中信环境技术
CITIC ENVIROTECH

NEW BREAKTHROUGH
NEW POSSIBILITIES

Annual Report 2018

CONTENTS

CORPORATE PROFILE

CITIC Envirotech Ltd ("CEL", the "Company" or together with its subsidiaries, the "Group") is a holding company incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange Limited since 22 April 2004.

CEL is a leading membrane-based integrated environmental solutions provider primarily engaged in environmental services, including engineering, investment in water assets, river restoration, wastewater treatment and water recycling, hazardous waste treatment, sludge management, integrated environmental services, ecological restoration, operation and maintenance services and membrane manufacturing.

CEL is a pioneer and leader in Membrane Bioreactor ("MBR") technology and it has an established track record in both large-scale municipal and industrial MBR projects. The Company's wholly-owned subsidiary, Memstar Pte Ltd ("Memstar"), is one of the world's largest manufacturers of the membrane used in MBR technology. CEL's MBR technology provides excellent treated water quality with small footprint and the Company has built up a track record with more than 100 MBR references in various parts of China and in Southeast Asia.

CEL's major shareholders are CITIC Environment Investment Co Ltd, a wholly-owned subsidiary of CITIC Limited ("CITIC") and China Reform Fund Envirotech Co., Ltd ("CRF").

The Group has three main divisions, namely Engineering, Procurement and Construction ("**EPC**"), Investment, and Membrane Technology.

KEY BUSINESS DIVISIONS

EPC Division

Through its EPC division, the Group provides engineering services including the design, fabrication, installation and commissioning of membrane-based water and wastewater treatment systems, ecological restoration projects, river restoration projects, integrated environmental projects as well as sustainable green projects that positively impacts the environment.

CEL's major customers include industrial clients such as petrochemical companies including China Petrochemical Corporation ("Sinopec"), China National Petroleum Corporation ("CNPC"), China National Offshore Oil Corporation ("CNOOC") and Sembcorp Utilities. The Group had also provided EPC solutions to industrial parks such as those in Guangdong (Daya Bay Huizhou, Nansha), Jiangsu (Dafeng, Taixin, Siyang, Qidong), Sichuan (Guangan), Fujian (Yangli), Shandong (Changyi, Weifang) and Tianjin (TEDA) and to various municipal authorities in China.

Investment and Treatment Division

CEL develops, owns and operates water and wastewater treatment plants in China by investing in Build-Operate-Transfer ("BOT"), Transfer-Operate-Transfer ("TOT") and Build, Own and Operate ("BOO") arrangements. A portion of the Group's investment projects are municipal plants backed by stable and long-term off-take agreements with the government in China.

To-date, the Group has invested in more than 60 water plants across more than 11 provinces in China, including Liaoning, Shandong, Jiangsu, Fujian, Hebei, Henan, Gansu, Sichuan and Guangdong and in industrial park wastewater projects, providing wastewater treatment solutions to the industrial end-users.

The Group has also invested in three fully-integrated environmental projects in Shantou and Qingyuan cities, Guangdong Province and in Anyang city, Henan Province. These circular economy projects undertake the supply of industrial water, steam and electricity, wastewater treatment and ancillary services to industrial parks.

CEL extended its investment into the hazardous waste management sector to take advantage of the increasingly stringent environmental regulations and favorable policy trend that has driven the growth of this sector. CEL secured hazardous waste treatment projects in Binzhou and Rizhao cities, in Shandong Province; Bazhou and Aksu cities, in Xinjiang Province; as well as Nantong city, in Jiangsu Province; providing treatment facilities consisting of incineration plants, physical-chemical plants and landfills.

Membrane Technology Division

Memstar, together with its subsidiaries (the "Memstar Group"), is principally engaged in the business of manufacturing and supplying of membrane, membrane products and integrated membrane systems.

The Memstar Group is one of the leading manufacturers and suppliers of polyvinylidene fluoride ("PVDF") hollow fibre membrane products with global presence. The Memstar Group is equipped with strong research and development ("R&D") capabilities and has manufacturing facilities located in both Singapore and China.

With the support of the Economic Development Board of Singapore, the R&D centre in Singapore houses advanced research facilities and is staffed with a strong R&D team. The intellectual property rights of the Memstar Group also include numerous patents, manufacturing know-how and production design in the relevant field.

In addition to manufacturing ultrafiltration ("UF") and microfiltration ("MF") membranes, CEL has expanded its membrane technology division to manufacture nanofiltration ("NF") and reverse osmosis ("RO") membranes in USA by Memstar USA, a subsidiary of CEL. With these new products, the Group now offers a full spectrum of membrane filtration solutions.

DRIVING GROWTH
WIDENING OUR SPECTRUM

CORPORATE INFORMATION

Board of Directors

Mr Hao Weibao
(Executive Chairman and
Chief Executive Officer)
Mr Zhang Yong
(Executive Director)
Mr Wang Song
(Executive Director)
Dr Lin Yucheng
(Non-Executive Director)
Mr Bi Jingshuang
(Non-Executive Director)
Mr Yeung Koon Sang alias David Yeung
(Lead Independent Director)
Mr Tay Beng Chuan
(Independent Director)
Mr Lee Suan Hiang
(Independent Director)

Company Secretaries

Ms Lotus Isabella Lim Mei Hua, FCIS
Ms Lee Bee Fong, ACIS

Registration Number

200306466G

Nominating Committee

Mr Tay Beng Chuan
(Chairman)
Dr Lin Yucheng
Mr Yeung Koon Sang alias David Yeung
Mr Lee Suan Hiang
Mr Bi Jingshuang

Remuneration Committee

Mr Lee Suan Hiang
(Chairman)
Mr Yeung Koon Sang alias David Yeung
Mr Tay Beng Chuan
Mr Bi Jingshuang

Audit Committee

Mr Yeung Koon Sang alias David Yeung
(Chairman)
Mr Lee Suan Hiang
Mr Tay Beng Chuan
Mr Bi Jingshuang

Principal Place of Business

10 Science Park Road
#01-01 The Alpha
Singapore 117684

Registered Office

80 Robinson Road
#02-00 Singapore 068898
Tel: 6236 3333
Fax: 6236 4399

Share Registrar and Share Transfer Office

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00 Singapore 068898

Auditors

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way,
OUE Downtown 2,
#33-00
Singapore 068809

Partner-in-charge

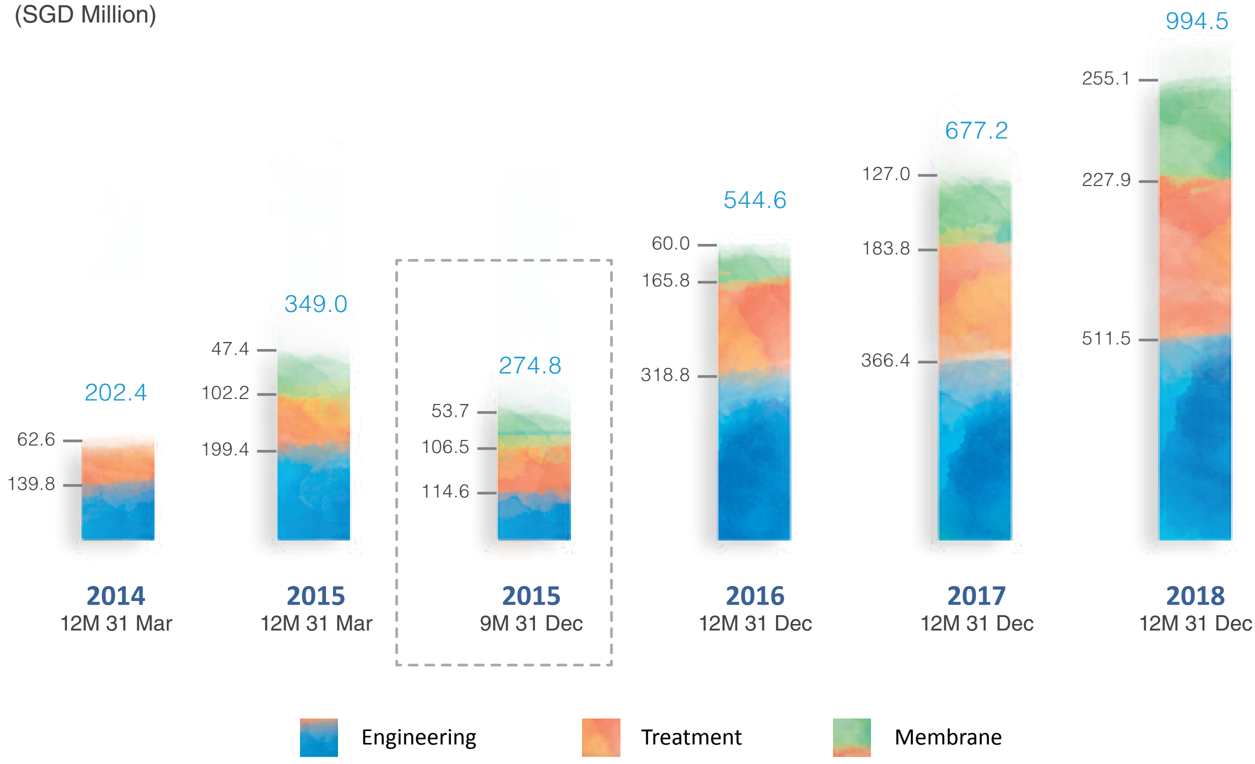
Mr Jeremy Toh Yew Kuan
Date of Appointment: 27 April 2017

Principal Bankers

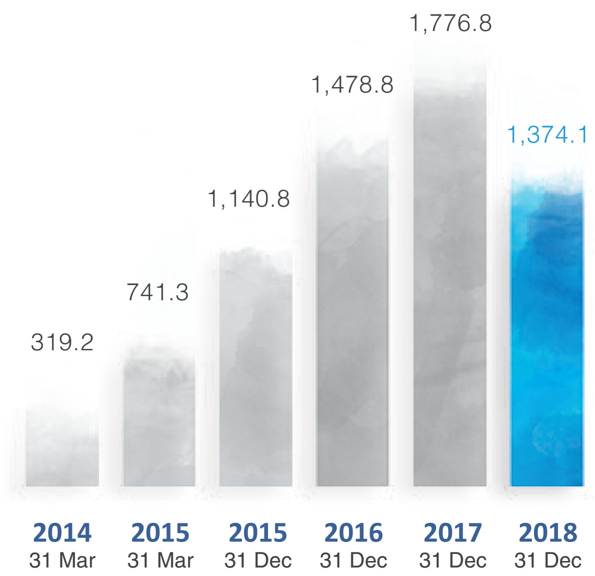
Agricultural Bank of China
Bank of China
China CITIC Bank
China Merchants Bank
China Construction Bank
DBS Bank Ltd.
Malayan Banking Berhad
Standard Chartered Bank

FINANCIAL HIGHLIGHTS

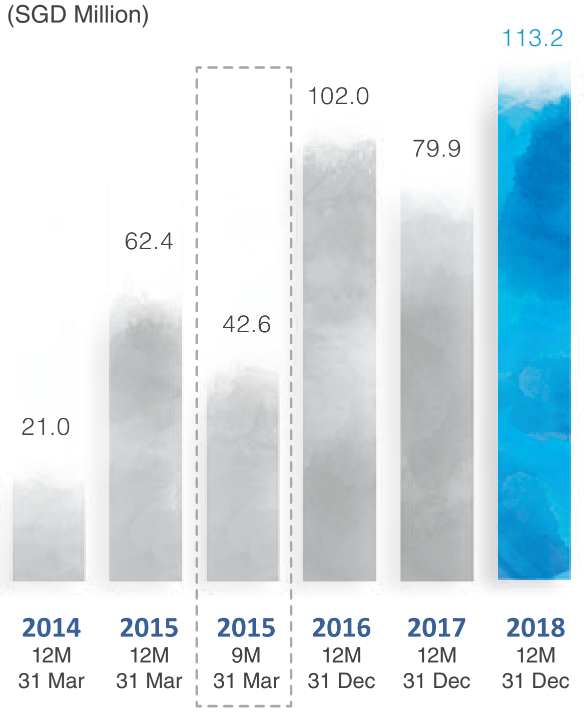
Revenue
(SGD Million)



Net Assets
(SGD Million)



Profit After Tax
(SGD Million)



CHAIRMAN'S STATEMENT

Cumulatively, in FY2018, the Group secured project wins in excess of RMB 6 billion, which will be progressively delivered over the coming two years, providing growth visibility for the Group.

Mr Hao Weibao
Executive Chairman and CEO

Dear Shareholders,

The financial year ended 31 December 2018 ("FY2018") was a year of strategic growth for CITIC Envirotech Ltd, marked by expansion into new markets, an extended membrane product range, good financial performance and project wins.

Business Segment Review

Backed by our proprietary membrane technology and expertise in environmental engineering, CEL has established itself as the market leader in China's vast industrial wastewater treatment industry.

In FY2018, we stepped up the pace of expansion with the development of a robust pipeline of projects across China, many of which will generate recurring income for the Group. These included several Public-Private-Partnership ("PPP") projects such as those in Yingcheng County and Xiaogan City, in Hubei Province; as well as Yunfu City and Maoming City in Guangdong Province. In addition, the Group's expansion into the treatment of hazardous waste also paid off with two industrial projects in Xinjiang Province.

While we continued to secure a raft of new contracts under our core businesses, the Group also made significant inroads in securing larger and more complex contracts in the provision of comprehensive environmental services in sludge management and integrated environmental services. Notable contract wins included the Group's first environmental and ecological restoration project in Meigu County, Sichuan Province with a contract value of RMB2.5 billion as well as our third circular economy PPP project worth RMB1 billion in Anyang City, Henan Province.

CEL has also taken great strides to fulfil its existing order book, with previously secured projects well on schedule for delivery. The Group encountered some unexpected developments during the year however, with the Group entering into a mutual agreement with the local authority of Lanzhou City to terminate the land remediation component of PPP project due to changes in city planning. The remediation portion of the PPP project amounted to RMB 1.8 billion of the total contract value of RMB 4.6 billion.

Cumulatively, in FY2018, the Group secured project wins in excess of RMB 6 billion, which will be progressively delivered over the coming two years, providing growth visibility for the Group. We will continue to tap on growing demand for large-scale integrated environmental services as we embark on our next phase of growth.

During the year, Singapore Envirotech Accelerator ("SEA"), which is in collaboration with the Singapore Economic Development Board to accelerate innovation and commercialisation of environmental technologies, also secured its inaugural candidate for its accelerator programme. Headquartered in Singapore and sharing synergies with the Group, Century Water Systems & Technologies is an innovative and advanced water treatment engineering firm that specialises in water purification Nanofiltration ("NF") and Pervaporation ("PV") membranes and wastewater treatment systems and technologies.

We believe that these steps we have taken will put us in a good position to reap the benefits of a growing industry that is increasingly critical. In fact, the global water and wastewater treatment market is projected to reach US$674.72 billion by 2025, driven by the rising demand for freshwater for drinking, industrialisation and agriculture.

Geographical expansion

During the year, we expanded our footprint into the USA with the opening of our membrane manufacturing plant in Texas. The US$15 million state-of-the-art facility will manufacture Memstar's latest product, the Memstar advance reverse osmosis and nano-filtration membrane.

Alongside plans for a bigger share of the USA market, the plant will help the Group to expand its product offerings for new industries such as food and beverage, as well as pharmaceuticals.

With this new product as well as its existing microfiltration and ultrafiltration membranes, Memstar now offers a complete range of membrane filtration products. The US plant also takes the number of membrane plants owned by CEL to five, including one in Singapore, and three in China.

Financial Review

In FY2018, the Group posted net profit of S$113.2 million, a 41.6% growth from S$79.9 million in the corresponding period in 2017 ("FY2017"). Revenue for the period was S$994.5 million, 46.9% higher year-on-year ("YOY") from S$677.2 million.

This was achieved on the back of higher contributions across all our business segments. In particular, the Group's Membrane Systems segment clocked in a sterling performance, as sales in the segment more than doubled to S$255.1 million. The Group's core Engineering segment also turned in a strong performance with revenue of S$511.5 million in FY2018, an increase of 39.6% a year ago. Meanwhile, the Treatment segment, which provides a stream of recurring income for the Group, posted revenue of S$227.9 million, 24.0% higher than in FY2017.

To share our healthy performance with our valued shareholders, the Board has proposed a final dividend of 0.75 Singapore cent per share. Taken together with the interim dividend of 0.5 Singapore cent per share, total dividend for FY2018 will amount to 1.25 Singapore cents per share.

As at 31 December 2018, CEL's cash and bank balances stood at S$376.5 million. The group has a net current liability position of S$253.4 million due to the payout of Tranche 1 and 2 of the Group's Multicurrency Perpetual Securities of US$175 million and US$180 million respectively during the year.

Positive Outlook

Over the years, environmental protection has emerged as a top priority for the Chinese government. The 19th Party Congress has identified reining in pollution as one of China's "three tough battles" in the years ahead, with the implementation of a series of policies and laws aimed to improve China's environmental quality. In particular, China's 13th Five-Year Plan for National Eco-environmental Conservation that was issued in 2017, as well as the revised Environmental Protection Law and Environmental Protection Tax Law that came into force in 2018, have laid out the roadmap for national green development strategies.

According to estimates from the Environmental Planning Institute of the Ministry of Environmental Protection, an investment of 4.6 trillion yuan will be required to fulfill the goals set out in the Water Pollution Prevention and Control Action Plan.

On the back of increasingly stringent environmental protection regulations in China, growth in the industrial wastewater treatment market is expected to outpace that of municipal wastewater treatment, with growth rates of 5-10 per cent annually under China's 13th Five-Year Plan. By 2020, the scale of the urban wastewater treatment market is expected to reach 290 billion yuan, while the scale of the industrial wastewater treatment market will reach 230 billion yuan.

Taken together, this translates to greater opportunities for CEL as we look to leverage on our expertise to further entrench ourselves as the leader in China's environmental services sector. With our established track record in this field, CEL is well-positioned to tap opportunities in China's burgeoning environmental sector.

Acknowledgements

Over the years, CEL has benefited from the strong leadership of our Board and the experience of our management team. I would like to take this opportunity to thank the directors for their counsel, and members of the management team for their strong and capable leadership of the company.

I would also like to thank all the staff of CEL for their valuable contributions and sacrifices in building CITIC Envirotech Ltd to be a premier integrated environmental services provider in China.

Last but not least, we are deeply appreciative of the strong support and trust from our valued shareholders. We will continue to work hard to create greater value for all of you.

Mr Hao Weibao
Executive Chairman and CEO

FINANCIAL REVIEW

FINANCIAL SCORECARD

The Group's revenue for the current year was $994.5 million, which was $317.3 million or 46.9% higher than the $677.2 million in the last corresponding year ended 31 December 2017.

The increase was mainly due to the increase in engineering revenue from $366.4 million to $511.5 million, representing an increase of 39.6% from the last financial year; an increase in membrane system sales from $127.0 million to $255.1 million, representing an increase of 100.9%. Treatment revenue came in at $227.9 million, a 24.0% increase from $183.8 million a year ago. The better set of results across all segments was offset by the termination of the land remediation component within the Public-Private Partnership project at Lanzhou city, which impacted the revenue and profit of the company.

COST AND EXPENSES

Materials purchased, consumables used and subcontractors' fees increased to $602.1 million from $427.6 million, representing an increase of $174.5 million or 40.8% as compared to the last financial year. Gross profit margin for the engineering and membrane system sales segment was 28.4%, marginally higher than a year ago.

Depreciation and amortisation expenses increased to $39.0 million from $23.9 million, 63.4% higher compared to a year ago. The increase was mainly due to the depreciation on the new additions of treatment plants during the year.

Other operating expenses increased to $133.4 million from $64.2 million, representing an increase of $69.2 million or 107.8% as compared to the last financial year. The increase was mainly due to net foreign exchange loss of $10.2 million, impairment loss, net of reversal on financial assets and other items subject to ECL of $29.4 million.

Finance costs increased to $41.0 million during the financial year from $34.0 million a year ago. The increase was mainly due to new bank loans for the redemption of perpetual capital securities of $481.2 million and to finance the acquisition of investment projects during the year.

FINANCIAL REVIEW

BALANCE SHEET REVIEW

The Group's non-current assets increased from $2,104.9 million in the last financial year to $2,690.0 million as at 31 December 2018. The increase was mainly due to an increase in contract assets from $428.2 million to $1,106.5 million.

The Group's current liabilities increased from $1,067.3 million in the last financial year to $1,349.9 million as at 31 December 2018. The increase was mainly due to increase in trade and other payables of $323.4 million or 54.0%.

The Group's non-current liabilities increased from $434.3 million as at 31 December 2017 to $1,062.8 million as at 31 December 2018. The increase was mainly due to new longer-tenure bank loan of $803.5 million for the redemption of perpetual capital securities of $481.2 million, redemption of medium term note of $225.0 million in full; and to finance the acquisition of investment projects during the year.

The Group's total equity decreased from $1,776.8 million as at 31 December 2017 to $1,374.1 million as at 31 December 2018. The decrease was mainly due to the aforementioned redemption of perpetual capital securities during the year.

CASHFLOW AND LIQUIDITY

The net cash used in operating activities of the group increased to $315.4 million from $125.8 million in the last financial year. The net cash used in operating activities during the year was mainly due to cash outflow for the construction of the investment projects and Build-Transfer projects.

