(7) *Adjustment Events*

If a variation in the issued share capital of our Company (whether by way of a capitalisation of profits or reserves, rights issue, reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

- (i) the number of Shares which are the subject of an ESAS award to the extent not yet vested and the rights attached thereto; and/or
- (ii) the number of Shares in respect of which ESAS awards may be granted under the ESAS, shall be adjusted in such manner as the Remuneration Committee may determine to be appropriate.

(8) *Administration of the ESAS*

The ESAS shall be administered by the Remuneration Committee in its sole discretion, with such powers and duties as are conferred on it by our Board of Directors, provided that no member of the Remuneration Committee shall participate in any deliberation or decision in respect of ESAS awards granted or to be granted to him or held by him.

The Remuneration Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the ESAS) for the implementation and administration of the ESAS, to give effect to the provisions of the ESAS and/or to enhance the benefit of the ESAS Awards and the released ESAS Awards to the Selected Persons, as it may, in its absolute discretion, think fit.

Our Company shall bear the costs of establishing and administering the ESAS.

(9) *Modifications to the ESAS*

Any or all the provisions of the ESAS may be modified and/or altered at any time and from time to time by resolution of the Remuneration Committee, except that:

- (i) no modification or alteration shall be made which would adversely affect the rights attached to any ESAS award granted prior to such modification or alteration except with the prior consent in writing of such number of Selected Persons who, if their ESAS awards were released to them upon the expiry of all the Vesting Periods applicable to their ESAS awards, would be entitled to not less than three-quarters of the aggregate value of the Shares which would fall to be vested upon the release of all outstanding ESAS awards upon the expiry of all the vesting periods applicable to all such outstanding ESAS awards;
- (ii) no modification or alteration which would be to the advantage of Selected Persons shall be made except with the prior approval of the shareholders of our Company in general meeting; and

- (iii) no modification or alteration shall be made without the prior approval of the SGX-ST, or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary, nor shall any alteration be made under Rules 843 to 848, and Rules 852 and 853 of the Listing Manual Section B: Rules of Catalist of the SGXST to the advantage of participants except with the prior approval of the shareholders in general meeting.

Notwithstanding anything to the contrary contained in sub-section (10), the Remuneration Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST if required) amend or alter the ESAS in any way to the extent necessary to cause the ESAS to comply with any statutory provision or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

(10) Duration of the ESAS

The ESAS shall continue to be in operation at the discretion of the Remuneration Committee for a maximum period of 10 years commencing on the adoption date, the date on which the ESAS is adopted by resolution of the shareholders of our Company, provided always that the ESAS may, subject to applicable laws and regulations, continue beyond the above stipulated period with the approval of the shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

In addition, our Directors confirm that when exercising ESAS in the future, the Company will comply with applicable Hong Kong Listing Rules and Listing Manual.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the PRC and Singapore, being jurisdictions in which one or more of the companies comprised our Group are incorporated.

3. Litigation

No member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on the results of operations or financial condition of our Group as of the Latest Practicable Date.

4. Preliminary expense

The preliminary expenses were approximately S\$310 and were paid by our Company.

5. Promoters

Our Company does not have any promoter. Within the two years immediately preceding the date of this listing document, no cash, securities other benefit has been paid, allotted or give or is proposed to be paid, allotted or given to any promoter in connection with the Introduction and the related transactions described in this listing document.

6. Sponsor's fee, agency fees or commissions received

The Sole Sponsor will receive a fee of US\$2.5 million to act as the sole sponsor to our Company in connection with the Introduction. Such sponsor's fee and expenses, together with the Hong Kong Stock Exchange listing fees, legal and other professional fees, and printing and other expenses relating to the Introduction, which are estimated to amount in aggregate to approximately RMB63.8 million, will be payable by our Company.

7. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue as mentioned in this listing document (including any Shares which may be issued pursuant to the exercise of options which may be granted under the ESOS 2012 and any Shares which may be issued pursuant to the ESAS). All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are included in this listing document:

Name	Qualification
Credit Suisse (Hong Kong) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities under the SFO.
Deloitte Touche Tohmatsu	Certified public accountants
RHTLaw Taylor Wessing LLP	Legal advisers to our Company as to Singapore laws
Zhong Lun Law Firm	Legal advisers to our Company as to PRC laws
Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.	Independent industry consultant
Mr. Richard Leung	Hong Kong barrister-at-law

9. Consents of experts

Each of the experts referred to in the paragraph headed “8. Qualifications of experts” in the paragraph headed “D. Other Information” in this appendix has given and has not withdrawn its written consent to the issue of this listing document with the inclusion of its report, letter, opinion or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they respectively included.