The net cash generated from financing activities of the group decreased to $142.8 million from $466.5 million in the last financial year. The net cash generated from financing activities for the current year was mainly due to new longer-tenure bank loan of $1,155.0 million, offset by the aforementioned redemption of medium term notes and perpetual capital securities during the year. In addition, repayment of bank borrowings increased to $351.5 million from $82.8 million in the last financial year.

As at 31 December 2018, the Company had a net current liability position of $253.4 million. The net current liability position was mainly due to the payout of Tranche 1 and 2 of the Group's Multicurrency Perpetual Securities of US$175 million and US$180 million respectively during the year.

BUILDING CAPABILITIES
EXPANDING OUR PRESENCE

BOARD OF DIRECTORS

Mr Hao Weibao | Mr Zhang Yong | Mr Wang Song | Dr Lin Yucheng

Mr Hao Weibao
Executive Chairman and CEO

Mr. Hao is the President and Vice Chairman of CITIC Environment. He is responsible for the day-to-day management of the company and the effective implementation of corporate strategies and policies. Before joining the CITIC Group in 2008, he worked at Sinopec for over 14 years, where he gained a wide range of valuable experience in the fields of investment, finance and international trade. During his employment with Sinopec, he worked overseas for over 10 years, taking management and leadership positions in different offices worldwide. Mr. Hao holds a Bachelor degree of Economics, with honours, from the Jiangxi University of Finance and Economics, and an MBA degree from the Chinese University of Hong Kong.

Mr Zhang Yong
Executive Director

Mr. Zhang is the Chief Financial Officer of CITIC Environment. He is certified as a Senior Accountant and has extensive experience in the fields of accounting and finance. He has worked for the CITIC Group for almost 20 years and served in various leadership and management positions. He has been significantly involved with the approval and financing processes of many investment projects undertaken by CITIC Environment, and has played an important role in implementing the corporate strategy and planning for CITIC Environment. Before he joined the CITIC Group, he worked at the Finance Department of Beijing Beinei Group. Mr. Zhang graduated from the Beijing University of Technology and holds an MBA degree from the Chinese University of Hong Kong.

Mr Wang Song
Executive Director

Mr. Wang is the Assistant President of CITIC Environment. He joined the company in 2011 and has played a significant role in the operations and expansions of the company's investment business. He is experienced in different fields of environment industry and is actively involved with many equity investment and merger and acquisition projects undertaken by the company. Prior to joining the CITIC Group, he worked as a Senior Manager at the Bank of Tokyo-Mitsubishi where he was in charge of business planning and government affairs. He also worked overseas for many years during his employment with Sinopec as a Project Manager, where he gained extensive experience in project management and international liaison affairs. Mr. Wang holds a Bachelor degree from the Beijing Foreign Studies University and an MBA degree from the Chinese University of Hong Kong.

Dr Lin Yucheng
Non-Executive Director

Dr. Lin is the founder of the Company and has held the position of Chief Executive Officer and Chairman of the Company for over 11 years since the Company's listing on the Mainboard of the SGX-ST in 2004. He was re-designated as the Group Chief Executive Officer and Executive Director after the completion of the voluntary offer of shares in the Company by a consortium led by CITIC Limited and KKR in 2015. Dr Lin stepped down as Group CEO at the end of May 2018 and currently holds the position of Non-Executive Director and Advisor in the Company.

Dr. Lin is one of the pioneers in developing and applying MBR technology for treating chemical and petrochemical wastewater. Under his leadership, the Group has become a market leader in industrial wastewater MBR technology. Over the years, the Group has successfully built over five million m^3/day of MBR plants, treating various types of industrial and municipal wastewater.

Dr. Lin acted as the Advisor to the Singapore government on Singapore's environment and water industry. He was also awarded Top Ten Outstanding Individual Contributor in 2010 by the Chinese Central Party Academy in recognition of his contribution to the PRC's environmental protection. Dr. Lin received his Ph.D degree from Imperial College, London on a Sino-British Government Scholarship. He was recruited by the Singapore Economic Development Board in 1990 to work in Singapore. Dr. Lin is a well-regarded Environment, Health and Safety consultant and environmental scientist. He was a member of ISO Technical Committee 207, which developed the International Standard on environmental management systems.

BOARD OF DIRECTORS

Mr Bi Jingshuang | Mr Yeung Koon Sang alias David Yeung | Mr Tay Beng Chuan | Mr Lee Suan Hiang

Mr Bi Jingshuang
Non-Executive Director

Mr. Bi is a Director and the Chief Executive Officer of China Reform Overseas Hongkong Company Limited ("China Reform"). Prior to joining China Reform, he was the Vice President in CITIC Resources Holdings Co., Ltd in charge of mergers and acquisitions and post-investment management operation. Prior to that, he was the Legal Head of CNPC international Ltd. in charge of the administration of legal affairs of the company's overseas investment. Mr. Bi has over 20 years of experience in outbound mergers and acquisitions, project integration and operation, and working overseas. Mr. Bi holds a Bachelor of Laws degree from the Chinese University of Political Science and Law and an LL.M. degree from the UC Berkeley, and a Master of Management and Economics degree from Enrico Mattei Senior College, Italy. Mr. Bi is admitted to the New York State bar.

Mr Yeung Koon Sang alias David Yeung
Lead Independent Director

Mr Yeung is currently a public accountant with Kreston David Yeung PAC, which he founded in 1987. He has over 20 years experience in public accountancy and had worked previously with Deloitte & Touche, UK and Ernst and Young, Singapore. He holds a Master of Social Science (Accounting) degree from the University of Birmingham, England. He is also a fellow of the Institute of Singapore Chartered Accountants and a fellow of the Association of Chartered Certified Accountants, UK. He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. He is currently Chairman of Mary Chia Holdings Ltd.

Mr Tay Beng Chuan
Independent Director

Mr. Tay was a Nominated Member of Parliament in Singapore from 1 October 1997 until the dissolution of Parliament on 18 October 2001. He is a member of the Singapore Parliamentary Society. Mr. Tay was the Chairman of the Traditional Chinese Medicine Practitioners Board from 7 February 2007 until expiry of term on 31 March 2014. He was also the President of the Singapore Chinese Chamber of Commerce & Industry from March 1997 until March 2001 and is currently the Honorary President of the said Chamber. Mr. Tay is also the Honorary President of The Singapore Buddhist Lodge. Mr. Tay is a member of the Board of Governors for Singapore Hokkien Huay Kuan. He is Yuying Secondary School Alumni's Honorary President and Advisor and is also Advisor for Leong Kuay Huay Kuan. He is the Chairman and Managing Director of Winnow Investments Pte Ltd, Ocean Navigation Pte Ltd, Uni-Ocean Tankers Pte Ltd and Alor Star Shipping Pte Ltd. These companies are involved in general investments, ship chartering and shipping related activities. Mr. Tay holds a Diploma of Commerce from the Gordon Technical Institution in Geelong, Victoria, Australia.

Mr Lee Suan Hiang
Independent Director

Mr. Lee, a Colombo Plan Scholar in Industrial Design (Engineering), had a varied career in public service as Deputy Managing Director of the Singapore Economic Development Board and Chief Executive of SPRING Singapore, National Productivity Board, Singapore Institute of Standards and Industrial Research and National Arts Council. He was also Chairman of PSB Corporation, Deputy Chairman of the International Federation of Arts Councils and Cultural Agencies and Council Member of the International Standards Organisation. He is the current President of the EDB Society and a Fellow of the UK Chartered Management Institute, Chartered Institute of Marketing and the World Academy of Productivity Science. He was awarded the Public Administration (Gold) Medal in 1998, the World SME Association Award in 2001, the Japan External Trade Organisation Award in 2002, the Chevalier de l'Ordre des Arts et Lettres from France in 2010 and the NTUC Friend of Labour Award in 2012.

GRASPING OPPORTUNITIES
DEEPENING OUR EXPERTISE

SENIOR MANAGEMENT


Mr Hao Weibao


Ms Pan Shuhong


Dr Ge Hailin


Mr Wang Ning


Mr Li Li


Mr Tan Huchuan


Mr Steven Qian Zhengjun

Mr Hao Weibao
Executive Chairman and CEO

Mr. Hao is the President and Vice Chairman of CITIC Environment. He is responsible for the day-to-day management of the company and the effective implementation of corporate strategies and policies. Before joining the CITIC Group in 2008, he worked at Sinopec for over 14 years, where he gained a wide range of valuable experience in the fields of investment, finance and international trade. During his employment with Sinopec, he worked overseas for over 10 years, taking management and leadership positions in different offices worldwide. Mr. Hao holds a Bachelor degree of Economics, with honours, from the Jiangxi University of Finance and Economics, and an MBA degree from the Chinese University of Hong Kong.

Ms Pan Shuhong
Group Chief Operating Officer

Ms. Pan is responsible for the strategic direction and overall effectiveness of the Group. She oversees various Management Committees, namely the Technical Development Committee, Investment Committee and Remuneration Committee as well as supervises and manages the Procurement Audit Department. She is also in charge of the marketing communication of the Group. Ms. Pan's field of expertise includes the specialisation in electrochemistry and water treatment using advanced membrane technology. She graduated with a Bachelor and a Masters Degree in Chemistry from Jilin University, PRC, in 1990 and 1993 respectively.

Dr Ge Hailin
Chief Executive Officer, Manufacturing

Dr. Ge is responsible for the manufacturing, R&D, marketing and operations of the membrane division of the Group. Dr. Ge has many years of R&D experience in conducting polymer, membrane materials and chemical engineering. Dr. Ge graduated from the Wuxi Institute of Light Industry, PRC, in 1977 and obtained his Master in Chemical Engineering degree from the East China University of Science and Technology, PRC, in 1982. He was awarded a scholarship by Wollongong University, Australia to undertake his PhD study in chemistry and obtained his PhD in 1990.

Mr Wang Ning
Senior Deputy Chief Executive Officer
Business Unit 1

Mr. Wang is responsible for the strategic planning, operations, engineering solutions and business development for Business Unit 1 of the Group. Prior to joining the Company, Mr. Wang worked with the Sinopec Group for more than 10 years, where his last position held was Deputy General Manager of Sinopec Guangzhou Branch. Prior to that, Wang Ning was employed by Liaoning Panjing Natural Gas Chemical Plant as Assistant Engineer and Deputy Director between 1987 and 1992. Wang Ning obtained his Bachelor degree in Electrochemistry from the Tianjin University, PRC, and an MBA degree from the South China University of Technology.

Mr Li Li
Senior Deputy Chief Executive Officer
Business Unit 2

Mr. Li is responsible for the strategic planning, operations, engineering solutions and business development for Business Unit 2 of the Group. Mr. Li was involved in many wastewater treatment projects and has received many prestigious awards for his contribution. Mr. Li holds a Bachelor degree in civil engineering with specialty in environmental technology from the Tianjin University, PRC and he is a registered professional engineer for water and wastewater treatment in the PRC.

Mr Tan Huchuan
Senior Deputy Chief Executive Officer
Business Unit 3

Mr. Tan is responsible for the strategic planning, operations, engineering solutions and business development for Business Unit 3 of the Group. Mr. Tan has extensive engineering, construction and project management experience working with multinational clients in Singapore and the PRC. Mr. Tan holds a Bachelor degree in Petrochemical Storage and Distribution from the Harbin Commerce University, PRC.

Mr Steven Qian Zhengjun
Deputy Chief Executive Officer
Business Unit 4

Mr. Qian is responsible for strategic planning, operations, engineering solutions and business development for Business Unit 4 of the Group. Prior to joining the Company, he worked as an engineer at Sinopec Baling branch and as the project manager at a water treatment engineering company in Shenzhen. He has more than 15 years of experience in engineering, procurement and construction of water related projects.

Mr. Qian holds a Bachelor degree in Material Science and Engineering, specialising in corrosion prevention, from Tianjin University in the PRC. He is a certified and licensed legal counsel in the PRC.

Mr Brett Andrews
Chief Executive Officer
Memstar USA, Inc.

Mr. Andrews is responsible for the strategic direction and growth of the Group's global membrane business and portfolio. He has over 25 years of extensive management experience in all aspects of the membrane industry. Prior to joining the Company, Mr. Andrews was Corporate Vice President at Nitto Denko and for over 10 years, he was the CEO/President of the subsidiary, Hydranautics, with overall responsibility for the global Nitto membrane business. Prior to Nitto, Mr. Andrews was the business unit leader for the Nalco Chemcial Company, responsible for the global membrane chemical business. Mr. Andrews holds degrees in chemistry and polymer technology from North London University and Thames Valley University in the United Kingdom.

SENIOR MANAGEMENT


Mr Brett Andrews


Dr Jerry Liu


Dr. Hisao (Hack) Hachisuka


Mr Ngoo Lin Fong


Dr. Bhasker Davé


Dr Chong Weng Chiew


Dr Fang Yue

Dr Jerry Liu
Chief Technology Officer

Dr. Liu oversees the Technology and Application Centre and is responsible for membrane technology application, process design, R&D and membrane project management for the Group. Dr. Liu specialises in environmental engineering, particularly in water and wastewater treatment. His expertise covers a wide range of applications such as water treatment, industrial wastewater management, water reclamation, desalination and industrial process water treatment. He graduated from the School of Civil and Environmental Engineering, Nanyang Technological University, Singapore with a PH.D in Environmental Engineering.

Dr. Hisao (Hack) Hachisuka
Chief Technology Officer
Memstar USA, Inc.

Dr. Hachisuka is responsible for the manufacturing, R&D, Quality Assurance (QA), Quality Check (QC) and new membrane technology research for Memstar USA, Inc. Dr. Hachisuka is a renowned expert in Reverse Osmosis (RO), Ultrafiltration (UF), Microfiltration (MF) and gas separation membrane technologies, with extensive experience and knowledge in the field of monomer synthesis, polymerization and physicochemical analyses. Prior to joining the Company, Dr. Hachisuka was employed by Hydranautics – A Nitto Denko Group Company as Vice President of the membrane division. During Dr. Hachisuka's 27 years tenure at Hydranautics, he held a number of key managerial roles in QA/QC, global business development and membrane technology development where he was responsible for the development of a number of unique and innovative membrane technologies. Dr. Hachisuka obtained his Masters degree (1987) and Ph. D. (1990) in Materials Science and Engineering from Nagoya Institute of Technology in Japan.

Mr Ngoo Lin Fong
Chief Financial Officer

Mr. Ngoo is responsible for the financial management, planning, operations and reporting functions of the Group. He oversees the Group's finance, investments, budgeting and cost management as well as charts the Group's overall financing strategies. Prior to joining the Company, he worked for Deloitte & Touche as an audit manager. Mr. Ngoo worked with the Company since 2004 as the Group Financial Controller and was promoted to the position of Chief Financial Officer in 2008. He has more than 20 years of financial and accounting experience and holds a Masters degree in Applied Finance and a Bachelor of Business Degree (Accountancy). He is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

Dr. Bhasker Davé
Chief Operating Officer
Memstar USA, Inc.

Dr. Davé is responsible for the strategic planning, operations, sales, and business development for Memstar USA, Inc. Prior to joining the Company, Dr. Davé was employed by Hydranautics – A Nitto Denko Group Company as Vice President of Sales and Marketing from 2009 to 2016. Prior to Hydranautics, Dr. Davé served in Nalco Chemical Company for more than 17 years, where his last position held was Global Marketing Manager for membrane chemicals. Dr. Davé obtained his Bachelor degree in Chemical Engineering from the University of Madras, Masters degree in Environmental Engineering from Southern Illinois University at Carbondale, Ph. D. in Chemical Engineering from Texas A&M University, and MBA from Kellogg School of Management, Northwestern University.

Dr Chong Weng Chiew
Executive Vice President
Board Office

Dr. Chong heads the Board Office of the Group and is responsible for the operations of the Board of Directors office, investor relations, corporate financing, corporate development and public affairs. Prior to joining the Company, Dr. Chong had vast experience in various investment projects in Greater China. Dr Chong is also a medical doctor. He was previously the Chief Executive Officer of Ang Mo Kio Hospital from 2003 until 2005. Prior to joining Ang Mo Kio Hospital, Dr. Chong was the Medical Director of Thye Hua Kwan Moral Society from 2001 to 2002, Medical Director of the Singapore Buddhist Welfare Services from 1997 to 2001, and a medical doctor with the Ministry of Health (Singapore) Health Care from 1993 to 1995. Dr. Chong holds an MBBS (Bachelor of Medicine, Surgery) degree from the National University of Singapore. He was the Member of Parliament representing Tanjong Pagar Group Representation Constituency from 2001 until 2006.

Dr Fang Yue
General Manager, Manufacturing

Dr. Fang Yue is responsible for the operation of membrane manufacturing facilities in both Singapore and the PRC. Prior to joining the Company, Dr. Fang worked as General Manager of Veolia Environmental Services Industrial Pte Ltd, Singapore, for 18 years. He was in charge of the management of technical and operational issues, development of new technologies on hazardous waste treatment and provided technical support for industrial projects for local and Asian industries. He graduated with a Masters Degree in Applied Chemistry from East China University of Science and Technology and obtained his PhD in Analytical Chemistry from Fudan University.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") of CITIC Envirotech Ltd. (the "Company" or "CEL") is committed to high standards of corporate governance to enhance corporate performance and accountability. The Company has adopted the principles of corporate governance practices, as far as possible, in line with the Code of Corporate Governance 2012 ("Code") so as to ensure greater transparency and protection of shareholders' interests.

The Board recognises the need to keep balance with accountability, in creating and preserving shareholder value and achieving its corporate vision for the Company and its subsidiaries (the "Group").

This statement describes the corporate governance practices of the Company that were in place throughout the financial year ended 31 December 2018, with specific references made to each of the principles set out in the Code. Where appropriate, we have provided explanations for any deviations from the Code. The Board further notes the new Code of Corporate Governance 2018 ("2018 Code") that applies to annual reports covering financial years commencing from 1 January 2019 and has started looking into the additional requirements it needs to comply with for next financial year.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

Role of the Board

The Board has the responsibility for the overall management of the Group. It provides leadership and guidance to the Management and establishes the corporate strategies of the Group. The Board also sets the direction and goals for the Management and monitors the performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

The Board also seeks to:

- ensure the sufficiency of financial and human resources in order for the Group to meet its objectives;
- establish an effective framework of internal controls, risk management, financial reporting and compliance, including the safeguarding of shareholders' interests and the Group's assets;
- review and assess the Management's performance, as well as oversee the Group's overall performance objectives, annual budgets, investment and divestment proposals, financial performance reviews and corporate governance practices;
- identify the key stakeholder groups, recognising that their perceptions have an impact on the Group's reputation;
- set the Group's values and standards (including ethical standards), and ensure that the Group's obligations to shareholders and key stakeholders are met and that value to shareholders is created; and
- provide guidance on the sustainability of the Group's corporate strategies, particularly on issues such as environmental, social and governance factors.

Director's fiduciary duties

All directors are expected to exercise their independent judgment and discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Group.

Delegation by the Board

To assist in the execution of its responsibilities, the Board has established an Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These Committees function within defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Committee is also constantly reviewed by the Board.

Board Meetings

The full Board meets on a regular basis as and when necessary to address any specific significant matters that may arise. When circumstances require, ad-hoc meetings will be convened to address significant transactions and issues that may arise in-between the scheduled meetings. A Board member contributes both at formal Board meetings as well as outside of these meetings. To ensure maximum Board participation, the Company's Constitution provides that Directors may participate in a meeting of the Board by means of a telephone conference, videoconferencing, audio visual, or other electronic means of communication, without having to be in the physical presence of each other.

Where physical Board and Board Committee meetings are not possible, timely communication with members of the Board or Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the relevant Board and Board Committee members.

The number of Board and Board Committees meetings held in the financial year ended 31 December 2018 and the attendance of each Director, where relevant are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings	5	4	2	2
No. of Meetings attended by the respective Directors				
Mr Hao Weibao	5	–	–	–
Dr Lin Yucheng	5	–	2	–
Mr Zhang Yong	5	–	–	–
Mr Wang Song	5	–	–	–
Mr Yeung Koon Sang alias David Yeung	5	4	2	2
Mr Tay Beng Chuan	5	4	2	2
Mr Lee Suan Hiang	4	4	1	1
Mr Bi Jingshuang	5	4	2	2

Matters Requiring Board Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision-making which include the following:

- Approval of quarterly and year end results announcements;
- Approval of the annual report and accounts;
- Convening of shareholders' meetings;
- Approval of corporate strategies;
- Review of the Group's internal control procedures;
- Approval of interested person transactions; and
- Approval of acquisitions, investments, disposal of assets, and funding.

The Company also has in place a document detailing its standard operating procedures and clear directions to Management on matters that must be referred to the Board for approval.

CORPORATE GOVERNANCE STATEMENT

<u>*Board Training, Induction and Orientation*</u>

All Directors are updated regularly concerning any changes in the Company's policies, risk management, key changes in the relevant regulatory requirements and accounting standards. The Company also provides ongoing education on Board processes, governance and best practices. The Directors also attend other appropriate courses and seminars, including training sessions conducted by the Singapore Institute of Directors and Singapore Exchange Limited. Site visits to newly completed water treatment plants and other key sites from material investments are also conducted annually for all Directors to meet with other employees of the Group and to familiarise them with the operations of the Group.

Newly appointed Directors are briefed by the Management on the business activities of the Group and its strategic directions. They are also provided with relevant information on the Company's policies and procedures.

Directors are provided with a formal letter of appointment setting out the Director's duties and responsibilities.

Principle 2: Board Composition and Balance

<u>*Board Independence*</u>

The Board comprises eight Directors, three of whom are independent directors. The Directors as at the date of this statement are:-

(i) Mr Hao Weibao, Executive Chairman and Chief Executive Officer
Date of first appointment: 24 April 2015
Year of re-appointment: 2018

(ii) Dr Lin Yucheng, Non-Executive Director
Date of first appointment: 9 July 2003
Year of re-appointment: 2018

(iii) Mr Zhang Yong, Executive Director
Date of first appointment: 24 April 2015
Year of re-appointment: 2017

(iv) Mr Wang Song, Executive Director
Date of first appointment: 24 April 2015
Year of re-appointment: 2017

(v) Mr Yeung Koon Sang alias David Yeung, Independent Director
Date of first appointment: 16 March 2004
Year of re-appointment: 2018

(vi) Mr Tay Beng Chuan, Independent Director
Date of first appointment: 1 October 2008
Year of re-appointment: 2016

(vii) Mr Lee Suan Hiang, Independent Director
Date of first appointment: 19 January 2011
Year of re-appointment: 2017

(viii) Mr Bi Jingshuang, Non-Executive Director
Date of first appointment: 17 November 2016
Year of re-appointment: 2017

On 1 June 2018, Dr Lin Yucheng stepped down as CEO and was re-designated as a Non-Executive Director. His position as CEO was succeeded by Mr Hao Weibao, who is also the Chairman. Following these developments, the Company is reviewing its current Board composition and is considering whether adjustments are required to be made to the Board composition to increase the number of independent directors on the Board for compliance with Provision 2.2 of the 2018 Code, which provides that the independent directors should make up a majority of the Board where the Chairman and the CEO is the same person.

Independence of Directors

The independence of each Director will be reviewed by the NC to ensure that the Board is capable of exercising objective judgment on corporate affairs of the Group. The appointment of each Director is based on his/her calibre, experience, stature and potential contribution to the Company and its businesses. Our current Directors are respected individuals with diverse expertise and good track records in their respective fields.

The criteria for independence is determined based on the definition as provided in the Code.

The Board considers an "Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgement of the Group's affairs.

Mr Yeung Koon Sang alias David Yeung and Mr Tay Beng Chuan have served as Independent Directors for more than nine years. The Board has carried out a rigorous review of their independent status and is of the view that both Mr Yeung and Mr Tay continue to demonstrate the ability to exercise strong independent judgement in their deliberations and to act in the best interests of the Company, and that their length of service have not affected their independence from the Management. Mr Yeung and Mr Tay continue to express views, debate issues and objectively and actively scrutinise and challenge the Management. After taking into account all these factors and having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board have determined that Mr Yeung and Mr Tay continue as Independent Directors, notwithstanding that their service have been for more than nine years.

Board Size

The Board is satisfied that the current size of the Board is sufficient for effective decision-making, taking into account the nature and scope of the Company's operations. The NC is also of the view that the current size and composition of the Board have the necessary expertise to meet the Board's objectives and that no individual or small group of individuals dominates the Board's decision-making process. However, the Board notes the requirements of the 2018 Code and is reviewing its current Board composition and considering whether adjustments are required to be made to increase the number of independent directors on the Board for compliance with the Provision 2.2 of the 2018 Code.

Board Diversity

The Group recognises the benefits of diversity on the Board and is committed to building a diverse, inclusive and collaborative culture, to enable the Group to attain its strategic objectives and to ensure its commitment to sustainable development.

The NC ensures an appropriate balance and diversity of skills and experience through its yearly review of the composition of the Board. All appointments to the Board are made based on merit, taking into account the core competencies required by the Board as a whole to be effective. The core competencies required and possessed by our Directors include accounting and finance, business and management experience, specific industry knowledge, strategic planning experience and knowledge of risk management.

While the NC recognises the value of gender diversity in relation to the composition of the Board, new directors will continue to be selected based on objective criteria set by the NC. Currently, the Board does not consider female candidates for the sole purpose of achieving gender diversity on the Board.

Key information regarding the Directors is given in "Directors' Information" on pages 12 to 13 of the Annual Report.

Non-Executive Directors

Where appropriate, the Non-Executive Directors question proposals put forth by the Board, engage in open and constructive debate with the Board and challenge the Management in relation to its strategic proposals. The Non-Executive Directors are kept informed of the Group's business and the industry that the Group is operating in through the provision of up-to-date information. The Non-Executive Directors also review the performance of the Management in meeting agreed goals and objectives, as well as monitor the reporting of performance.

The Non-Executive Directors may meet without the presence of the Management to discuss matters such as board processes, corporate governance initiatives and performance management.

CORPORATE GOVERNANCE STATEMENT

Principle 3: Chairman and CEO

Role of Chairman and CEO

The roles and responsibilities of the Chairman and the CEO were held by separate individuals prior to 1 June 2018. There is however no separation of roles between the Chairman and CEO at present, as Mr Hao Weibao, who is the Chairman, has assumed the position of CEO with effect from 1 June 2018 when former Executive Director and CEO, Dr Lin Yucheng stepped down from his office as CEO and was re-designated as a Non-Executive Director. While the Company is reviewing its current Board composition and is looking to make adjustments to the Board composition to increase the number of independent directors so as to comply with Guideline 2.2 of the Code, the Board is of the opinion that the Company has a strong and independent group of non-executive directors and is well balanced.

Mr Hao Weibao is responsible for the day-to-day running of the Group and plays an instrumental role in developing and steering the Group's business.

He was appointed as Chairman on 24 April 2015 and is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The Chairman is also responsible for making significant corporate decisions and setting management objectives, as well as overseeing the effective implementation of corporate strategy.

In his capacity as the CEO, Mr Hao Weibao has full executive responsibilities over the business directions and operational decisions of the Group and is responsible for implementing the Group's strategies and policies and for conducting the Group's business. As Chairman, he is responsible for the leadership of the Board and for creating the conditions for overall Board, Board Committee and individual Director effectiveness. This includes setting the agenda of the Board and promoting constructive engagement among the Directors as well as between the Board and the Management on strategic issues.

The scope and extent of the Chairman and the Board's responsibilities have been expanding due to the increased focus on corporate governance and risk management and rising expectations that board chairmen have a good understanding about their companies and the markets in which they compete.

Lead Independent Director

Mr Yeung Koon Sang alias David Yeung has been appointed Lead Independent Director by the Board since 29 May 2012 because at that time up until 31 May 2018, the Chairman was not an independent director. Mr Yeung's role as Lead Independent Director continues to be relevant in view that the roles of Chairman and CEO are now held by the same individual since 1 June 2018. The role of the Lead Independent Director is to coordinate and lead the Independent Directors to provide the Board with a non-executive perspective of matters discussed. The Lead Independent Director is available to shareholders should they have any concerns relating to matters for which contact through the Chairman, CEO and CFO has failed to resolve, or where such contact is inappropriate.

Where necessary and appropriate to do so, the Lead Independent Director may call and lead meetings of the Independent Directors. Following the conclusion of such meetings, the Lead Independent Director will provide feedback to the Chairman, where necessary.

Principle 4: Board Membership

Composition and Role of the NC

The NC comprises five members, a majority of whom are independent. The members of the NC are:-

- Mr Tay Beng Chuan, Chairman
- Dr Lin Yucheng
- Mr Yeung Koon Sang alias David Yeung
- Mr Lee Suan Hiang
- Mr Bi Jingshuang

The NC's principal functions are as follows:

(a) To review the Board's succession plan for directors;

(b) To determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;

(c) To review and recommend training and professional development programmes for the Board;

(d) To recommend to the Board all board appointments and re-appointments;

(e) To determine independence of the Directors annually; and

(f) To evaluate the performance and effectiveness of the Board as a whole.

Director Search and Nomination Process

When the need to appoint a new Director arises, the NC will consult with the Management and conduct a review of the composition and range of expertise and skills of the Board and Board Committees. The NC will then prepare a profile of the type of candidates required to meet the needs of the Group, before sourcing for candidates through an extensive network of contacts and external databases where appropriate. After interviewing the shortlisted candidates, the NC will submit its nomination to the Board for approval.

Selection, Appointment and Re-appointment of Directors

The NC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of Directors and Board Committee members, taking into account the candidate's experience, core competency, industry knowledge and general ability to contribute to the Board's proceedings.

We believe that Board renewal must be an ongoing process, to both ensure good governance and maintain relevance to the changing needs of the Company and business. The Constitution of the Company requires that one-third of the Board retire from office at each annual general meeting of the Company ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years and newly appointed directors are required to submit themselves for re-election at the next AGM.

A retiring director shall be eligible for re-election. In recommending that a director be nominated for re-election, the NC assesses each candidate's suitability for re-appointment prior to making its recommendation, carefully taking into consideration such factors as the director's record of attendance and participation, his/her candour, performance and overall contribution to the Board and the Group; as well as his/her ability to adequately carry out the duties expected while performing his/her roles in other companies or in other appointments.

Mr Zhang Yong, Mr Lee Suan Hiang and Mr Tay Beng Chuan will be retiring at the forthcoming AGM pursuant to the requirements of Article 91 of the Company's Constitution and have indicated that they wish to seek re-election as directors of the Company. Article 91 provides that at least one-third of the Directors shall retire from office at every AGM.

The NC has reviewed and is satisfied with the contribution and performance of each of the Directors retiring at the forthcoming AGM and has endorsed their nomination for re-election.

Director's Time Commitments

Although some of the Board members have multiple board representations and other principal commitments, the NC is satisfied that the Directors have devoted sufficient time and attention to the matters of the Group. The Board does not see any reason to set the maximum number of listed company representations that any Director may hold as all the Directors are able to devote sufficient attention to the Company's affairs in light of their other commitments. However, as a general guideline, to address time commitments that may be faced, a Director who holds more than 6 board representations should consult the Chairman before accepting any new appointments as a Director.

CORPORATE GOVERNANCE STATEMENT

Alternate Directors

The Group has no alternate Directors on its Board.

Principle 5: Board Performance

Board and Board Committee Evaluation Process

A review of the Board's performance as a whole and its Board Committees is undertaken annually by the NC with inputs from Board members. In this regard, the Board has in place an evaluation process to obtain feedback and appraisal in respect of the Board's effectiveness and performance as a whole.

The evaluation process involves the completion of an evaluation questionnaire prepared and circulated by the NC to be completed by all Directors. The questionnaire is used to evaluate Board performance as a whole. Each Director participates actively and gives feedback on issues such as the adequacy and size of the Board, the Board's access to information, Board processes and accountability, and communication with the senior management. The NC will then review and compile the discussion points and feedback provided, before setting out and highlighting the areas of improvement by the Board as a whole. The Board's performance is also measured by its ability to support the Management especially in times of crisis and to steer the Company towards profitable directions.

The NC does not use an external facilitator to evaluate the effectiveness of the Board and its Board Committees.

Director Evaluation Process

Save as provided above, the Company does not have an evaluation process in place for Directors individually.

Principle 6: Access to Information

Complete, Adequate and Timely Information

The Board has separate and independent access to the senior management and the Company Secretary at all times. Requests for information from the Board are dealt with promptly by the Management and the Board is informed of all material events and transactions as and when they occur. The Management provides the Board with quarterly reports of the Company's performance. Any material variance between any projections and the actual results of budgets will be disclosed and explained to the Board. The Management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers in a timely fashion, prior to Board meetings.

The Board Office serves as an intermediary between the Management and the Board, and serves to address the concerns of all stakeholders of the Company. The Board Office ensures that there is timely and good information flow within the Board and its Board Committees as well as between the Management and the Non-Executive Directors. The Board Office further assists the Chairman and the Board to implement new and strengthen existing corporate governance practices, and to facilitate orientations and assist with professional development as may be required.

Company Secretary

The Company Secretary administers, attends and prepares minutes of Board meetings, and assists to ensure that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Constitution and the relevant rules and regulations applicable to the Company are complied with.

The appointment and removal of the Company Secretary are subject to the Board's approval.

Access to Independent Professional Advice

The Directors, in fulfilling their responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional advisers to render professional advice. The cost of such professional advice will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

RC Composition and Responsibilities

The RC comprises four members, all of whom are Non-Executive Directors and the majority of them are Independent Directors. The members of the RC are:

- Mr Lee Suan Hiang, Chairman
- Mr Yeung Koon Sang alias David Yeung
- Mr Tay Beng Chuan
- Mr Bi Jingshuang

The functions of the RC are to review and recommend the remuneration packages of the Executive Directors, CEO and key executives of the Company, and to review the appropriateness of compensation for the Non-Executive Directors including but not limited to Directors' fees and allowances. The Board will on an annual basis, submit a proposal for Directors' fees as a lump sum for shareholders' approval.

Expert Advice

The RC does not seek expert advice from external remuneration consultants.

Termination Clause

The RC reviews the Group's obligations in relation to the termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses that are not overly generous.

Remuneration Policy for Executive Directors, CEO and Key Management Personnel

An appropriate proportion of the remuneration of the Executive Directors, CEO and key management personnel of the Company is based on variable forms of compensation, which are awarded in a combination of short and long-term incentives. This aims to align the interests of these individuals with those of the shareholders by providing incentives for these individuals to continue to perform and create sustainable value for the shareholders.

To assess the performance of these individuals, consideration is given to the individual's achievement of key performance indicators, measured against financial and non-financial performance targets. No Director is involved in deciding his own remuneration. In determining the actual quantum of the variable or performance-related bonuses and long-term incentives such as share options granted to be recommended, the RC has taken into account the extent to which the key performance indicators, as set out above, have been met. The RC is of the view that the remuneration package for each of the key management personnel is aligned with each individual's performance during the financial year ended 31 December 2018.

Discretion on Incentive Components

The RC retains the discretion not to award any incentives in any year if any Executive Director, CEO or key management personnel of the Company is directly involved in the misstatement of financial results or in cases of misconduct or fraud resulting in financial or other loss to the Company.

Remuneration Policy for Independent Directors

The sum to be paid to each of the Independent Directors shall be determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. Generally, Directors who undertake additional duties as Chairman and/or members of the Board Committees will receive higher fees because of their additional responsibilities.

Remuneration Policy for Non-Executive Directors

The remuneration for Non-Executive Directors includes Director's fees and the granting of share options under the Company's Employee Share Option Scheme.

Individual Director's Remuneration Disclosure

A breakdown showing the level and mix of each individual Director's remuneration payable for the financial year ended 31 December 2018 is as follows:-

	Percentage (%) Remuneration earned through:			
	Base / fixed salary	**Variable or performance related income / bonuses / share Options granted**	**Director Fees / Attendance Fees**	**Total (round off to nearest thousand dollars) S$'000**
Mr Hao Weibao	86	14	–	554
Dr Lin Yucheng	28	72	–	2,342
Mr Zhang Yong	66	34	–	593
Mr Wang Song	–	–	–	–
Mr Yeung Koon Sang alias David Yeung	–	–	100	90
Mr Tay Beng Chuan	–	–	100	90
Mr Lee Suan Hiang	–	–	100	90
Mr Bi Jingshuang	–	–	100	90

Mr Wang Song did not receive any fees or remuneration for the financial year ended 31 December 2018.

Top Five Key Management Personnel Remuneration

As the Company has more than ten key management personnel, the information in the table below pertains only to the five key management personnel (who are not Directors or the CEO) who have received the highest remuneration package for the financial year ended 31 December 2018. The remuneration breakdown of these five management personnel is as follows:-

Remuneration Band ($)	Number of Executives
1,750,000 to 2,000,000	1
1,250,000 to 1,500,000	1
750,000 to 1,000,000	1
500,000 to 750,000	2
Total	5

The Company has not disclosed specific details of the remuneration of these five key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The annual aggregate remuneration paid to the five highest earning key management personnel of the Company (who are not directors or the CEO) for the financial year ended 31 December 2018 is $5,421,419.

The Company does not have any employee who is an immediate family member of a Director or the CEO.

Employee Share Schemes

Details of the Employee Share Option Scheme can be found on pages 39 to 40 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

Balanced and Understandable Assessment of the Group's Performance

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts, or simultaneously with such meetings. The Company has adopted quarterly reporting of its financial results as required by the Listing Manual of the Singapore Exchange Trading Securities Limited ("SGX-ST Listing Manual"). Financial results and annual reports will be announced or issued within the mandatory period.

Further, the Management receives management accounts on a monthly basis and is kept abreast of the Company's performance, position and prospects, in order to make balanced and informed assessments of the same. The Board is provided with the management accounts on a quarterly basis prior to the announcement of its financial statements for each quarter of its financial year.

Ensuring of Compliance by the Board

The Group believes that compliance with legislative and regulatory requirements is crucial to maintaining the continued trust and confidence of shareholders in the Group. In line with the requirements under the SGX-ST Listing Manual, negative assurance statements were issued by the Board to accompany the Company's quarterly reporting, confirming that to the best of its knowledge, nothing had come to its attention that would render the Company's quarterly results false or misleading.

Principle 11: Risk Management and Internal Controls

Risk Tolerance and Policies

The Group recognises the importance of balancing risks and rewards in order to achieve an optimal risk level that the Group considers appropriate in the pursuit of its objectives and business opportunities.

In this regard, the Group has put in place internal policies dealing with its business, financial, and operational (including procurement) matters. These policies are frequently reviewed by the Management to ensure that they remain practical and up-to-date. The Management also reviews its business and operational activities on a regular basis to identify significant areas of business risk and implements appropriate measures to control and mitigate such risks. Further, the Management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. The risk issues are highlighted on pages 84 to 94 of the Annual Report, under note 4 to the financial statements.

Board Annual Review of Risk Management and Internal Controls

The Board has ultimate responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The Group's system of internal controls is designed and intended to provide reasonable assurance that assets are safeguarded and to ensure that proper accounting records are maintained and financial information used within the business and for publication is reliable. These internal controls are also critical in ensuring compliance with appropriate legislation, regulation and best practices, as well as in identifying and containing business risk. However, the Group's system of internal controls does not provide absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE STATEMENT

The Company has outsourced its internal audit function to an external professional firm. The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the auditors are reported to the AC together with the auditors' recommendations. The Management would then take appropriate actions to rectify the weaknesses highlighted.

The AC, in the course of their review of the reports presented by the internal and external auditors, also reviewed the effectiveness of the Group's system of internal controls.

Based on the internal and external audit findings, the Board with the concurrence of the AC is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls and risk management systems of the Company are adequate in meeting the needs of the Group and provide reasonable (though not absolute) assurance against material financial misstatements and loss, and in safeguarding the Group's assets. The internal controls ensure the Group's maintenance of proper accounting records, compliance with applicable regulations and best practices, and timely identification and containment of financial, operational and compliance risks. The AC is also satisfied that there were no material internal control deficiencies identified.

Assurance from CEO and CFO

At the financial year-end, the CEO and CFO have assured the Board that:

(a) the financial records of the Group have been properly maintained for the year ended 31 December 2018 to give a true and fair view of the Company's operations and finances;

(b) material information relating to the Company was disclosed on a timely basis for preparing the financial statements;

(c) the Company's internal control and risk management systems were effective at the end of the financial year; and

(d) the Board, with the concurrence of the AC, is of the opinion that there are adequate internal controls and risk management systems to meet the financial, operational and compliance risks of the Group in its current business environment.

Principle 12: Audit Committee

Composition and Qualifications of the AC

The AC comprises four members, all of whom are Non-Executive Directors and the majority of them are Independent Directors. The members of the AC are:

- Mr Yeung Koon Sang alias David Yeung, Chairman
- Mr Tay Beng Chuan
- Mr Lee Suan Hiang
- Mr Bi Jingshuang

Mr Yeung Koon Sang has over 20 years of experience in public accountancy and has worked in reputable accounting firms. As such, the Board considers that Mr Yeung, with his extensive practical knowledge and accounting and financial experience, is well qualified to chair the AC. The Board is of the view that the remaining members of the AC collectively have relevant financial management expertise and experience in order to discharge their responsibilities as members of the AC.

The members of the AC attend external courses, from time to time, to keep abreast of relevant changes to accounting standards and issues which have a direct impact on the financial statements. This is supplemented by the external auditors, who highlight changes to such issues to the AC in their reviews with the AC.

More information regarding the qualifications of the members of the AC is given in "Directors' Information" on pages 12 to 13 of the Annual Report.

Roles and Responsibilities of the AC

The functions of the AC are as follows:

(a) review with the internal and external auditors of the Company, their audit plan, evaluation of the internal accounting controls, audit report and ensures co-operation is given by the Management to the internal and external auditors;

(b) review the interim and annual financial statements and the auditors' report on the Company's annual financial statements before they are presented to the Board;

(c) review with the Management, external and internal auditors the adequacy and effectiveness of the Company's internal controls, business and service systems and practices;

(d) review related and interested party transactions;

(e) review the co-operation given by the Management to the auditors;

(f) consider the appointment and re-appointment of the external auditors;

(g) review interested person transactions, if any; and

(h) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Authority to Investigate

The AC has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or Executive Officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

Annual Meeting with Auditors

The AC meets our external auditors (Deloitte & Touche LLP) and internal auditors (Crowe Horwath First Trust) separately, without the presence of the Management at least once a year.