As of the Latest Practicable Date, none of the experts named above had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

10. Taxation of holders of Shares

(1) *Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Introduction can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of our Shares registered with Hong Kong Branch Share Register will be subject to Hong Kong Stamp Duty, the current rate of which is 0.2% of the consideration or, if higher, of the fair value of the Shares being sold or transferred.

(2) *Singapore*

(i) *Dividend Distributions*

Under the one-tier corporate taxation system in Singapore, income tax paid by a company resident in Singapore is a final tax. Any dividend paid by a Singapore tax resident company to our shareholders is tax exempt. Where a shareholder is a non-resident for Singapore tax purposes, the dividend it receives is not subject to any withholding tax in Singapore.

As our Company is a Singapore tax resident company, the one-tier corporate taxation system applies to any dividend it may distribute to our shareholders. Nonetheless, we recommend that our Shareholders, in particular foreign shareholders, consult their professional advisers on the potential applicability, if any, of tax laws (including any Double Taxation Agreements) in other countries that may have an effect on the tax incidence in those countries.

(ii) Gains on Disposals of Ordinary Shares

Singapore does not impose a capital gains tax. There are no specific statutory laws or regulations which deal with the characterization of whether a gain is revenue or capital in nature. The characterization would usually depend on the attributes and principal business activities of the taxpayer, and the material facts and circumstances surrounding the purchase and sale of a particular asset.

In most cases, any gains or profits derived from the disposal of shares acquired and held as long-term investments will generally be regarded as gains of a capital nature and not subject to Singapore income tax. On the other hand, if the gains or profits are construed to be of an income nature, it is subject to Singapore income tax. This would be the case if the gains or profits arise from or are otherwise connected with activities which may amount to the carrying on of a trade or business of dealing in shares.

Where a disposal of our Shares by a company occurs at any time between now and May 31, 2022, any gains or profits derived therefrom is exempt from income tax if, immediately prior to the date of share disposal, the divesting company has legally and beneficially owned at least 20% of our Shares for a continuous period of at least 24 months. For all other disposals, the taxability of any gains or profits in Singapore will be based on the general principles set out above.

In addition, a corporate shareholder who applies, or who is required to apply, the Singapore Financial Reporting Standard 39 Financial Instruments – Recognition and Measurement (“**SFRS 39**”) for the purposes of Singapore income tax may be required to recognise revenue gains or losses (i.e. excluding capital gains or losses) in accordance with the requirements of SFRS 39 (as modified by the applicable provisions of Singapore income tax law) notwithstanding that no sale or disposal of our Shares has been made. The taxability and deductibility of such revenue gains or losses would depend on the classification of our Shares in the financial statements of the corporate shareholder pursuant to the requirements of SFRS 39. However, as the precise treatment will vary from shareholder to shareholder, we recommend that shareholders consult their professional advisers on the Singapore income tax consequences arising from any acquisition, holding or disposal of our Shares.

(iii) Stamp Duty

No stamp duty is payable on the subscription or issuance of our Shares. Stamp Duty is also not payable on any transfer of our Shares if it is effected electronically through the CDP, provided that no written agreement or instrument relating to its transfer is executed. Where any such document is executed in connection with such a transfer, we recommend that parties to the transfer consult their professional advisers to determine if stamp duty is payable.

Where the title to any existing Share is evidenced in certificated form, stamp duty may payable on any document or instrument of transfer of such Shares if it is executed in Singapore, or subsequently received in Singapore. The stamp duty payable is levied at the rate of S\$0.20

for every S\$100.00 or any part thereof of the consideration paid for or market value of the Shares, whichever is higher. The purchaser is liable for the payment of the stamp duty, unless it is otherwise agreed by the parties to the transfer.

No stamp duty is payable if a dutiable instrument of transfer or document is executed outside Singapore. However, stamp duty may be payable if a dutiable instrument of transfer or document executed outside Singapore is subsequently received in Singapore.

(iv) Estate Duty

Singapore estate duty was abolished with effect from February 15, 2008.