Review of Independence of External Auditors

Pursuant to Rule 1207 (6)(b) and (6)(c) of the SGX-ST Listing Manual, the AC undertook the review of the independence and objectivity of the auditors as well as reviewed the non-audit services provided by the incumbent auditors, and the aggregate amount of audit fees paid to them. The AC is satisfied that neither their independence nor their objectivity is put at risk, and that they are still able to meet the audit requirements and statutory obligations of the Company. Accordingly, the AC has recommended the re-appointment of Deloitte & Touche LLP as auditors at the forthcoming AGM. In recommending the re-appointment of the auditors, the AC considered and reviewed a variety of factors including adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, and size and complexity of the Group, its businesses and operations. The AC, having reviewed the range and value of non-audit services performed by the external auditors, Deloitte & Touche LLP and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, are pleased to confirm their re-nomination.

CORPORATE GOVERNANCE STATEMENT

The Company appointed Deloitte & Touche LLP and its overseas practices as the external auditors for the Group, except for its associates, Beijing Beipai Membrane Technology Co., Ltd, which was audited by Ruihua Certified Public Accountant, PRC; Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd, which was audited by Dong Wan Shi Hai De Certified Public Accountants, PRC; Chengdu Xingrong Environment Co., Ltd and Dongguan City Water Valley Certificate No. One of Equity Investment Enterprises (Limited Partnership), which were audited by ShineWing Certified Public Accountant, PRC; Odan Envirotech Co., Ltd, which was audited by Shanghai Wei Heng Certified Public Accountants, PRC and Jiangsu Haihuan Water Co., Ltd as well as Jiangsu Siyang Strait Environmental Protection Co., Ltd, which were audited by Xinyong Zhonghe Accounting Firm (Special General Partnership) Fuzhou Branch. The Board and AC are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

During the financial year ended 31 December 2018, a total amount of $1,735,000 was paid to the external auditors of the Company, including $1,606,000 for audit fees and $129,000 for non-audit fees.

The Company is in compliance with Rules 712, 715 and 716 of the SGX-ST Listing Manual.

Review of Financial Statements

In reviewing the financial statements for the financial year ended 31 December 2018, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might have a material impact on the financial statements. The significant matters reviewed are set out below.

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue recognition	The AC considered and reviewed the reasonableness of the assumptions and key management estimates adopted where revenue recognition requires the exercise of judgement. The revenue recognition review was also an area of focus for the external auditors. The external auditors have included this term as a key audit matter in their audit report for the financial year ended 31 December 2018.
Impairment of assets – contract assets, service concession receivables, goodwill and intangible assets	The AC considered the approach and methodology applied to the valuation model in the impairment assessment of goodwill, intangible assets, service concession receivables and contract assets, as well as the assessment for indicators of impairment of these assets. It reviewed the reasonableness of cash flow forecasts, the long-term growth rate and discount rate. The impairment review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018.
Recoverability of trade receivables	The AC considered and reviewed the reasonableness of the assumptions and key management estimates adopted where the impairment requires the exercise of judgement. As for the provision for expected credit loss of receivables from customers, the AC considered and reviewed the reasonableness of the provision taking into consideration the aging status and the likelihood of collection. The recoverability of receivables review was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018.

Whistle-Blowing Policy

A Whistle-Blowing Policy was approved by the Board and implemented on 14 February 2007. The Board believes that this policy will provide an avenue for employees to bring their complaints to the attention of the Board without fear of reprisal. The establishment of the Whistle-Blowing structure is to allow the Group to detect and deter wrongdoing in preparing and implementing financial policies, reports and materials as well as internal controls essential to support its financial and accounting system.

The policy was presented and published on the notice board to all employees for implementation. All new employees of the Group are provided with a copy of the Whistle-Blowing Policy. The AC also reviews the Whistle-Blowing Policy annually to ensure that it remains current and any updates or changes made to the same is communicated to all employees of the Group via email.

AC Member Restrictions

None of the members of the AC were partners or directors of the Group's existing external auditor, Deloitte & Touche LLP, within the last 12 months, or hold any financial interest in the external auditor.

Principle 13: Internal Audit

The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, are adequate and functioning in the required manner.

Adequacy of the Internal Audit Function

The AC reviews the adequacy and effectiveness of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company. The AC's responsibility in overseeing that the Company's risk management system and internal controls are adequate is complemented by the outsourced internal auditor, Crowe Horwath First Trust LLP, which the Company has appointed. The AC approves the hiring, removal, evaluation and compensation of the outsourced internal auditor.

Internal Auditor and Line of Reporting

The internal auditor reports directly to the Chairman of the AC on audit matters. The internal auditor plans its audit work in consultation with, but independently of, the Management, and its yearly plan is submitted to the AC for approval at the beginning of the year. The internal auditor reports to the AC regarding its findings. The AC meets the internal auditor on a quarterly basis, without the presence of the Management. The internal auditor has full access to all the Company's documents, records, properties and personnel including access to the AC.

Professional Standards and Competency

The internal auditor is a member of the Institute of Internal Auditors ("IIA") and has adopted the Standards for the Professional Practice of Internal Auditing set by the IIA (the "IIA Standards"). The internal auditor is staffed with suitably qualified and experienced professionals with a range of diverse operational, technological, and financial audit experience.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Dissemination of Material Information

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:

- SGXNET announcements and news releases
- Annual Report prepared and issued to all shareholders
- Company's website at www.citicenvirotech.com, where shareholders can access information on the Group

Shareholder Participation

We support the Code's principle to encourage shareholder participation. In view of this, the Company ensures that shareholders have the opportunity to participate effectively and vote at all general meetings of the Company. Shareholders are also informed of the rules, including the voting procedure that governs the general meetings of shareholders. Shareholders also have the right to appoint proxies to vote on their behalf at the general meetings through proxy forms sent in advance, if they are unable to attend in person. Further details regarding the appointment of proxies can be found in the notes to the Proxy Form of the Annual Report.

Notice of general meetings is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least fourteen days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the general meeting itself.

Principle 15: Communication with Shareholders

Investor Relations Policy

The Company's website has a dedicated 'Investor Relations' link, which features the latest and past financial results and related information such as the Group's annual reports. The contact information of the Investor Relations Contact is available on a dedicated link to allow shareholders to contact the Company easily. Investor Relations has procedures in place for addressing investors' queries or complaints as soon as possible.

Solicitation of Shareholder Views

The Group proactively engages shareholders and the investment community through group and one-on-one meetings, conference calls, email communications, investor conferences and roadshows. These events enable the Group to share the Group's business strategy, operational and financial performance and business prospects, ensuring a high level of accountability and that shareholders stay informed of the Company's strategy and goals.

Dividend Policy

The Company's dividend policy endeavours to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The Company strives to provide shareholders on an annual basis with a consistent and sustainable ordinary dividend, with a variable special dividend based on cash position, working capital, expenditure plans, acquisition opportunities and market environment.

The Board is recommending a final dividend for the year ended 31 December 2018. Any payouts are communicated to shareholders via announcement on SGXNET when the Company discloses its financial results.

Principle 16: Conduct of Shareholder Meetings

Absentia Voting

While the Company has provisions in its constitution to allow for the Board to approve and implement voting methods to allow shareholders who are unable to vote in person at a general meeting the option to vote in absentia, in view of the concerns surrounding the authentication of shareholder identity and other related security issues such as the integrity of information, the Company will not implement absentia voting through mail, e-mail and fax until such issues are satisfactorily resolved.

Separate Resolutions

The Company provides for separate resolutions at the general meetings on each distinct issue, unless the resolutions are interdependent and linked so as to form one significant proposal. Detailed information on each item in the agenda for general meetings is contained in the notices to the meeting or its accompanying appendices.

Attendance at General Meetings

Where possible, all Directors and the Chairmen of the AC, RC and NC will be present at all the Company's general meetings to answer any questions relating to the work of these Committees. The external auditor is present at all AGMs to address shareholder queries about the conduct of the audit, and the preparation and content of the auditor's report.

General Meeting Minutes

The minutes of the general meetings are prepared by the Company Secretary. They contain substantial and relevant comments or queries from the shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes are available to shareholders upon their requests.

Voting on Resolutions by Poll

To maintain transparency, the Company conducts electronic poll voting for shareholders/proxies present at all general meetings. The respective percentages in relation to votes cast for or against on each resolution will be tallied and displayed live on-screen to shareholders immediately at the meeting. The total numbers and percentage of votes cast or against the resolutions will also be announced in a timely manner following all general meetings via SGXNET.

DEALING IN SECURITIES

The Group has adopted internal codes pursuant to Rule 1207(19) of the SGX-ST Listing Manual applicable to all its officers in relation to dealing in the Company securities. Its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full year results announcement, as the case may be, and ending on the date of announcement of the relevant results. Directors and employees are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director, or controlling shareholder.

INTERESTED PERSON TRANSACTIONS

Relationship with ultimate substantial shareholder

1.1 CEL's ultimate substantial shareholder is the Ministry of Finance of the People's Republic of China ("MOF") which owns 100% of CITIC Group Corporation Ltd ("CITIC Group"), a state-owned enterprise ("SOE").

1.2 Under the Fourth Schedule to the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 ("SFR"), a "controlling shareholder" is "a person who has an interest in the voting shares of the corporation of an aggregate of not less than 30% of the total votes attached to all voting shares in the corporation, unless he does not exercise control over the corporation".

1.3 However, under section 239 of the Securities and Futures Act ("SFA"), "control" is defined as the capacity of a person to determine the outcome of decisions on the financial and operating policies of the entity concerned. The definition does not consider as "control" any capacity of a person to influence decisions on the financial and operating policies of the entity if such influence is required by law or under any contract or order of court to be exercised for the benefit of other persons.

1.4 Based on the above, CITIC Group is a controlling shareholder of CEL and, technically, the MOF is also a controlling shareholder of CEL unless it can be shown that its influence on the financial and operating policies of CEL arises by virtue of the law of the People's Republic of China ("PRC").

The relationship between MOF, CITIC Group and CEL

1.5 CITIC Group was established by the MOF in 1979 as a SOE. It was subsequently corporatised in 2011 as a limited company pursuant to the Company Law of the People's Republic of China ("PRC Company Law").

1.6 The MOF is the designated representative of the State Council of the PRC. As the sole shareholder of CITIC Group, it is responsible for fulfilling the investor's responsibilities of CITIC Group on behalf of the State Council of the PRC. Pursuant to the Law of the People's Republic of China on the State-Owned Assets of Enterprises ("PRC SOE Law") and the PRC Company Law, the MOF was given the authority to determine the investment strategy and financial policy of CITIC Group and is responsible for making significant financial decisions such as those involving restructuring, the issuance of registered capital, or the transfer of state-owned assets.

1.7 As far as we are aware, the extent of the MOF's influence on CEL is only to the extent of its influence on CITIC Group under the PRC SOE Law and the PRC Company Law.

1.8 Based on the above, the MOF is not considered a controlling shareholder of the Company for the purposes of the SFA and the SFR as its influence and control over CITIC Group is required by and derived from the PRC SOE Law and the PRC Company Law to be exercised for the benefit of the State Council of the PRC. Accordingly, the MOF and its associates are not considered interested persons of CEL under Chapter 9 of the SGX-ST Listing Manual, and the interested person transaction requirements under the SGX-ST Listing Manual do not apply to them.

Procedures for interested person transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

Interested person transactions for FY2018

The Company does not have a general shareholders' mandate for recurrent interested person transactions. The aggregate value of interested person transactions entered into during FY2018 under review in excess of S$100,000 is as follows:-

Name of interested persons	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (S$)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
CITIC Finance Company Limited	18,480,464	Not Applicable
China CITIC Bank	1,011,821	Not Applicable

Of the aggregate value S$18,480,464 for IPTs conducted with CITIC Finance Company Limited during FY2018, S$2,988,374 is attributable to the Group's entry into the RMB Loan Facility, USD Loan Facility and Fund Placement Agreement, being IPTs specifically approved by the shareholders at the extraordinary general meeting on 12 October 2018.

USE OF PROCEEDS

The Company completed an issuance of 83,216,080 new ordinary shares raising approximately $70 million during the financial year.

	$ million
Proceeds from:	
Issuance of New Shares	70
Issuance of New Shares pursuant to exercise of ESOS	15
Less investment in:	
Xiaochang project	(15)
Yingcheng project	(15)
Aktau project	(5)
Lanzhou project	(30)
Xiaonan project	(15)
Yunfu project	(5)
Total unutilised balance	–

The funds raised had been fully utilised.

SUSTAINABILITY REPORTING

CITIC Envirotech Limited ("CEL") has integrated sustainability principles into its business decisions as it believes its role is not just to provide essential water and wastewater treatment, water supply and recycling services to communities, but to apply its knowledge and technologies to create positive change in cleaning up and restoring the environment. CEL has continued to expand its environmental business scope to include solid and hazardous waste treatment.

In 2017, CEL began the process of formalising its sustainability approach by the setting up of a working group with members from senior management and across all business units and locations to take charge of the sustainability reporting. This group reports directly to the Board of Directors on a regular basis. A materiality assessment exercise has been completed which allowed CEL to identify the areas on which it plans to focus its efforts moving forward and to set up management processes to monitor and assess its progress in these areas. From 2018, in compliance with SGX reporting requirements, CEL publishes its annual Sustainability Report on its web site and provides updates on sustainability concerns to stakeholders as relevant. Please visit www.citicenvirotech.com for details.

CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 49 to 165 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Hao Weibao
Zhang Yong
Wang Song
Dr Lin Yucheng
Bi Jingshuang
Yeung Koon Sang alias David Yeung
Tay Beng Chuan
Lee Suan Hiang

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the options mentioned in paragraphs 3 and 4 of the Directors' statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and company in which interests are held	At January 1, 2018	At December 31, 2018	At January 21, 2019
The Company - Ordinary shares			
Dr Lin Yucheng	–	32,305,600	32,305,600
Dr Lin Yucheng (deemed interest)	85,681,334	57,121,334	57,121,334
Bi Jingshuang (deemed interest)	538,048,010	538,048,010	538,048,010
Lee Suan Hiang	721,000	721,000	721,000
Lee Suan Hiang (deemed interest)	800,000	800,000	800,000
Tay Beng Chuan	2,250,000	2,250,000	2,250,000
Yeung Koon Sang@David Yeung	1,200,000	1,200,000	1,200,000
The Company - Share options			
Dr Lin Yucheng	30,000,000	–	–

4 SHARE OPTIONS

(a) Options to take up unissued shares

(i) The Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on February 2, 2010.

The Scheme is administered by the Remuneration Committee ("Committee") whose members are:

Lee Suan Hiang (Chairman)
Tay Beng Chuan
Yeung Koon Sang alias David Yeung
Bi Jingshuang

Dr Lin Yucheng, a Controlling Shareholder then, is eligible to participate in the Scheme. The approval was obtained at an Extraordinary General Meeting held on February 2, 2010.

Under the Scheme, the ordinary shares of the Company ("Shares") under option may be exercised in full or a multiple thereof, on the payment of the exercise price. Under the Scheme, there are no fixed periods for the grant of Options. As such, offers for the grant of options may be made at any time from time to time at the discretion of the Committee. The consideration for the grant of an option is S$1.00. The exercise price is based on the price that is equivalent to the Market Price; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of Shareholders shall have been obtained in a separate resolution. No options have been granted at a discount. The Scheme shall continue in operation at the discretion of the Committee, subject to a maximum duration of 10 years and may be continued for any further period thereafter with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities may then be required. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company in the Group subject to certain exceptions at the discretion of the Committee.

The option period for an option granted at Market Price commences after the first anniversary of the date of grant of option and expires on the tenth anniversary of such date except that for options granted to the non-executive directors, the option period shall be a period commencing after the first anniversary of the date of grant of option and expiring on the fifth anniversary of such date.

An option granted at a discount to the Market Price shall be exercisable after the second anniversary of the date of grant of option up to the tenth anniversary of such date except that for options granted at a discount to non-executive directors, the option shall be exercisable after the second anniversary of the date of grant of option and expiring on the fifth anniversary of such date.

The Scheme was amended by the Committee on February 14, 2014 with inclusion of a vesting schedule in the offer letter for option granted and revision of certain terms and conditions of the Scheme.

* *market price - a price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five consecutive trading days, immediately preceding the Date of Grant of that option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST*

4 SHARE OPTIONS (cont'd)

(b) Unissued shares under option and options exercised

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The numbers of outstanding share options under the scheme are as follows:

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at January 1, 2018	Granted	Exercised	Cancelled	Balance at December 31, 2018	Exercise price per share	Exercisable period
20.7.2010	3,000,000	–	(3,000,000)	–	–	$0.1915	20.7.2011 to 20.7.2020
20.7.2010	3,000,000	–	(3,000,000)	–	–	$0.1532	20.7.2012 to 20.7.2020
15.2.2013	37,813,000	–	(23,178,000)	–	14,635,000	$0.276	15.2.2015 to 15.2.2023
28.3.2013	24,000,000	–	(24,000,000)	–	–	$0.292	28.3.2015 to 28.3.2023
25.7.2014	6,196,200	–	–	(1,000,000)	5,196,200	$0.5675	25.7.2016 to 25.7.2024
25.4.2018	–	18,364,000	–	(200,000)	18,164,000	$0.563	25.4.2020 to 25.4.2028
Total	74,009,200	18,364,000	(53,178,000)	(1,200,000)	37,995,200		

No employees or employee of related corporations other than the directors of the Company has received 5% or more of the total options available under this scheme except for Tan Huchuan, Li Li and Wang Ning who are included in the disclosure below.

The information on directors of the Company participating in the Scheme is as follows:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed/ cancelled since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Dr Lin Yucheng	–	30,000,000	(30,000,000)	–	–
Yeung Koon Sang @ David Yeung	–	1,200,000	(1,200,000)	–	–
Tay Beng Chuan	–	1,100,000	(1,100,000)	–	–
Lee Suan Hiang	–	700,000	(700,000)	–	–
Name of employee					
Tan Huchuan	384,000	22,384,000	(13,026,000)	–	9,358,000
Li Li	335,000	22,335,000	(22,000,000)	–	335,000
Wang Ning	344,000	14,344,000	(14,000,000)	–	344,000

5 AUDIT COMMITTEE

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to the Audit Committee.

The Audit Committee of the Company is chaired by Yeung Koon Sang alias David Yeung and include Lee Suan Hiang, Tay Beng Chuan and Bi Jingshuang. All the members of the Audit Committee are independent directors of the Company.

The Audit Committee has met 4 times during the financial year ended December 31, 2018. The Audit Committee has reviewed the following, where relevant, with the executive directors and the external auditors of the Company:

a) The audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

b) The Group's financial and operating results and accounting policies;

c) The audit plans of the external auditors;

d) The financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

e) the quarterly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;

f) the co-operation and assistance given by management to the Group's external auditors;

g) the re-appointment of the external auditors of the Company;

h) interested person transactions; and

i) all non-audit services provided by the Group's external auditors.

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

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for the re-appointment as external auditors of the Company at the forthcoming annual general meeting.

DIRECTORS' STATEMENT

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

____
Hao Weibao

____
Yeung Koon Sang alias David Yeung

March 8, 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of CITIC Envirotech Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 165.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	Our audit performed and responses thereon
Revenue recognition The Group is principally engaged in two operating segments, namely (1) Engineering and membrane system sales, comprising of (a) Engineering and (b) Membrane system sales, and (2) Treatment. We have identified critical areas in relation to revenue set out below that we consider significant either because of the complexity of the revenue contracts or nature of operations, or because of the required exercise of management judgement. **<u>Accounting for revenue from the engineering segment</u>** The Group recognises revenue from environmental engineering contracts by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion of contract costs incurred for work performed to date against the estimated total contract costs.	Our audit approach included the following substantive procedures: • We evaluated the design and tested the implementation of business process controls over each of the Group's different revenue streams. In particular, for the engineering segment, we performed the above procedure relating to the determination of costs to complete when assessing the stage of completion. Samples of environmental engineering contracts were tested through inspection of the underlying supporting documents to verify the costs incurred; • We reviewed management's assessment of performance obligations within the context of each type of contract to assess whether the promised goods or services are capable of being distinct and are separately identifiable from other promises in the contract;

Key Audit Matters	Our audit performed and responses thereon
Management estimates are required in determining the extent of the contract cost incurred and the estimated total contract cost. Errors in any of these estimates could result in the misstatement of the stage of completion of the project, hence, resulting in a material variance in the amount of revenue recognised for the period.	• We challenged management in respect of the estimated total contract costs by comparing previous cost estimates against actual results; • We evaluated the Group's process in assessing the applicability of SFRS(I) INT 12 and reviewed the associated agreements to assess whether these agreements are properly identified to be service concession arrangement within the scope of SFRS(I) INT 12; and • We reviewed management's computation of financial receivables and intangible assets, and the allocation of consideration between financial receivables and intangible assets and the related revenue recognition and tested key management estimates including discount rates used by comparing to the relevant market interest rates to identify any inappropriate estimates.
<u>**Accounting for revenue from service concession arrangements**</u> The Group's business in the treatment segment is highly dependent on the service concession arrangements entered into with the local government authorities in the People's Republic of China. SFRS(I) 15 *Revenue from Contracts with Customers* ("SFRS(I) 15") is applied in the Group's recognition of revenue from treatment service from service concession arrangements. Specifically, we have identified the determination of whether the service concessions arrangements fall under the scope of SFRS(I) INT 12 *Service Concession Arrangements* ("SFRS(I) INT 12") for new service concession contracts as a significant risk. This could mean that the Group may inappropriately recognise the consideration received from the local government authorities in exchange for the construction services as financial asset and/or intangible asset for service concession arrangements within the scope of SFRS(I) INT 12. As disclosed in Notes 9, 18 and 32 of the financial statements, the amounts are material and significant management judgement are required, particularly in relation to the identification and application of the appropriate accounting treatment for the recording of revenue and associated assets under SFRS(I) 15 and SFRS(I) INT 12. The determination of the fair values of the receivables under these agreements includes complex calculations and significant management estimations required such as discounts rates, future cash flows and other factors used in the determination of the amortised cost of financial asset and corresponding financial income. The accounting policies for revenue recognition are set out in Note 2 to the financial statements and the different revenue streams of the Group have been disclosed in Note 32 to the financial statements.	

Key Audit Matters	Our audit performed and responses thereon
Impairment of Assets – contract assets, service concession receivables, goodwill and intangible assets	
Under SFRS(I)s, the Group is required to assess for expected credit loss allowance for contract assets and service concession receivables. The Group is also required to annually perform impairment testing for goodwill, and for intangible assets where there are indicators of impairment such as absence of available customer or lower than projected volume of water treated.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in concluding the impairment and expected credit loss review. These procedures included:
Both assessments requires the exercise of significant judgement in determining the loss allowance, recoverable values of the cash generating units ("CGUs"), including growth rate, discount rates, terminal values and expected changes to selling prices and direct costs.	<u>For impairment of contract assets and service concession receivables</u> ● Assessing if there is any objective evidence of credit-impairment and evaluating the reasonableness of the loss allowance provided by the external valuer engaged by management to perform the expected credit loss assessment.
For the Group's treatment segment, significant delays in the timing of receipt from debtors may affect the assumptions used in arriving at the present value of the financial models of the Group's service concession arrangements and consequently may result in credit-impaired service concession receivables.	<u>For impairment of goodwill and intangible assets</u> ● Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rate;
These assets represent a significant portion of the Group's total assets and their proportion as at December 31, 2018 as follows: ● Contract assets (30% of Group's total assets) ● Service concession receivables (17% of Group's total assets) ● Goodwill (7% of Group's total assets) ● Intangible assets (8% of Group's total assets)	● Challenging the cash flow forecasts used, with comparison to recent performance, trend analysis and market expectations; and ● By reference to prior years' forecasts, where relevant, assessing whether the Group has achieved them.
The key assumptions used and estimates made by management for expected credit loss allowance for contract assets and service concession receivables and for impairment of goodwill and intangible assets are disclosed in Notes 8, 9, 17 and 18 to the financial statements.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

Key Audit Matters	Our audit performed and responses thereon
Recoverability of Trade Receivables As at December 31, 2018, trade receivables comprise 7% of the Group's total assets. The trade receivables portfolio comprise receivables arising from the Group's engineering and membrane system sales and treatment segments. This represents a significant proportion of the Group's working capital. In addition, the credit risk concentration profile of the Group's trade receivables at the end of the reporting period is 99% concentrated in the People's Republic of China. Hence, recoverability of trade receivables is considered to be a key matter for the Group. As for the allowance for expected credit loss of trade receivables from customers, it is considered to be a key matter of significance as it requires the application of judgement by management. In determining whether loss allowance is required, the Group takes into consideration the past default experience, analysis of the customers' current financial position and the future prospects of the industry. Following the identification of loss allowance, the Group discusses with the relevant customers and report on the recoverability of such debts. The trade receivables balance and credit terms as well as the Group's policy on credit-impaired receivables have been disclosed in Notes 2 and 7 to the financial statements.	Our audit approach included the following substantive procedures: ● We reviewed the design and tested the operating effectiveness of key controls over the identification and timeliness of identifying indications of significant increase in credit risks; ● We evaluated management's continuous assessment of the appropriateness of assumptions used in the credit loss assessment. These considerations include whether there are regular receipts from the customers, past collection history as well as an assessment of the customers' credit ability to make repayments; ● We obtained the expected credit loss assessment performed by the external valuer engaged by management and evaluated the reasonableness of the loss allowance provided; ● We obtained the aging analysis of trade receivables and discussed with management the reasons of any long outstanding amounts; and ● We checked subsequent settlements from customers and ensured that adequate loss allowance has been provided to write down the carrying amount to recoverable amount.

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

Management is responsible for the other information. The other information comprises the Corporate Profile, Corporate Information, Financial Highlights, Chairman and CEO's Message, Directors' Profile, Senior Management Profile, Directors' Statement and Corporate Governance Statement but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

Responsibilities of Management and Directors for the Financial Statements (cont'd)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Toh Yew Kuan Jeremy.

Deloitte and Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 8, 2019

STATEMENTS OF FINANCIAL POSITION

December 31, 2018

	Note	Group December 31, 2018 $'000	Group December 31, 2017 $'000	Group January 1, 2017 $'000	Company December 31, 2018 $'000	Company December 31, 2017 $'000	Company January 1, 2017 $'000
ASSETS							
Current assets							
Cash and bank balances	6	376,521	631,304	493,541	17,873	259,081	110,426
Trade receivables	7	245,240	237,696	215,326	–	–	–
Contract assets	8	47,287	23,402	–	–	–	–
Service concession receivables	9	15,739	15,130	12,494	–	–	–
Other receivables and prepayments	10	383,258	182,866	137,783	893,534	918,580	851,053
Inventories	11	26,249	25,370	13,777	–	–	–
Prepaid leases	12	2,158	2,134	736	–	–	–
		1,096,452	1,117,902	873,657	911,407	1,177,661	961,479
Assets classified as held for sale	13	–	55,546	55,645	–	–	–
Total current assets		1,096,452	1,173,448	929,302	911,407	1,177,661	961,479
Non-current assets							
Trade receivables	7	23,586	158,665	25,036	–	–	–
Contract assets	8	1,106,461	428,225	263,309	–	–	–
Service concession receivables	9	611,881	639,990	575,817	–	–	–
Other receivables and prepayments	10	18,866	32,163	15,577	8,000	–	–
Prepaid leases	12	86,353	85,850	39,996	–	–	–
Subsidiaries	14	–	–	–	750,665	595,233	413,323
Associates	15	44,357	29,720	17,807	12,316	10,588	10,588
Property, plant and equipment	16	231,672	219,123	106,822	228	309	182
Goodwill	17	255,365	255,365	255,365	–	–	–
Intangible assets	18	295,423	252,636	271,894	200	200	200
Financial assets at fair value through profit or loss	19	4,639	–	–	–	–	–
Available-for-sale investment	20	–	2,660	–	–	–	–
Deferred tax assets	21	11,704	470	1,111	–	–	–
Total non-current assets		2,690,307	2,104,867	1,572,734	771,409	606,330	424,293
Total assets		3,786,759	3,278,315	2,502,036	1,682,816	1,783,991	1,385,772

STATEMENTS
OF FINANCIAL POSITION (CONT'D)

December 31, 2018

	Note	Group			Company		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES AND EQUITY							
Current liabilities							
Bank loans	22	377,736	197,070	76,499	136,344	–	–
Medium term notes	26	–	224,559	–	–	224,559	–
Trade payables	23	721,884	509,342	288,069	–	–	–
Other payables	24	200,980	90,082	75,087	184,606	172,883	15,064
Finance leases	25	98	116	161	39	39	17
Income tax payable		49,174	41,307	29,369	–	–	–
		1,349,872	1,062,476	469,185	320,989	397,481	15,081
Liabilities directly associated with assets classified as held for sale	13	–	4,779	31,953	–	–	–
Total current liabilities		1,349,872	1,067,255	501,138	320,989	397,481	15,081
Non-current liabilities							
Bank loans	22	1,005,744	387,725	256,868	409,033	–	–
Finance leases	25	135	236	169	99	139	66
Medium term notes	26	–	–	223,449	–	–	223,449
Deferred tax liabilities	21	56,900	46,339	41,650	–	–	–
Total non-current liabilities		1,062,779	434,300	522,136	409,132	139	223,515
Capital, reserves and non-controlling interests							
Share capital	27	717,855	622,741	608,063	717,855	622,741	608,063
Perpetual capital securities	28	236,350	717,600	481,250	236,350	717,600	481,250
General reserve	29	28,121	15,137	7,414	–	–	–
Capital reserve	30	6,073	6,073	2,096	–	–	–
Share option reserve	31	12,733	21,848	27,782	12,733	21,848	27,782
Currency translation reserve	30	(73,173)	(15,625)	(10,809)	(33,795)	(13,005)	7,160
Retained earnings		254,839	262,223	248,065	19,552	37,187	22,921
Equity attributable to owners of the Company		1,182,798	1,629,997	1,363,861	952,695	1,386,371	1,147,176
Non-controlling interests		191,310	146,763	114,901	–	–	–
Total equity		1,374,108	1,776,760	1,478,762	952,695	1,386,371	1,147,176
Total liabilities and equity		3,786,759	3,278,315	2,502,036	1,682,816	1,783,991	1,385,772

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2018

	Note	2018 $'000	2017 $'000
Revenue	32	994,466	677,173
Other income	33	40,361	25,436
Changes in inventories		879	11,593
Material purchased, consumables used and subcontractors' fees		(602,114)	(427,567)
Employee benefits expenses	35	(62,961)	(56,492)
Depreciation and amortisation expenses	35	(39,037)	(23,886)
Other operating expenses		(133,446)	(64,217)
Finance costs	34	(41,028)	(33,971)
Share of profit of associates	15	4,248	4,836
Profit before income tax	35	161,368	112,905
Income tax expense	36	(48,190)	(32,984)
Profit for the year		113,178	79,921
Profit for the year attributable to:			
Owners of the Company		105,141	70,238
Non-controlling interests		8,037	9,683
		113,178	79,921
Earnings per share (cents):			
Basic	37	3.18	1.97
Diluted	37	3.13	1.90
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation loss		(64,262)	(7,335)
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		48,916	72,586
Total comprehensive income attributable to:			
Owners of the Company		47,593	65,422
Non-controlling interests		1,323	7,164
		48,916	72,586

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2018

	Share capital	Perpetual capital securities	General reserve	Capital reserve	Share option reserve	Currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Balance at January 1, 2017 (Restated)	608,063	481,250	7,414	2,096	27,782	(10,809)	248,065	1,363,861	114,901	1,478,762
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	70,238	70,238	9,683	79,921
Other comprehensive income for the year	–	–	–	–	–	(4,816)	–	(4,816)	(2,519)	(7,335)
Total	–	–	–	–	–	(4,816)	70,238	65,422	7,164	72,586
Transactions with owners, recognised directly in equity										
Incorporation of subsidiaries (Note 14)	–	–	–	–	–	–	–	–	17,880	17,880
Acquisition of subsidiaries (Note 42)	–	–	–	–	–	–	–	–	18,320	18,320
Effect of acquiring part of non-controlling interest in a subsidiary	–	–	–	3,977	–	–	–	3,977	(11,502)	(7,525)
Recognition of share-based payment (Note 31)	–	–	–	–	1,633	–	–	1,633	–	1,633
Issuance of perpetual capital securities (Note 28)	–	240,000	–	–	–	–	–	240,000	–	240,000
Perpetual capital securities issuance costs (Note 28)	–	(3,650)	–	–	–	–	–	(3,650)	–	(3,650)
Issuance of shares on exercise of ESOS (Note 27)	17,891	–	–	–	(7,567)	–	–	10,324	–	10,324
Shares buy-back and cancellation of shares (Note 27)	(3,213)	–	–	–	–	–	–	(3,213)	–	(3,213)
Transfer to general reserve (Note 29)	–	–	7,723	–	–	–	(7,723)	–	–	–
Dividends (Note 38)	–	–	–	–	–	–	(48,357)	(48,357)	–	(48,357)
Total	14,678	236,350	7,723	3,977	(5,934)	–	(56,080)	200,714	24,698	225,412
Balance at December 31, 2017 (Restated)	622,741	717,600	15,137	6,073	21,848	(15,625)	262,223	1,629,997	146,763	1,776,760

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group										
Balance at January 1, 2018	622,741	717,600	15,137	6,073	21,848	(15,625)	262,223	1,629,997	146,763	1,776,760
Effects of adoption of SFRS(I) 9	–	–	–	–	–	–	(22,140)	(22,140)	–	(22,140)
Balance at January 1, 2018 (Restated)	622,741	717,600	15,137	6,073	21,848	(15,625)	240,083	1,607,857	146,763	1,754,620
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	105,141	105,141	8,037	113,178
Other comprehensive income for the year	–	–	–	–	–	(57,548)	–	(57,548)	(6,714)	(64,262)
Total	–	–	–	–	–	(57,548)	105,141	47,593	1,323	48,916
Transactions with owners, recognised directly in equity										
Recognition of share-based payment (Note 31)	–	–	–	–	1,370	–	–	1,370	–	1,370
Issuance of shares on exercise of ESOS (Note 27)	95,658	–	–	–	(10,485)	–	–	85,173	–	85,173
Shares buy-back and cancellation of shares (Note 27)	(544)	–	–	–	–	–	–	(544)	–	(544)
Redemption of perpetual capital securities (Note 28)	–	(481,250)	–	–	–	–	–	(481,250)	–	(481,250)
Incorporation of subsidiaries (Note 14)	–	–	–	–	–	–	–	–	44,297	44,297
Disposal of subsidiaries (Note 43)	–	–	–	–	–	–	–	–	(1,073)	(1,073)
Transfer to general reserve (Note 29)	–	–	12,984	–	–	–	(12,984)	–	–	–
Dividends (Note 38)	–	–	–	–	–	–	(77,401)	(77,401)	–	(77,401)
Total	95,114	(481,250)	12,984	–	(9,115)	–	(90,385)	(472,652)	43,224	(429,428)
Balance at December 31, 2018	717,855	236,350	28,121	6,073	12,733	(73,173)	254,839	1,182,798	191,310	1,374,108

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Year ended December 31, 2018

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company						
Balance at January 1, 2017	608,063	481,250	27,782	7,160	22,921	1,147,176
Total comprehensive income for the year						
Profit for the year	–	–	–	–	62,623	62,623
Other comprehensive income for the year	–	–	–	(20,165)	–	(20,165)
Total	–	–	–	(20,165)	62,623	42,458
Transactions with owners, recognised directly in equity						
Recognition of share-based payment (Note 31)	–	–	1,633	–	–	1,633
Issuance of perpetual capital securities (Note 28)	–	240,000	–	–	–	240,000
Perpetual capital securities issuance costs (Note 28)	–	(3,650)	–	–	–	(3,650)
Issuance of shares on exercise of ESOS (Note 27)	17,891	–	(7,567)	–	–	10,324
Shares buy-back and cancellation of shares (Note 27)	(3,213)	–	–	–	–	(3,213)
Dividends (Note 38)	–	–	–	–	(48,357)	(48,357)
Total	14,678	236,350	(5,934)	–	(48,357)	196,737
Balance at December 31, 2017	622,741	717,600	21,848	(13,005)	37,187	1,386,371
Balance at January 1, 2018	622,741	717,600	21,848	(13,005)	37,187	1,386,371
Total comprehensive income for the year						
Profit for the year	–	–	–	–	59,625	59,625
Other comprehensive income for the year	–	–	–	(20,790)	–	(20,790)
Total	–	–	–	(20,790)	59,625	38,835
Transactions with owners, recognised directly in equity						
Recognition of share-based payment (Note 31)	–	–	1,370	–	–	1,370
Issuance of shares on exercise of ESOS (Note 27)	95,658	–	(10,485)	–	–	85,173
Shares buy-back and cancellation of shares (Note 27)	(544)	–	–	–	–	(544)
Redemption of perpetual capital securities (Note 28)	–	(481,250)	–	–	–	(481,250)
Dividends (Note 38)	–	–	–	–	(77,260)	(77,260)
Total	95,114	(481,250)	(9,115)	–	(77,260)	(472,511)
Balance at December 31, 2018	717,855	236,350	12,733	(33,795)	19,552	952,695

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2018

	2018	2017
	$'000	$'000
Operating activities		
Profit before income tax	161,368	112,905
Adjustments for:		
(Gain) Loss on disposal of subsidiaries	(3,390)	781
Loss (Gain) on disposal of property, plant and equipment	14	(12)
Property, plant and equipment written off	3,177	–
Impairment loss on financial assets and otheritems subject to ECL	29,371	–
Impairment loss on trade receivables	–	2,577
Impairment loss on intangible assets	6,905	–
Interest income	(4,519)	(3,466)
Interest expense	41,028	33,971
Share of profit of associates	(4,248)	(4,836)
Depreciation and amortisation expenses	39,037	23,886
Share option expenses	1,370	1,633
Impairment loss reversed on trade receivables	(385)	(61)
Operating cash flows before movements in working capital	269,728	167,378
Trade receivables	68,847	(163,490)
Contract assets	(815,998)	(184,826)
Other receivables and prepayments	(191,756)	(43,192)
Inventories	(1,797)	(11,755)
Trade payables	241,775	224,461
Other payables	165,054	27,701
Cash (used in) from operations before service concession arrangement projects	(264,147)	16,277
Changes in receivables under service concession arrangements (Note A)	16,192	(91,936)
Cash used in operations after service concession arrangement projects	(247,955)	(75,659)
Interest received	4,519	3,466
Interest paid	(42,354)	(34,658)
Income tax paid	(29,646)	(18,952)
Net cash used in operating activities	(315,436)	(125,803)
Investing activities		
Investments in associates	(1,724)	(8,190)
Proceeds from disposal of property, plant and equipment	24	60
Addition to financial assets at fair value through profit or loss	(2,645)	–
Addition to available-for-sale financial asset	–	(2,660)
Addition for projects and land deposits	(33,860)	(26,086)
Dividend received from associate	1,729	1,113
Addition to intangible assets	(23,141)	(20,406)
Addition to prepaid leases	–	(39,724)
Disposal of subsidiaries	19,247	22,532
Addition to property, plant and equipment	(31,098)	(23,749)
Net cash outflow on acquisition of subsidiaries (Note 42)	–	(97,373)
Net cash used in investing activities	(71,468)	(194,483)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Year ended December 31, 2018

	2018	2017
	$'000	$'000
Financing activities		
New bank loans raised	1,155,038	345,276
Proceeds from issuance of shares, net of expenses	85,173	10,324
Redemption of perpetual capital securities	(481,250)	–
Proceeds from issuance of perpetual capital securities, net of expenses	–	236,350
Redemption of medium term notes	(225,000)	–
Share buy-back and cancellation of shares	(544)	(3,213)
Acquisition of non-controlling shareholders in a subsidiary	–	(7,525)
Dividends paid	(83,275)	(49,751)
Repayment of obligations under finance lease	(120)	(91)
Repayments of bank loans	(351,549)	(82,783)
Contribution from non-controlling shareholders	44,292	17,880
Net cash from financing activities	142,765	466,467
Net (decrease) increase in cash and cash equivalents	(244,139)	146,181
Cash and cash equivalents at beginning of financial year	631,304	493,541
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(10,644)	(8,418)
Cash and cash equivalents at end of financial year (Note 6)	376,521	631,304

Note A:

In accordance with the application of SFRS(I) INT 12 *Service Concession Arrangements* and SFRS(I) 1-7 *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 the financial years ended December 31, 2018 and 2017. The comparative figures have been restated accordingly.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200306466G) is incorporated in Republic of Singapore with its principal place of business at 10 Science Park Road, #01-01 The Alpha, Singapore 117684 and registered office at 80 Robinson Road, #02-00, Singapore 068898. The Company is listed on the main board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding company and provision of environmental engineering services.

The principal activities of the subsidiaries and associates are disclosed in Notes 14 and 15 to the financial statements respectively.

At the end of the reporting period, the Group's current liabilities exceeded its current assets by $253,420,000. The Group is dependent on credit facilities committed by banks and related parties and the availability of future cash flows from the Group's operations. Management is satisfied that with the availability of credit facilities and newly invested projects, the Group will be able to meet its obligations as and when they fall due. It is appropriate for the financial statements to be prepared on a going concern basis.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2018 were authorised for issue by the Board of Directors on March 8, 2019.

For all periods up to and including the year ended December 31, 2017, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended December 31, 2018 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 47.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of accounting (cont'd)

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

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the 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 over the investee to affect its returns.

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Basis of consolidation (cont'd)

Where 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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

2.2.1 Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's interest in 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 interests 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 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to 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 another category of equity as specified/permitted by applicable SFRS(I)s). 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 SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2.3 Business combinations

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

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

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the 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 were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Business combinations (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the 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 or, when applicable, on the basis specified in another SFRS(I).

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

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

2.4 Financial instruments

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

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

2.4.1 Financial assets (before January 1, 2018)

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.1 Financial assets (before January 1, 2018) (cont'd)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits and other short term highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

Available-for-sale investments

Certain shares held by the Group are classified as being available for sale and are stated at cost less impairment in recoverable value as the cost approximates the fair value. Impairment losses 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 payment is established.

Loans and receivables

Trade receivables, service concession receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 asset have been impacted.

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

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

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

For certain categories of financial assets, such as trade 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 average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.1 Financial assets (before January 1, 2018) (cont'd)

Impairment of financial assets (cont'd)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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 respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves.

Derecognition of financial assets

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

2.4.2 Financial assets (from January 1, 2018)

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018) (cont'd)

Classification of financial assets (cont'd)

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Amortised cost and 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.