(v) Goods and Services Tax (“GST”)

The transfer of our Shares by a GST-registered person belonging in Singapore is an exempt supply. Where in the course or furtherance of a business carried on by a GST-registered person, our Shares are sold under a contract with a person who belongs in a country outside Singapore (and who is outside Singapore at the time of supply), to directly benefit that person, the sale may be a taxable supply subject to GST at zero rate. We recommend that investors consult their professional advisers on the chargeability of GST on the purchase and sale of our Shares.

Any GST incurred by a GST-registered person on the provision of taxable supplies made to him in the course of making zero-rated supplies for the purpose of his business may, subject to the provisions of the GST legislation, generally be recoverable as an input tax credit. Where the input tax incurred on taxable supplies made to a GST-registered person is attributable to an exempt supply made by him, he is generally not eligible for an input tax credit unless he satisfies certain conditions prescribed under the GST legislation or by the Comptroller of GST.

In relation to the sale or purchase of our Shares, the taxable supplies that may be made by a GST-registered person to an investor include services such as brokerage and handling services. The supply of such services will be subject to GST at the prevailing rate of 7.0% if it is made by a person belonging in Singapore. The supply made shall be charged at zero-rate if the services are rendered under a contract with an investor belonging outside Singapore (and who is outside Singapore at the time of supply) provided that the services are made in the course of or in furtherance of a business carried on by the GST-registered person for the direct benefit of that investor.

(3) Consultation with professional advisers

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasized that none of our Company, the Sole Sponsor, any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

11. Bilingual Document

The English language and Chinese language versions of this listing document are being published separately. This listing document is written in English language and the Chinese language version is for information purposes only. Should there be any discrepancy between the English language version and the Chinese language version of this listing document, the English language version shall prevail.

12. Register of members and branch register of members

Subject to the provisions of the Companies Act, the principal register of members of our Company is maintained in Singapore and the branch register of members of our Company will be maintained in Hong Kong. Unless our Directors otherwise agree, all transfers and other documents of title of Shares which are traded on the Hong Kong Stock Exchange must be lodged for registration with and registered by, Hong Kong Branch Share Registrar and may not be lodged in Singapore.

13. No material adverse change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) which would materially affect the information shown in this listing document.

14. Miscellaneous

- (1) Save as disclosed in this listing document, within the two years immediately preceding the date of this listing document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of its subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
 - (iv) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

- (v) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (vi) our Group has no outstanding convertible debt securities or debentures.
- (2) Save for our Company, no member of our Group is presently listed on any stock exchange or traded on any trading system.
- (3) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a material and adverse effect on the financial position of our Group in the 12 months immediately preceding the date of this listing document.

Copies of the following documents will be available for inspection at the office of Paul Hastings at 22nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this listing document:

- (1) the Constitution of our Company;
- (2) the accountants' report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this listing document;
- (3) the report to the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this listing document;
- (4) the letter relating to the profit estimate received from Deloitte Touche Tohmatsu and Sole Sponsor, the text of which is set out in Appendix III to this listing document;
- (5) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2016 and for the six months ended September 30, 2017;
- (6) the annual reports of our Company for each of the three years ended December 2016;
- (7) the letter prepared by RHTLaw Taylor Wessing LLP, our legal advisers as to Singapore law, summarising certain aspects of the laws of Singapore referred to in Appendix IV to this listing document;
- (8) the PRC legal opinion (in Chinese) prepared by Zhong Lun Law Firm, our legal advisers as to PRC law;
- (9) the legal opinion issued by Mr. Richard Leung, Hong Kong barrister-at-law, our legal adviser in relation to certain non-compliance incidents in Hong Kong;
- (10) the consent letters from each of the Sole Sponsor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, Zhong Lun Law Firm, RHTLaw Taylor Wessing LLP, Frost & Sullivan (Beijing) Inc. Shanghai Branch Co., and Mr. Richard Leung in connection with the issue of the listing document;
- (11) the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this listing document; and
- (12) the rules of the ESOS 2012 and ESAS.

In addition, prospective investors and/or Shareholders can access copies of the following documents (all of which are very large documents) via the following weblinks:

Companies Act

<http://statutes.agc.gov.sg/>

Singapore Securities and Futures Act (Chapter 289) of Singapore

<http://statutes.agc.gov.sg/>

The Singapore Code on Take-overs and Mergers

<http://www.mas.gov.sg/~media/resource/sic/2015%20Code%20Amendments%20Response%20Press%20Release/Annex%202.pdf>

The Listing Manual of the Singapore Exchange Securities Trading Limited

http://rulebook.sgx.com/en/display/display_main.html?rbid=3271&element_id=1



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