For financial instruments other than purchased or originated credit-impaired financial assets, 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL
- Debt instruments that do not meet the amortised cost criteria are classified as at FVTPL. In addition, debt instruments that meet the amortised cost criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018)

Classification of financial assets (cont'd)

Financial assets at FVTPL (cont'd)

Financial assets at FVTPL are measured at fair value as at each reporting date, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item (Note 33). Fair value is determined in the manner described in Note 4(c)(vi).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" line item; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost, service concession receivables, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and service concession receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018)

Impairment of financial assets (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely the provision of environmental engineering services, operation of water treatment plants, and manufacturing of polymers business.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018)

Impairment of financial assets (cont'd)

Significant increase in credit risk (cont'd)

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018)

Impairment of financial assets (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of the default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, service concession receivables and amounts due from customers are each assessed as a separate group. Amount due from related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018) (cont'd)

Impairment of financial assets (cont'd)

Derecognition of financial assets

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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.4.3 Financial liabilities and equity instruments

Classification as debt or equity

Debts and equity instruments issued by the Group 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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Financial instruments (cont'd)

2.4.2 Financial assets (from January 1, 2018)

Financial guarantee contracts (cont'd)

A financial guarantee contract issued by the Company are initially measured at its fair value and, if not designated fair value through profit or loss and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss (Note 35) for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.5 Leases

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

The Group as lessee

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Leases (cont'd)

The Group as lessee (cont'd)

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

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

2.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.8 Prepaid leases

Prepaid leases are stated at costs and are amortised, over the period of the leases, on a straight-line basis to the statement of profit or loss and other comprehensive income. The land lease period is 50 years.

2.9 Property, plant and equipment

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Property, plant and equipment (cont'd)

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

Depreciation is charged so as to write off the cost of assets less residual value over their estimated useful lives, using the straight-line method, on the following bases:

Freehold building	-	5%
Leasehold building	-	3¹/₃%
Leasehold improvements	-	10% to 20%
Motor vehicles	-	10% to 20%
Plant and machinery	-	10% to 20%
Treatment plants	-	3% to 5%
Office equipment, furniture and fittings	-	10% to 20%

Depreciation is not provided on freehold land and construction-in-progress.

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

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

Assets held under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.10 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of 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 pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Service concession receivables

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 or efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" above.

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 accounted for in accordance with the policy set out for "Intangible assets" below.

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

2.12 Intangible assets

Operating concessions represent (i) the rights to charge users of the public service for the water supply contracts, which fall within the scope of SFRS(I) INT 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) rights to operate and manage wastewater treatment plants acquired in a business combination.

The operating concessions are stated at cost less accumulated amortisation and any accumulated impairment loss. The operating concessions acquired in a business combination are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 30 years.

Customer contracts represent the manufacture and supply agreement with a customer for membrane products acquired from a business combination. Customer contracts are amortised on a straight-line basis over the period of 9 years.

Patents represent the in-house Research and Development ("R&D") capabilities and technical expertise in membrane which relate to the Polyvinylidene Fluoride ("PDVF") hollow fibre membrane acquired from a business combination. Patents are amortised on a straight-line basis over the period of 5 years.

Club memberships are stated at cost, less any impairment in value. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

License was acquired in an asset acquisition. The useful life of the license is estimated to be indefinite as based on the current practices in the local construction industry, management believes that there is no foreseeable limit to the period over which the license is expected to generate net cash inflows for the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Intangible assets (cont'd)

Intangible assets acquired in a business combination

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

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

2.13 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Associates (cont'd)

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

2.14 Impairment of tangible and intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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). Where 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.

Recoverable amount is the higher of fair value less costs to sell 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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

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

2.16 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.16 Government grants (cont'd)

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. 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.

2.17 Revenue recognition

The Group recognises revenue from the following major sources:

- Revenue from environmental engineering contracts
- Treatment income
- Interest income and finance income from service concessions
- Sale of goods
- Rendering of technical services
- Commission income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from environmental engineering contracts

Revenue from environmental engineering contracts are recognised when the outcome of the contract can be estimated reliably. The Group has assessed that these environmental engineering contracts qualify for over time revenue recognition as the Group has enforceable rights to payment for performance completed till date.

Revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period, as measured by the proportion of contract costs incurred for work performed to date against the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contracts 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.

Progress billings to the customer are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. If the value of the construction services rendered exceeds payments received from the customer, a contract asset is recognised. If the payments received from the customer exceeds revenue recognised to date, the Group recognises a contract liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Revenue recognition

Revenue from environmental engineering contracts (cont'd)

Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses discount rate that would reflect that of a separate financing transaction between the Group and its customers at contract inception. The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

Treatment income

The Group has entered into service concession arrangements with grantors to operate treatment plants mainly in the People's Republic of China. Under the service concession agreements, the Group will operate the plants for agreed original concession periods of between 20 to 30 years and transfer the plants to the grantors at the end of the concession period.

Income from treatment services is recognised over time based on the volume treated and are recognised when the services are rendered. If the service concession arrangement contains more than one performance obligation, then the consideration is allocated with reference to the relative stand-alone selling prices of the services delivered.

Interest income and finance income from service concessions

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 assets net carrying amount.

The Group has entered into service concession arrangements with grantors to operate treatment plants in the People's Republic of China. Under the service concession arrangements, the Group will operate the plants for agreed original concession periods of between 20 to 30 years and transfer the plants to the grantors at the end of the concession period. Revenue related to finance income under a service concession arrangement represents the interest income on the long term receivables recognised in respect of the service concession arrangements in accordance with SFRS(I) INT 12 *Service Concession Arrangements*.

Sale of goods

The Group sells membrane systems and equipment to customers mainly in the markets it operates. Revenue from the sale of membrane systems and equipment is recognised at a point in time when control of the goods has transferred to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

No element of financing is deemed present as the sales are made with a credit term of 180 days.

A receivable is recognised by the Group when the membrane systems and equipment are delivered to the customer as this represents the point in time which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Under the Group's standard contract terms, customers do not have a right of return.

Rendering of technical services

The Group renders technical services mainly in the People's Republic of China ("PRC"). Revenue from a contract to provide technical services is recognised as a performance obligation over time based on the duration of the contract term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Revenue recognition (cont'd)

Commission income

Commission income is recognised when the services are rendered.

2.18 Borrowing costs

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

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

2.19 Retirement benefit costs

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and the Malaysia Employee Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.20 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.21 Share-based payments

The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 31 to the financial statements. 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 the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each reporting period, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Income tax

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

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

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, 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 is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

2.23 Foreign currency transactions and translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is Chinese Renminbi ("RMB"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Foreign currency transactions and translation (cont'd)

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Consolidated financial statements

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of "currency translation reserve".

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Perpetual capital securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the terms and conditions of the perpetual capital securities. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

2.25 General reserve

Pursuant to relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the dividend declaring subsidiaries are required to maintain two statutory reserves, being a statutory surplus reserve fund and an enterprise fund. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiaries. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reached 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

The subsidiaries are also required to make appropriation from profit after taxation as reported in the PRC statutory financial statements to the enterprise expansion fund at rates determined by the Board of Directors. The enterprise expansion fund, subject to approval by relevant government authority, may also be used to increase capital.

2.26 Cash and cash equivalents in the statement of cash flows

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is 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 associated 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.

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

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation (see below).

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

Environmental engineering contracts

The Group recognises contract revenue based on the stage of completion method. The stage of completion is measured in accordance with the accounting policy stated in Note 2 to the financial statements, which best depicts the transfer of control to the customer. Management estimates are required in determining the extent of the contract cost incurred and the estimated total contract cost. In making the estimates, the Group evaluates by measuring the proportion of contract costs incurred for work performed to date against the estimated total contract costs. Management is satisfied that the recognition of the revenue in the current year is appropriate and in accordance with the Group's policy for revenue recognition.

The revenue arising from environmental engineering contracts are disclosed in Note 32.

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 loss allowance for expected credit loss of the receivables under service concession arrangements and intangible assets subsequent to initial recognition. Discount rates, estimates of future cash flows and other factors are used in the determination of the amortised cost of financial asset and corresponding finance income.

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's intangible assets and receivables arising from service concession arrangements at the end of the reporting period is disclosed in Notes 18 and 9 to the financial statements respectively.

Determination of functional currency of the entities in the Group

SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* requires the Company and the entities in the Group to determine its functional currency to prepare the financial statements. When determining its functional currency, the Company and the entities in the Group consider the primary economic environment in which it operates, i.e. the one in which it primarily generates and expends cash. The Company and the entities in the Group may also consider the funding sources. Management applied its judgement and determined that the functional currency of the Company is Chinese Renminbi ("RMB").

Impairment allowances for loans and receivables (before January 1, 2018)

Loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

In making the estimation, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the responsible management personnel discusses with the relevant customers and report on the recoverability of such debts. Specific allowance is only made for receivables that are unlikely to be collected. In this regard, management is satisfied that adequate allowance for doubtful debts has been made in the financial statements in light of the historical records of the Group. The carrying amounts of loans and receivables at the end of the reporting period are disclosed in Notes 7, 9 and 10 to the financial statements respectively.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

Calculation of loss allowance (after January 1, 2018)

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Classification between financial assets and/or intangible asset under SFRS(I) INT 12 *Service Concession Arrangements*

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.

The segregation of the consideration for a service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, *inter alia*, fair value of the construction services, expected future sewage treatment volume of the relevant sewage treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates are determined by the Group's management based on their experience and assessment on current and future market conditions.

The carrying amount of the service concession receivables and intangible assets at the end of the reporting period is disclosed in Notes 9 and 18 respectively to the financial statements.

Useful lives of property, plant and equipment

As described in Note 2 to the financial statements, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, management is satisfied that there is no change in the useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at end of the reporting period are disclosed in Note 16 to the financial statements.

Useful lives of patents and customer contracts

As described in Note 2 to the financial statements, the Group reviews the estimated useful lives of patents and customer contracts at the end of each annual reporting period. The carrying amounts of patents and customer contracts at end of the reporting period are disclosed in Note 18 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

Impairment of property, plant and equipment, goodwill and intangible assets

The Group assesses annually whether property, plant and equipment, goodwill and intangible assets exhibit any indication of impairment. In instances where there are indications of impairment, the recoverable amounts of property, plant and equipment, goodwill and intangible assets have been determined based on value-in-use calculations. The value-in-use calculations require the exercise of judgement and use of estimates. The carrying amounts of property, plant and equipment, goodwill and intangible assets at the end of the reporting period are disclosed in Notes 16, 17 and 18 respectively to the financial statements.

Impairment of investments in subsidiaries and associates

The Group assesses at each reporting date whether there is an indication that the investments in subsidiaries and associates may be impaired. Determining whether investments in subsidiaries and associates are impaired requires an estimation of the recoverable amount assessed to be the higher of fair value less cost to sell and value in use. Management has evaluated the recoverability of these investments based on such estimates. The carrying value of the investments in subsidiaries and associates are set out in Notes 14 and 15 to the financial statements.

Purchase price allocation

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

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

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

The fair value of the identifiable assets and liabilities at the acquisition date is disclosed in Note 42 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) *Categories of financial instruments*

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

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Financial assets at amortised cost	1,516,111	–	–	911,407	–	–
Loans and receivables (including cash and bank balances)	–	1,787,236	1,446,380	–	1,177,661	961,479
Financial assets measured at FVTPL	4,639	–	–	–	–	–
Available-for-sale investments	–	2,660	–	–	–	–
Financial guarantee contract	–	–	–	3,217	847	2,304
Total	1,520,750	1,789,896	1,446,380	914,624	1,178,508	963,783
Financial liabilities						
Financial liabilities at amortised cost	2,267,007	1,375,642	915,339	730,121	397,620	238,596

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and the Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

(c) *Financial risk management policies and objectives*

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk, equity price risk), credit risk, liquidity risk, cash flow interest rate risk, use of derivative financial instruments and investing excess cash. Such written policies are reviewed annually by management and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Finance Department under the policies approved by the Board of Directors.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Management of the Group monitors and manages the financial risks relating to the operations of the Group to minimise adverse potential effects of financial performance. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk, liquidity risk and cash flow interest rate risk.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT(cont'd)

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

The principal entities in the Group transact businesses significantly in Renminbi ("RMB"), which are also the functional currencies of its principal entities and therefore the exposure to foreign currency risk is mainly due to United States Dollar ("US$"), Malaysia Ringgit ("RM"), Hong Kong Dollar ("HK$") and Singapore Dollar ("S$").

Management monitors the foreign exchange exposure and will consider any hedging should the need arises.

(i) Foreign exchange risk management

The carrying amounts of foreign currency denominated monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies at the end of the reporting period are as follows:

	US$	RM	HK$	S$
	$'000	$'000	$'000	$'000
Group				
December 31, 2018				
Cash and bank balances	39,713	312,736	67	5,421
Trade receivables	1,094	–	–	–
Other receivables	–	–	–	1,174
Other payables	–	–	–	(3,918)
Finance leases	–	–	–	(204)
Bank loans	(545,377)	–	–	–
	(504,570)	312,736	67	2,473
December 31, 2017				
Cash and bank balances	61,238	6,379	71	243,578
Trade receivables	468	–	–	–
Other receivables	–	–	–	1,353
Other payables	(8,614)	–	–	(2,957)
Finance leases	–	–	–	(291)
Medium term note	–	–	–	(224,559)
	53,092	6,379	71	17,124
January 1, 2017				
Cash and bank balances	117,694	6,096	374	13,308
Other payables	(11,693)	–	–	(3,781)
Finance leases	–	–	–	(233)
Medium term note	–	–	–	(223,449)
	106,001	6,096	374	(214,155)

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT(cont'd)

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

(i) Foreign exchange risk management (cont'd)

	US$	RM	HK$	S$
	$'000	$'000	$'000	$'000
Company				
December 31, 2018				
Cash and bank balances	14,156	–	–	3,561
Other receivables	–	–	–	8,000
Other payables	(158,378)	–	–	(3,785)
Finance leases	–	–	–	(138)
Bank loans	(545,377)	–	–	–
	(689,599)	–	–	7,638
December 31, 2017				
Cash and bank balances	16,006	–	–	241,366
Other payables	(165,125)	–	–	(2,946)
Finance leases	–	–	–	(178)
Medium term note	–	–	–	(224,559)
	(149,119)	–	–	13,683
January 1, 2017				
Cash and bank balances	89,313	–	–	11,013
Other payables	(11,693)	–	–	(3,781)
Finance leases	–	–	–	(83)
Medium term note	–	–	–	(223,449)
	77,620	–	–	(216,300)

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase in the functional currency of each Group entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and/or equity where the functional currency of each Group entities strengthens 10% against the relevant currency.

	US$ impact		RM impact		HK$ impact		S$ impact	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss								
Group	50,457	(5,309)	(31,274)	(638)	(7)	(7)	(247)	(1,712)
Company	68,960	14,912	–	–	–	–	(764)	(1,368)
Other equity								
Group	–	–	–	–	–	–	–	(22,456)[i]
Company	–	–	–	–	–	–	–	(22,456)[i]

For a 10% weakening of the functional currency of each Group entities against the relevant currency, there would be an equal and opposite impact on the profit or loss and/or equity.

(i) This is mainly attributable to the exposure from the Singapore Dollar denominated medium term note at the end of the reporting period.

(ii) Interest rate risk management

The Group is exposed to interest rate risks as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management set out below.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(ii) Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2018 would decrease/increase by $6,883,000 (2017 : decrease/increase by $2,924,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Group's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate bank loans and the loan principal amounts.

(iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at December 31, 2018, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the maximum amount the Group would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised as disclosed in Note 4(c)(iv). The related loss allowance is disclosed in the respective notes to the financial statements.

The Group has adopted a policy of only dealing with creditworthy counterparties and obtained sufficient collateral where appropriate, as a means of mitigating the risk of financial loss of defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(iii) Overview of the Group's exposure to credit risk (cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses ("ECL")**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables, contract assets and service concession receivables: Lifetime ECL – not credit-impaired Other financial assets: 12-month ECL
Doubtful	Amount is >90 days past due and there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >180 days past due and there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
Group						
December 31, 2018						
Trade receivables	7	Performing	Lifetime ECL	291,285	(22,459)	268,826
Trade receivables	7	In default	Lifetime ECL	11,966	(11,966)	–
Contract assets	8	Performing	Lifetime ECL	1,160,296	(6,548)	1,153,748
Service concession receivables	9	Performing	Lifetime ECL	627,620	–	627,620
Other receivables	10	Performing	12-month ECL	249,326	(6,182)	243,144
Other receivables	10	In default	Lifetime ECL	13,877	(13,877)	–
					(61,032)	
Company						
December 31, 2018						
Other receivables	10	Performing	12-month ECL	901,534	–	901,534
					–	

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(iv) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

For the financial years ended December 31, 2018 and 2017, there was no single customer of the Group which accounts for more than 10% of the Group's revenue.

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is 99% (December 31, 2017 : 99%, January 1, 2017 : 97%) concentrated in the PRC.

The Group's credit risk primarily relates to the Group's trade and other receivables, contract assets, service concession receivables and pledged bank deposits. Management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate allowance for expected credit loss has been made. In this regard, management of the Group considers that the credit risk associated with the Group's trade and other receivables, contract assets and service concession receivables is significantly reduced.

The credit risk associated with cash and cash equivalents is limited because the counterparties are reputable banks.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade receivables, contract assets, service concession receivables and other receivables are disclosed in their respective notes to the financial statements.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 40, if the full guaranteed amount is claimed by the counterparty to the guarantee is $491,980,000 (December 31, 2017 : $251,864,000, January 1, 2017 : $196,451,000). Based on the expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

(v) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following table details the remaining contractual maturity for 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 and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 year to 5 years	More than 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
December 31, 2018						
Non-interest bearing	–	883,294	–	–	–	883,294
Fixed interest rate	2.3	1,034	139	6,738	(741)	7,170
Variable interest rate	4.8	394,833	1,084,955	92,199	(195,444)	1,376,543
Total		1,279,161	1,085,094	98,937	(196,185)	2,267,007
December 31, 2017 (restated)						
Non-interest bearing	–	565,936	–	–	–	565,936
Fixed interest rate	4.6	234,340	3,751	–	(13,180)	224,911
Variable interest rate	4.4	205,675	268,661	203,150	(92,691)	584,795
Total		1,005,951	272,412	203,150	(105,871)	1,375,642
January 1, 2017 (restated)						
Non-interest bearing	–	358,193	–	–	–	358,193
Fixed interest rate	4.3	1,076	241,624	6,103	(16,318)	232,485
Variable interest rate	4.6	79,079	202,764	101,083	(58,265)	324,661
Total		438,348	444,388	107,186	(74,583)	915,339

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate	On demand or less than 1 year	More than 1 year to 5 years	More than 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Company						
December 31, 2018						
Non-interest bearing	–	184,606	–	–	–	184,606
Fixed interest rate	5.2	47	103	–	(12)	138
Variable interest rate	4.1	141,885	470,233		(66,741)	545,377
Total		326,538	470,336	–	(66,753)	730,121
December 31, 2017						
Non-interest bearing	–	172,883	–	–	–	172,883
Fixed interest rate	4.7	241,667	149	–	(17,079)	224,737
Total		414,550	149	–	(17,079)	397,620
January 1, 2017						
Non-interest bearing	–	15,064	–	–	–	15,064
Fixed interest rate	4.3	19	238,021	–	(14,508)	223,532
Total		15,083	238,021	–	(14,508)	238,596

Non-derivative financial assets

All non-derivative financial assets of the Group and the Company are on demand or due within 1 year except for the Group's trade receivables amounting to $23,586,000 (December 31, 2017 : $158,665,000, January 1, 2017 : $25,036,000) and the Group's service concession receivables amounting to $611,881,000 (December 31, 2017 : $639,990,000, January 1, 2017 : $575,817,000) as further disclosed in Notes 7 and 9 respectively.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract in Note 40, if the full guaranteed amount is claimed by the counterparty to the guarantee, is $491,980,000 (December 31, 2017 : $251,864,000, January 1, 2017 : $196,451,000).

The earliest period that the guarantee could be called is within 1 year (December 31, 2017 : 1 year, January 1, 2017 : 1 year) from the end of the reporting period. As mentioned in Note 4(d)(iv), the Company consider that it is more likely than not that no amount will be payable under the arrangement.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

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

(vi) Fair value of financial assets and financial liabilities

The Group determines fair values of various financial assets and financial liabilities in the following manner:

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Unquoted equity shares are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of available-for-sale investment is determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at			Fair value hierarchy	Valuation technique and key input	Significant unobservable input	Relationship of unobservable inputs to fair value
	December 31, 2018	December 31, 2017	January 1, 2017				
Financial assets at fair value through profit or loss - unquoted equity shares	4,639,000	–	–	3	Asset-based approach	Assets and liabilities of the entity	Favourable (adverse) change in net assets will increase (decrease) fair value
Available-for-sale investment – unquoted equity shares	–	2,660,000	–	N/A	Cost	N/A	N/A

Note: The unquoted equity shares do not have a quoted market price in active market and fair value cannot be reliably measured, hence it was previously measured at cost less impairment loss in accordance with FRS 39. The Group has applied the requirements of SFRS(I) 9 *Financial Instruments* on January 1, 2018 and the unquoted equity shares are measured at fair value through profit or loss ("FVTPL") in accordance with SFRS(I) 9 as at December 31, 2018.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Other than medium term notes, which is disclosed in Note 26 in the financial statements, management considers that the carrying amounts of financial assets and financial liabilities of the Group and the Company recorded at amortised cost in the financial statements approximate their fair values due to the relatively short-term maturity of these financial instruments.

(d) Capital management policies and objectives

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 capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to owners of the Company, comprising paid up capital, reserves and retained earnings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(d) Capital management policies and objectives (cont'd)

The Group is required by loan and medium term note covenants imposed by banks to maintain a minimum shareholders' equity, maximum gearing ratio, minimum net debt to shareholders' equity ratio and minimum earnings before income tax, depreciation and amortisation to net finance charge ratio.

The Group's management reviews the capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Additionally, management maintains the Group's shareholders' equity and gearing ratio within a set of range to comply with the loan covenants imposed by the banks. Based on recommendations of management, the Group balances its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issuance of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from the prior year. As at the end of the reporting period, the Group is in compliance with all capital requirements on its external borrowings.

5 RELATED PARTY TRANSACTIONS

The Company's immediate holding company is CKM (Cayman) Company Limited. CITIC Group Corporation Ltd is the Company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate and immediate holding companies' group of companies. The amount due from or to related parties are unsecured, interest-free and repayable on demand unless otherwise indicated. The Group has transactions with related parties as follows:

	Group	
	2018	2017
	$'000	$'000
Associates		
Sales of goods	18,157	10,765
Purchases of raw materials	–	7,276
Revenue from environmental engineering projects	6,723	–
Costs from environmental engineering projects	63,107	–
Subsidiary of CITIC Group Corporation		
Interest expense	17,080	5,037
Interest income	2,412	1,784

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	Group	
	2018	2017
	$'000	$'000
Short-term benefits	10,255	9,415
Share-based payments	212	–
Post-employment benefits	189	196
Total	10,656	9,611

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

6 CASH AND BANK BALANCES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Fixed deposits	815	201,057	21,403	8	200,257	–
Cash at banks	375,682	430,191	472,058	17,865	58,824	110,426
Cash on hand	24	56	80	–	–	–
Cash and bank balances	376,521	631,304	493,541	17,873	259,081	110,426

The interest rates relating to fixed deposits for the Group ranged from 2.8% to 3.3% (December 31, 2017 : 0.75% to 1.31%, January 1, 2017 : 2.5% to 5.0%) per annum and are for a tenure of approximately 30 days (December 31, 2017 : 30 days, January 1, 2017 : 30 days). These fixed deposits could be withdrawn at any time as required by the Group.

As at December 31, 2018, the Group had cash and cash equivalents placed with banks in PRC amounting to $315,205,000 (December 31, 2017 : $314,010,000, January 1, 2017 : $325,129,000). The repatriation of these cash out of PRC is subjected to the Foreign Exchange Control Regulations in PRC.

7 TRADE RECEIVABLES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Outside parties	277,940	379,365	212,833
Related parties (Note 5)	25,311	20,562	28,581
	303,251	399,927	241,414
Loss allowance	(34,425)	(3,566)	(1,052)
Net	268,826	396,361	240,362

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
<u>Presentation on the Statements of Financial Position:</u>			
Current	245,240	237,696	215,326
Non-current	23,586	158,665	25,036
Total	268,826	396,361	240,362

The average credit period on sales of goods and rendering of services are 180 days (December 31, 2017 : 180 days, January 1, 2017 : 180 days). No interest is charged on the overdue trade receivables.

The Group's non-current trade receivables amounting to $23,586,000 (December 31, 2017 : $158,665,000, January 1, 2017 : $25,036,000) are due within 3 years (December 31, 2017 : 3 years, January 1, 2017 : 3 years).

7 TRADE RECEIVABLES (cont'd)

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL"). Management has engaged an external valuer to perform the ECL assessment. The ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Individually assessed		
	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	$'000	$'000	$'000
Group			
Balance as at December 31, 2017	–	3,566	3,566
Effects of adoption of SFRS(I) 9	18,652	–	18,652
Balance as at January 1, 2018	18,652	3,566	22,218
Amounts recovered	–	(385)	(385)
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	3,807	9,158	12,965
Foreign exchange gains or losses	–	(373)	(373)
Balance as at December 31, 2018	22,459	11,966	34,425

Management is of the opinion that the fair value of the non-current trade receivables approximates the carrying amount.

Previous accounting policy for impairment of trade receivables under FRS 39 (before January 1, 2018)

In 2017, allowance made for irrecoverable amounts of trade receivables are recognised in profit or loss when there is objective evidence that the asset is impaired. Specific allowance is made for trade receivables that are unlikely to be collected.

The table below shows the movements in the allowances for doubtful trade receivables previously recorded under FRS 39 before January 1, 2018:

	Group
	$'000
Balance as at January 1, 2017	1,052
Exchange realignment	(2)
Increase in allowance recognised in profit or loss	2,577
Amount recovered during the year	(61)
Balance as at December 31, 2017	3,566

8 CONTRACT ASSETS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Construction contracts	168,162	23,402	–
Plants under construction	992,134	428,225	263,309
	1,160,296	451,627	263,309
Loss allowance	(6,548)	–	–
Net	1,153,748	451,627	263,309

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Presentation on the Statements of Financial Position:			
Current	47,287	23,402	–
Non-current	1,106,461	428,225	263,309
Total	1,153,748	451,627	263,309

Amounts relating to construction contracts are balances due from customers under construction contracts that arise when the Group receives payments from customers in line with a series of performance-related milestones. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

Plants under construction are not completed as at the end of the reporting period and therefore a contract asset is recognised over the period of construction to represent the Group's right to operate the plants. Any amount previously recognised as a contract asset is reclassified to service concession receivables or intangible assets once construction is completed, depending on the nature of the concession agreement.

The significant change in the contract balances during the reporting period mainly pertains to the recognition of additional plants under construction due to new projects being secured.

As at the end of the reporting period, the Group has pledged contract assets with carrying amount of $209,810,000 (December 31, 2017 : $Nil, January 1, 2017 : $Nil) to secure project financing facilities granted to the Group (Note 22).

Loss allowance for contract assets has always been measured at an amount equal to lifetime ECL. Management has engaged an external valuer to perform the ECL assessment. The ECL on contract assets are estimated by reference to the historical default experience and the future prospects of the industry. None of the amounts due from customers at the end of the reporting period is past due.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

8 CONTRACT ASSETS (cont'd)

The following table shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in SFRS(I) 9.

	Lifetime ECL – not credit-impaired – Individually assessed
	$'000
<u>Group</u>	
Balance as at December 31, 2017	–
Effects of adoption of SFRS(I) 9	6,112
Balance as at January 1, 2018	6,112
Net increase in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	436
Balance as at December 31, 2018	6,548

9 SERVICE CONCESSION RECEIVABLES

The Group through its subsidiaries engages in the businesses of treatment and water supply in the PRC (the "operator") and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT") and Transfer-Operate-Transfer ("TOT") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment and water supply plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; or (iii) operate and maintain the treatment and water supply plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 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 treatment and water supply plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group provides to the treatment and water supply plants. 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 supply to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Service concession receivables	627,620	655,120	588,311
Less: Non-current portion	(611,881)	(639,990)	(575,817)
Current portion	15,739	15,130	12,494

9 SERVICE CONCESSION RECEIVABLES (cont'd)

The maturity analysis of service concession receivables that are:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
In operation:			
On demand or within one year	15,739	15,130	12,494
In the second to fifth year inclusive	75,607	72,015	64,006
After five years	536,274	567,975	511,811
Total service concession receivables	627,620	655,120	588,311

The significant aspects of the service concession arrangements are as follows:

(a) The arrangements are 20 to 30 years concession arrangements for waste water treatment and water supply with the respective municipal governments under SFRS(I) INT 12 *Service Concession Arrangements*. The Group has a total of 30 (December 31, 2017 : 30, January 1, 2017 : 29) service concession arrangements as the end of the reporting period.

Service concession receivables arose from the following:

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
Aton Environmental (Shenyang) Co. Ltd	新民市吉康污水处理厂一期	Xinmin City, Liaoning Province	新民市人民政府	TOT	50,000	30 years from 2011
CITIC Envirotech Water Resource (Bazhou) Co., Ltd.	霸州市污水处理厂/霸州市胜芳镇污水处理厂	Bazhou City, Hebei Province	河北省霸州市人民政府	BOT	40,000/ 50,000	24 to 25 years from 2008 and 2009
Weifang Bofa Water Treatment Co. Ltd	渤发污水厂	Weifang City, Shandong Province	潍坊滨海经济技术开发区管委会	BOT	10,000	30 years from 2014
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd.	孟州市污水处理厂	Mengzhou City, Henan Province	河南省孟州市人民政府	BOT	50,000	25 years from 2008
CITIC Envirotech Water Resource (Diaobingshan) Co Ltd	调兵山污水处理厂	Diaobingshan City, Liaoning Province	辽宁省调兵山市人民政府	TOT	30,000	30 years from 2016
CITIC Envirotech Water Resource (Xintai) Co Ltd.	新泰楼德镇循环经济产业园污水处理厂	Xintai City, Shandong Province	新泰市人民政府、新泰市楼德镇人民政府	BOT	20,000	30 years from 2016
CITIC Envirotech Water (Guang'an) Co. Ltd	广安市前锋区城市生活污水处理厂/广安前锋轻纺服装产业园工业污水处理厂	Guang An City, Sichuan Province	广安市前锋区人民政府	BOT	20,000	30 years from 2017

9 SERVICE CONCESSION RECEIVABLES (cont'd)

(a) (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd.	辽阳市中心区污水处理厂一期	Liaoyang City, Liaoning Province	辽阳市人民政府	TOT	200,000	30 years from 2004
CITIC Envirotech Water Resource (Liaoyang Hongwei) Co. Ltd	辽阳市宏伟区污水处理厂二期	Liaoyang City, Liaoning Province	辽阳市宏伟区人民政府	TOT and BOT	20,000	30 years from 2016
CITIC Envirotech Water Treatment (XinTai) Co. Ltd	新泰厂/新汶厂	Xintai City, Shandong Province	新泰市人民政府	TOT	30,000/ 50,000	30 years from 2005 and 2007
CITIC Envirotech Water Resource (Yantai) Co. Ltd	烟台牟平区污水处理厂	Yantai City, Shandong Province	烟台市牟平区城市管理行政执法局	BOT	30,000	30 years from 2015
CITIC Envirotech Water Resource (Dongying) Co. Ltd	东营污水厂	Dongying City, Shandong Province	山东省东营市经济技术开发区管委会	TOT	30,000	30 years from 2014
United Envirotech Water Resource (Gaoyang) Co., Ltd	高阳县污水处理厂一期与二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000/ 120,000	28 years from 2010/2013
United Envirotech Water (Mianchi) Co. Ltd	渑池污水厂	Mianchi County, Henan Province	河南省渑池县人民政府	BOT	30,000	25 years from 2012
CITIC Envirotech Water (Laixi) Co. Ltd	莱西污水厂4期	Laixi city, Shandong Province	莱西市污水处理管理处（莱西市财政局）	BOT	20,000	25 years from 2016
CITIC Envirotech Water Resource (Liaoyang Taizihe) Co. Ltd	辽阳市中心区污水处理厂二期/ 辽阳市佟二堡污水处理厂/ 辽阳市河东新城污水处理厂/ 辽阳市辽阳县污水处理厂	Liaoyang City, Liaoning Province	辽阳市人民政府	PPP/TOT/ BOT	200,000/ 20,000/ 30,000/ 35,000	15 to 20 years from 2010, 2012, 2013 and 2015
Fuqing Li Yang Water Co., Ltd	福清市融元污水处理厂	Fuqing City, Fujian Province	福清市人民政府	BOT	120,000	20 years from 2007
Shaxian Lanfang Water Co. Ltd	沙县城区污水处理厂	Shaxian County, Fujian Province	沙县城乡建设规划局	BOT	30,000	25 years from 2013
CITIC Envirotech Water Resource (Zaozhuang) Co. Ltd	枣庄市邹坞镇污水处理厂	Zaozhuang City, Shandong Province	枣庄市邹坞镇人民政府	TOT	10,000	30 years from 2016
Weifang United Envirotech Environmental Sci-tech Co., Ltd	潍坊市污水厂污泥无害化处置厂	Weifang City, Shandong Province	潍坊市城市管理行政执法局、昌邑市人民政府	BOO	700	30 years from 2016
CITIC Environment Water (Xinji) Co., Ltd.	辛集市佳洁污水处理厂一期	Xinji City, Hebei Province	河北辛集经济开发区管理委员会	PPP/BOT	66,000/ 34,000	30 years from 2017

9 SERVICE CONCESSION RECEIVABLES (cont'd)

(a) (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water (Haimen) Co. Ltd	海门市临江新区污水处理厂二期	Haimen City, Jiangsu Province	海门市临江新区管理委员会	BOO	20,000	30 years from 2017
CITIC Envirotech Water Resource (Xinmin) Co.Ltd	新民市吉康污水处理厂二期	Xinmin City, Liaoning Province	新民市住屋和城市建设管理局	BOT	30,000	30 years from 2018

(b) For the above arrangements, the Group has a contractual right under the concession arrangements to receive a fixed and determinable amount of payments during the concession period irrespective of the usage of the plants. Under the terms of the arrangements, the Group will receive a yearly minimum amount of RMB298,211,000 (equivalent to $59,119,000) [December 31, 2017 : RMB294,030,000 (equivalent to $60,396,000), January 1, 2017 : RMB261,821,000 (equivalent to $54,569,000)] from the contracted parties (grantors) in exchange for services performed by the Group.

(c) All the waste water treatment arrangements state the rights and obligations for the grantors and operator as follows:

(i) The operator has an unconditional right to use the land and infrastructure within the waste water plant. The operator also has an unconditional right to receive payment from the local government for treatment of waste water.

(ii) The operator has the obligation to treat the required amount of waste water and also to ensure that the treated water fulfil the standard quality requirement of the grantor. In addition, the operator cannot provide waste water treatment services to third parties without seeking permission from the grantor.

(iii) The infrastructure including the plant and equipment, "know-how", operations manual, hand-over report, design of infrastructure and related documents, for the waste water treatment plant will be transferred over to the grantor or any grantor appointed agencies at the end of the concession period.

(iv) The arrangement is terminated only when the other party breaches the contract or due to unforeseeable circumstance.

(v) The operator has the obligation to maintain and restore the waste water plant to its operational condition upon transferring to the grantor at the end of the concession period.

(d) Service concession receivables amounting to $312,829,000 (December 31, 2017 : $244,697,000, January 1, 2017 : $223,852,000) are pledged to secure the loans for the Group (Note 22).

(e) The fair value of the non-current portion of financial receivables approximates its carrying value, as management is of the opinion that the effective interest rates used ranging from 6.35% to 8.64% per annum (December 31, 2017 : 6.21% to 12.8% per annum, January 1, 2017 : 5.68% to 11.70% per annum) is appropriate.

(f) The counterparties of the above service concession arrangements are municipal governments in People's Republic of China. Management is of the view that the associated credit risk is not significant.

9 SERVICE CONCESSION RECEIVABLES (cont'd)

Loss allowance for service concession receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL"). In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and the general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

Accordingly the Group believes that there is no loss allowance required.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for service concession receivables.

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deposits for projects	47,323	14,973	26,834	–	–	–
Prepayments and advance payment to suppliers	49,933	78,176	43,120	–	–	–
VAT receivable	109,047	55,664	34,607	–	–	–
Dividend receivable from subsidiaries (Note 14)	–	–	–	295,581	226,581	141,581
Amount due from subsidiaries	–	–	–	596,737	690,646	706,926
Amount due from associates	5,825	–	–	–	–	–
Deposit for acquisition of subsidiaries	24,017	15,019	3,915	8,000	–	1,440
Amount due from non-controlling shareholder	23,313	17,590	13,577	–	–	–
Other receivables (Note A)	160,932	31,435	29,669	49	49	49
Other deposits	1,793	2,172	1,638	1,167	1,304	1,057
	422,183	215,029	153,360	901,534	918,580	851,053
Loss allowance	(20,059)	–	–	–	–	–
Total	402,124	215,029	153,360	901,534	918,580	851,053

Presentation on the Statements of Financial Position:

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current	383,258	182,866	137,783	893,534	918,580	851,053
Non-current (Note B)	18,866	32,163	15,577	8,000	–	–
Total	402,124	215,029	153,360	901,534	918,580	851,053

10 OTHER RECEIVABLES AND PREPAYMENTS (cont'd)

The amounts due from associates and subsidiaries are unsecured, interest-free and repayable on demand.

Note A

This includes a receivable amounting to $125,189,000 for an environmental engineering contract on ecological restoration with the Meigu County, Sichuan Province, PRC, that was awarded to the Group during the financial year.

Note B

Other receivables and prepayments classified as non-current include:

- a prepayment of $10,866,000 (December 31, 2017 : $15,352,000, January 1, 2017 : $15,577,000) for a TOT waste water treatment plant in Tangshan City, Hebei Province in the PRC; and
- a non-refundable deposit for acquisition of a subsidiary of $8,000,000 (December 31, 2017 : Nil, January 1, 2017 : Nil).

For purpose of impairment assessment, other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses ("ECL"), except for receivables which the Group has assessed that there has been a significant increase in credit risk since initial recognition.

Management has engaged an external valuer to perform the ECL assessment. The ECL on other receivables are estimated by reference to the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables and prepayments.

The following table shows the movement in expected credit loss ("ECL") that has been recognised for other receivables and prepayments.

	Individually assessed		
	12–month ECL	Lifetime ECL – credit– impaired	Total
	$'000	$'000	$'000
Group			
Balance as at December 31, 2017	–	–	–
Effects of adoption of SFRS(I) 9	4,499	–	4,499
Balance as at January 1, 2018	4,499	–	4,499
Net increase in loss allowance recognised in profit or loss during the year, net of those derecognised upon billing	1,683	13,877	15,560
Balance as at December 31, 2018	6,182	13,877	20,059

11 INVENTORIES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Raw materials, at cost	15,272	18,402	10,990
Trading merchandise, at cost	10,977	6,968	2,787
Total	26,249	25,370	13,777

12 PREPAID LEASES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Cost:			
At beginning of year	92,034	43,675	39,257
Exchange realignment	(3,382)	(577)	(1,505)
Additions	5,996	39,724	4,491
Acquisition of subsidiaries (Note 42)	–	9,589	1,432
Assets held for sale (Note 13)	–	(377)	–
At end of year	94,648	92,034	43,675
Accumulated amortisation:			
At beginning of year	4,050	2,943	1,787
Exchange realignment	(185)	(28)	(38)
Charge to profit or loss	2,272	1,181	1,194
Assets held for sale (Note 13)	–	(46)	–
At end of year	6,137	4,050	2,943
Carrying amount:	88,511	87,984	40,732

Presentation on Statements of Financial Position:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Current assets	2,158	2,134	736
Non-current assets	86,353	85,850	39,996
Total	88,511	87,984	40,732

This represents prepaid lease payments for land use rights for fourteen (December 31, 2017 : thirteen, January 1, 2017 : ten) pieces of land located in the PRC on which the treatment plants of the subsidiaries are erected; and a piece of land for the production plants of a subsidiary located in the United States. All the land leases run for an initial period of 50 years commencing between 2007 and 2018.

None of these leases include contingent rentals.

As at the end of the reporting period, the Group has pledged land use right with carrying amount of $25,494,000 (December 31, 2017 : $27,013,000, January 1, 2017 : $29,186,000) to secure project financing facilities granted to the Group (Note 22).

13 ASSETS CLASSIFIED AS HELD FOR SALE

On December 1, 2016, the Group signed an agreement to dispose one of the Group's subsidiaries, CITIC Envirotech Water Resource (Hegang) Co., Ltd to Longjiang Environmental Group Co. Ltd., for a total consideration of RMB 112,090,000 ($22,912,000). The Group received the consideration in full and shares have been fully transferred on January 11, 2017.

On December 29, 2017, the Group signed 2 separate agreements to dispose off 70% shareholding in two of the Group's subsidiaries, Jiangsu Siyang Strait Environmental Protection Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Siyang) Co., Ltd) ("Siyang") and Jiangsu Haihuan Water Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd) ("Yancheng Dafeng") to Fujian Haixia Environmental Protection Group Co., Ltd., for a total consideration of RMB 134,207,000 ($27,567,000). As disclosed in Note 43, the Group completed the disposal of Siyang and Yancheng Dafeng on May 24, 2018 and June 6, 2018 respectively.

In accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of these subsidiaries are expected to be disposed within twelve months, and have been presented separately as "assets classified as held for sale" and "liabilities directly associated with assets classified as held for sale" in the statements of financial position.

In 2017, the proceeds of disposal exceeded (January 1, 2017 : is below) the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss (January 1, 2017 : $2,494,000) was recognised on the classification of these assets classified as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

		Group	
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Assets classified as held for sale			
Property, plant and equipment	–	219	402
Intangible assets	–	31,044	6,710
Service concession receivables	–	17,114	40,154
Prepaid leases	–	331	–
Deferred tax assets	–	633	–
Inventories	–	57	–
Trade and other receivables	–	4,079	7,999
Cash and bank balances	–	2,069	380
	–	55,546	55,645
Liabilities directly associated with assets classified as held for sale			
Trade payable	–	168	6
Other payables	–	2,507	19,443
Income tax payable	–	509	758
Bank loan	–	–	9,651
Deferred tax liability	–	1,595	2,095
	–	4,779	31,953
Net assets of disposal group	–	50,767	23,692

14 SUBSIDIARIES

	Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Unquoted equity shares, at cost	770,603	601,355	395,210
Exchange realignment	(22,323)	(8,539)	14,276
Financial guarantee contracts	818	847	2,304
Net	749,098	593,663	411,790
Due from subsidiaries (non-trade)	1,567	1,570	1,533
Total	750,665	595,233	413,323

The balances with subsidiaries are unsecured, interest-free and not expected to be repayable within one year. As the amounts due from subsidiaries have no definite repayment period, it is not possible for management to calculate the fair value of these balances as at the end of the reporting period.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
CITIC Envirotech Investment (China) Co. Ltd. (c)	Investment holding company/PRC	100	100	100
CITIC Envirotech Water Resource (Hegang) Co. Ltd. (c)	Operation of water treatment plant/PRC	–	–	100*
Jiangsu Memstar Membrane Material Technology Co., Ltd (c)	Manufacture and distribution of polyvinylidin (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100	100
Memstar Holding Pte Ltd (b)	Investment holding company/Singapore	80	80	80
Nantong Chang'an Water Co., Ltd (c)	Operation of water treatment plant/PRC	70	70	70
UE Novo (Malaysia) Sdn. Bhd.(a)	Investment holding company/Malaysia	100	100	100
United Envirotech (Hong Kong) Co. Ltd (a)	Investment holding company/ Hong Kong	100	100	100
United Envirotech Water Resource Pte Ltd (b)	Investment holding company/ Singapore	100	100	100
United Envirotech Water Treatment (Dafeng) Co., Ltd(a)	Management of waste water treatment system/PRC	50/67@@	50/67@@	50/67@@
Singapore Envirotech Accelerator Pte. Ltd. (b)	Business and management consultancy services. research and experimental development on environment and clean technologies/Singapore	100	100#	–

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
CITIC Envirotech Water (Aktau) Limited [(c)]	Operation of water treatment plant/ Kazakhstan	60	60#	–
CITIC Envirotech (Lanzhou) Co. Ltd. [(a)]	Environmental engineering/PRC	100	100#	–
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.:				
CITIC Envirotech (Guangzhou) Co., Ltd [(a)]	Environmental engineering/ PRC	100	100	100
United Envirotech (Fuzhou) Co Ltd [(a)]	Environmental engineering/PRC	100	100	100
CITIC Envirotech (Tianjin) Co. Ltd [(a)]	Environmental engineering/PRC	100	100	100
CITIC Envirotech Water Resource (Guangzhou) Co., Ltd [(c)]	Management of waste water treatment system/PRC	100	100	100
CITIC Envirotech Water (Haimen) Co., Ltd [(a)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd [(a)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd [(a)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd [(a)]	Operation of water treatment plant/PRC	100	100	100
Jiangsu Haihuan Water Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd.) [(c)]	Operation of water treatment plant/PRC	–***	100*	100
CITIC Envirotech Water Treatment (Xintai) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water (Laixi) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Zaozhuang) Co., Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Weishan) Co., Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd [(a)]	Operation of water treatment plant/PRC	95	95	95
Weifang United Envirotech Enviromental Sci-tech Co., Ltd [(a)]	Operation of waste water treatment plant/ PRC	100	100	100

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.: (cont'd)				
CITIC Envirotech (Rizhao) Co., Ltd (f.k.a. Rizhao United Envirotech Co., Ltd) (c)	Operation of waste water treatment plant/ PRC	70	70	70
CITIC Envirotech (Rudong) Co., Ltd (c)	Operation of water treatment plant/ PRC	–###	100	100
CITIC Envirotech Urban Water Management (Jiangsu) Co.,Ltd. (f.k.a. CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd) (a)	Environmental engineering/PRC	90	90	90
Novo Environmental Water Treatment (Xiaochang) Co., Ltd. (c)	Operation of industrial waste water treatment plant/PRC	90	90#	–
CITIC Environment Water (Xinji) Co., Ltd. (a)	Operation of water treatment plant/PRC	90	90#	–
CITIC Environment Water Recycling (Changyi) Co., Ltd. (c)	Operation of water treatment plant/PRC	100	100#	–
Shandong Yunshui Jili Environment Protection Co., Ltd (c)	Operation of industrial waste water treatment plant/PRC	100	100@	–
CITIC Envirotech Urban Water Management (Ningbo) Co., Ltd. (c)	Environmental engineering/PRC	60	60#	–
CITIC Environment (Qingyuan) Technology Development Co., Ltd (a)	Operation of industrial waste water treatment plant/PRC	60	60@	–
United Envirotech Water Resource (Suzhou) Co., Ltd (c)	Operation of water treatment plant/PRC	100	100#	–
CITIC Envirotech Urban Water Management (Hubei) Co., Ltd (a)	Environmental engineering/PRC	80	80#	–
Gansu Anxing Environment Engineering Development Co., Ltd (c)	Environmental engineering/PRC	65	65#	–
Novo Urban Water Management (Xiaochang) Co., Ltd. (c)	Operation of water treatment plant/PRC	90#	–	–
Novo Environmental Water (Hanchuan) Co., Ltd. (c)	Operation of waste water treatment plant/ PRC	90#	–	–
Novo Envirotech (Xiaogan) Co., Ltd. (c)	Operation of water treatment plant/PRC	90#	–	–
Novo Environmental Water (Xiaogan) Co., Ltd. (c)	Operation of waste water treatment plant/ PRC	90#	–	–

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.: (cont'd)				
Novo Envirotech (Yingcheng) Co., Ltd. (c)	Operation of waste water treatment plant/ PRC	80#	–	–
Novo Environmental Water (Yingcheng) Co., Ltd. (c)	Operation of waste water treatment plant/ PRC	80#	–	–
CITIC Envirotech Water Resource (Maoming) Co. Ltd (c)	Operation of waste water treatment plant/ PRC	70#	–	–
Bazhou United Environmental Management Co., Ltd (c)	Operation of industrial waste water treatment plant/PRC	60#	–	–
Aksu United Environmental Management Co., Ltd (c)	Operation of industrial waste water treatment plant/PRC	60#	–	–
CITIC Environmental Management (Yunfu) Co., Ltd (c)	Operation of waste water treatment plant/ PRC	88#	–	–
Novo Ji Yuan Environmental Technology (Hebei) Co., Ltd (c)	Operation of industrial waste water treatment plant/PRC	100#	–	–
Novo Environmental Ecological Technology Development (Wuji) Co., Ltd (c)	Environmental engineering/PRC	80#	–	–
Subsidiaries of CITIC Envirotech (Guangzhou) Co. Ltd.:				
Novo Envirotech (Yantai) Co. Ltd (c)	Environmental engineering/PRC	75	75	75
Weifang Bofa Water Treatment Co. Ltd (a)	Operation of water treatment plant/PRC	100	100##	82
CITIC Envirotech Water Resource (HeFei) Co. Ltd (c)	Manage and operate industrial waste water treatment plant/ PRC	100	100	100
United Envirotech Water (Mianchi) Co. Ltd (c)	Operation of water treatment plant/PRC	100	100	100
Mianchi Hongwei Co. Ltd (c)	Operation of industrial waste water treatment plant/PRC	–####	55	55
United Envirotech Water Resource (Gaoyang) Co., Ltd (a)	Operation of water treatment plant/PRC	100	100	100
Fujian Liyang Environmental Protection Co., Ltd (a)	Operation of water treatment plant/PRC	100	100	100
Guangdong Zhihui Environmental Engineering Technlogy Co., Ltd (c)	Environmental engineering/PRC	60	60	60

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Subsidiaries of CITIC Envirotech (Guangzhou) Co. Ltd.: (cont'd)				
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd [(a)]	Management of circular economy/PRC	51	51	51
Baiyi Environment Investment Jiangsu Co., Ltd [(c)]	Management of waste water treatment system/PRC	49.9/50.1@@@	49.9/50.1@@@	–
Sichuan Zhongyu Environment Management Co., Ltd [(a)]	Environmental Engineering/PRC	100	100#	–
CITIC Environmental Management (Dongyuan) Co., Ltd [(c)]	Operation of waste water treatment plant/ PRC	98#	–	–
Subsidiary of UE Novo (Malaysia) Sdn. Bhd.:				
Dataran Tenaga (M) Sdn. Bhd. [(a)]	Trading of pumps and engineering services/Malaysia	100	100	100
ACARA CEKAP Sdn. Bhd. [(c)]	Environmental engineering/ Malaysia	51	51#	–
Subsidiary of Fujian Liyang Environmental Protection Co., Ltd:				
Fuqing Liyang Water Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	100	100	100
Shaxian Lanfang Water Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	100	100	100
Subsidiary of Memstar Holding Pte Ltd:				
Memstar USA Inc [(c)]	Manufacturing of polymers and investment holding/USA	100	100	100
Subsidiaries of United Envirotech Water Resource Pte Ltd:				
Aton Environmental (Shenyang) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Diaobingshan) Co Ltd [(c)]	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water (Guang'an) Co. Ltd [(c)]	Operation of water treatment plant/PRC	90	90	90

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Subsidiaries of United Envirotech Water Resource Pte Ltd: (cont'd)				
Jiangsu Siyang Strait Environmental Protection Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Siyang) Co., Ltd.) (c)	Operation of water treatment plant/PRC	–***	100*	100
CITIC Envirotech Water Resource (Xintai) Co Ltd (c)	Operation of water treatment plant/PRC	100	100	100
PT CITIC Envirotech Indonesia (c)	Environmental engineering/Indonesia	70	70	70
PT Sumut Tirta Resource (c)	Operation of water treatment plant/ Indonesia	70	70	70
CITIC Envirotech Water (Changyi) Co Ltd (a)	Operation of water treatment plant/PRC	100	100##	82
Citic Envirotech Water Resource (Dongying) Co. Ltd (f.k.a. United Envirotech Water (Dongying) Co. Ltd) (a)	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Liaoyang Hongwei) Co. Ltd (f.k.a. United Envirotech Water (Liaoyang Hongwei) Co. Ltd) (c)	Operation of water treatment plant/PRC	100	100	100
United Envirotech Water (Qidong) Co. Ltd (a)	Operation of water treatment plant/PRC	70	70	70
CITIC Envirotech Water Resource (Xinmin) Co., Ltd (f.k.a. United Envirotech Water Resource(Xinmin) Co. Ltd) (c)	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Yantai) Co. Ltd (c)	Operation of water treatment plant/PRC	100	100	100
Memstar Pte. Ltd. (b)	Manufacturing of polymers and investment holding/ Singapore	100	100	100
Subsidiaries of Memstar Pte Ltd:				
Bazhou Shengfang Water Services Co. Ltd (c)	Operation of water treatment plant/PRC	50**	50**	50**
CITIC Envirotech Water Resource (Bazhou) Co., Ltd. (a)	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd. (c)	Operation of water treatment plant/PRC	100	100	100
CITIC Envirotech Water Resource (Tangshan) Co., Ltd. (c)	Operation of water treatment plant/PRC	100	100	100

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Subsidiaries of Memstar Pte Ltd: (cont'd)				
Max Rise Envirogroup Ltd [c]	Investment holding company/Hong Kong	100	100	100
Max Rise Water Service Holdings Ltd [c]	Investment holding company/Hong Kong	100	100	100
Memstar (Guangzhou) Co. Ltd [c]	Manufacture and distribution of polyvinylidin (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100	100
Memstar (Mianyang) Co. Ltd [a]	Operation of water treatment plant/ polyvinylidin (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors/ PRC	100	100	100
Memstar Water Pte Ltd [b]	Investment holding company/Singapore	100	100	100
Subsidiaries of Baiyi Environment Investment Jiangsu Co., Ltd.:				
Jiangyin Zhoubei Wastewater Treatment Co., Ltd [c]	Operation of industrial waste water treatment plant/PRC	34.93	34.93@	–
Jiangyin Zhounan Wastewater Treatment Co., Ltd [c]	Operation of industrial waste water treatment plant/PRC	49.9	49.9@	–
Jiangyin Huahong Wastewater Treatment Co., Ltd [c]	Operation of industrial waste water treatment plant/PRC	34.93	34.93@	–
Jiangyin Longyun Wastewater Treatment Co., Ltd [c]	Operation of industrial waste water treatment plant/PRC	34.93	34.93#	–
Jiangyin Longwan Wastewater Treatment Co., Ltd [c]	Operation of industrial waste water treatment plant/PRC	34.93	34.93#	–
Subsidiaries of Sichuan Zhongyu Environment Management Co., Ltd.:				
Fuzhou Zhongyu Environment Management Co., Ltd [a]	Environmental engineering/PRC	100	100#	–
Subsidiaries of CITIC Envirotech (Tianjin) Co., Ltd.:				
CITIC Environmental Management (Meigu) Co., Ltd [c]	Environmental engineering/PRC	100#	–	–
CITIC Environment Management (Zhaojue) Co., Ltd [c]	Environmental engineering/PRC	100#	–	–

14 SUBSIDIARIES (cont'd)

* *This has been classified as assets held for sale as at year end (Note 13).*

** *The Group has two of out of three board representation in the subsidiary which gives it the power to direct relevant activities based on simple majority votes.*

*** *This entity was disposed during the financial year (Note 43) and as at year end, the Group has 30% shareholdings of the entity and it is accounted for as an associate using the equity method (Note 15).*

[#] *Incorporated during the financial year.*

[##] *Increase in shareholding in subsidiary during the financial year.*

[###] *This entity was struck off during the financial year.*

[####] *This entity was disposed during the financial year (Note 43).*

[@] *Acquired during the financial year.*

[@@] *The effective interest and voting power are 50% and 67% respectively.*

[@@@] *The effective interest and voting power are 49.9% and 50.1% respectively.*

Notes on auditors:

[(a)] *Audited by overseas practices of Deloitte Touche Tohmatsu Limited for Group's consolidation purposes.*

[(b)] *Audited by Deloitte & Touche LLP, Singapore.*

[(c)] *Not material for Group's consolidation purposes.*

Information about the composition of the Group at the end of the financial year is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Business and management consultancy services	Singapore	1	1	0
Environmental engineering	PRC	8	5	3
Investment holding company	Malaysia	1	1	1
Investment holding company	Singapore	2	2	2
Investment holding company	Hong Kong	3	3	3
Investment holding company	PRC	1	1	1
Manage and operate industrial waste water treatment plant	PRC	1	1	1
Management of waste water treatment system	PRC	1	1	1
Manufacture and distribution of polyvinylidin (PVDF) hollow fibre membrane, membrane products and membrane system for both the industrial and domestic/commercial sectors	PRC	2	2	2

14 SUBSIDIARIES (cont'd)

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		
		December 31, 2018	December 31, 2017	January 1, 2017
Manufacturing of polymers and investment holding	Singapore	1	1	1
Manufacturing of polymers and investment holding	USA	1	1	1
Operation of industrial waste water treatment plant	PRC	4	3	2
Operation of waste water treatment plant	PRC	1	1	1
Operation of water treatment plant	PRC	25	29	25
Operation of water treatment plant/polyvinylidin hollow fibre (PVDF) membrane, membrane products and membrane system for both industrial and domestic/commercial sectors	PRC	1	1	1
Trading of pumps and engineering services	Malaysia	1	1	1
		54	54	46
		Number of non-wholly-owned subsidiaries		
Environmental engineering	PRC	7	5	2
Environmental engineering	Indonesia	1	1	1
Operation of water treatment plant	Kazakhstan	1	1	0
Environmental engineering	Malaysia	1	1	0
Investment holding company	Singapore	1	1	1
Management of circular economy	PRC	1	1	1
Management of waste water treatment system	PRC	2	2	2
Operation of industrial waste water treatment plant	PRC	9	9	2
Operation of waste water treatment plant	PRC	8	1	2
Operation of water treatment plant	PRC	8	6	5
Operation of water treatment plant	Indonesia	1	1	1
		40	29	17

14 SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interest for the financial year ended December 31, 2018:

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non–controlling interests			Total comprehensive income (loss) allocated to non–controlling interests		Accumulated non–controlling interests		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%	$'000	$'000	$'000	$'000	$'000
CITIC Envirotech Water (Changyi) Co., Ltd or ("Changyi")	PRC	–	–	18	–	–	–	–	11,023
United Envirotech Water Treatment (Dafeng) Co., Ltd or ("Dafeng")	PRC	50	50	50	569	2,430	20,293	19,424	16,994
United Envirotwech Water (Qidong) Co. Ltd or ("Qidong")	PRC	30	30	30	538	237	5,699	4,761	4,524
CITIC Envirotech Urban Water Management (Jiangsu) Co.,Ltd. (f.k.a. CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd) or ("Jiangsu")	PRC	10	10	10	(1,755)	905	4,718	6,079	5,174
Rizhao United Envirotech Co., Ltd or ("Rizhao")	PRC	30	30	30	54	(74)	5,127	5,053	5,127
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd or ("Shantou")	PRC	49	49	49	2,413	(549)	63,140	60,727	61,276
Guangdong Zhihui Environmental Engineering Technology Co., Ltd or ("Zhihui")	PRC	40	40	40	(6)	85	934	882	797

14 SUBSIDIARIES (cont'd)

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non–controlling interests			Total comprehensive income (loss) allocated to non–controlling interests		Accumulated non–controlling interests		
		December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%	$'000	$'000	$'000	$'000	$'000
CITIC Environment (Qingyuan) Technology Development Co., Ltd ("Qingyuan")	PRC	40	40	–	(641)	1,346	44,378	18,545	–
CITIC Envirotech Water (Guang'an) Co. Ltd. ("Guang'an")	PRC	10	10	10	81	100	1,497	1,278	1,159
Mianchi Hongwei Co. Ltd ("Hongwei")	PRC	–	45	45	(857)	197	–	1,018	821
Nantong Chang'an Water Co., Ltd ("Nantong")	PRC	30	30	30	(11)	73	3,353	3,271	3,198
CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. ("Hubei")	PRC	20	20	–	1,572	3,744	8,838	6,310	–
CITIC Envirotech Urban Water Management (Ningbo) Co., Ltd. or ("Ningbo")	PRC	40	40	–	(150)	686	2,360	2,306	–
Individually immaterial subsidiaries with non-controlling interests					(484)	(2,016)	30,973	17,109	4,808
					1,323	7,164	191,310	146,763	114,901

14 SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	December 31, 2018											
	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan	Guang'an	Hongwei#	Nantong	Hubei	Ningbo
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	12,440	3,355	44,666	13,178	52,839	3,736	36,070	3,818	–	7,460	104,337	769
Non-current assets	30,680	24,433	2,931	60,384	307,041	125	153,830	22,427	–	18,868	124,654	21,704
Current liabilities	(2,534)	(6,594)	(420)	(56,472)	(229,834)	(1,526)	(26,750)	(12,425)	–	(15,151)	(165,570)	(17,072)
Non-current liabilities	–	(2,198)	–	–	(1,189)	–	–	(427)	–	–	(19,230)	–
Equity attributable to owners of the Company	20,293	13,297	42,459	11,963	65,717	1,401	118,772	11,896	–	7,824	35,353	3,241
Non-controlling interests	20,293	5,699	4,718	5,127	63,140	934	44,378	1,497	–	3,353	8,838	2,160

Disposed during the financial year.

	December 31, 2017												
	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan*	Guang'an	Hongwei	Nantong	Hubei*	Ningbo*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	36,517	12,643	2,814	45,827	13,664	81,704	3,324	22,444	3,649	4,815	6,341	4,369	3,615
Non-current assets	119,570	30,633	25,743	69,037	37,268	202,216	120	108,322	24,349	4,027	20,363	191,397	20,798
Current liabilities	(105,860)	(3,042)	(7,492)	(53,408)	(33,842)	(157,157)	(1,254)	(30,823)	(14,464)	(3,504)	(15,591)	(164,088)	(18,597)
Non-current liabilities	(6,458)	–	(3,986)	–	–	(1,027)	–	–	(175)	(2,978)	–	–	–
Equity attributable to owners of the Company	43,769	20,810	12,318	55,377	12,037	65,009	1,308	81,398	12,081	1,342	7,842	25,368	3,510
Non-controlling interests	–	19,424	4,761	6,079	5,053	60,727	882	18,545	1,278	1,018	3,271	6,310	2,306

* *Newly incorporated during the financial year.*

	January 1, 2017									
	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Guang'an	Hongwei	Nantong
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	30,325	9,343	2,176	63,549	19,360	129,322	2,147	3,058	4,353	6,276
Non-current assets	163,743	33,430	26,932	91	15,238	33,721	178	24,239	4,022	21,821
Current liabilities	(106,805)	(7,063)	(7,369)	(11,902)	(17,507)	(37,990)	(375)	(15,277)	(3,459)	(17,380)
Non-current liabilities	(22,919)	(802)	(5,683)	–	–	–	–	–	(3,022)	–
Equity attributable to owners of the Company	53,321	17,914	11,532	46,564	11,964	63,777	1,153	10,861	1,073	7,519
Non-controlling interests	11,023	16,994	4,524	5,174	5,127	61,276	797	1,159	821	3,198

14 SUBSIDIARIES (cont'd)

	December 31, 2018											
	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan	Guang'an	Hongwei#	Nantong	Hubei	Ningbo
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	6,076	6,308	1,378	–	–	2,838	14,158	2,919	4,075	4,179	148,548	2,259
Expense	(7,772)	(4,403)	(1,732)	–	(1,831)	(2,706)	(8,556)	(1,313)	(4,116)	(4,115)	(117,214)	(1,844)
(Loss) Profit for the year, representing total comprehensive income for the year	(1,696)	1,905	(354)	–	(1,831)	132	5,602	1,606	(41)	64	31,334	415
(Loss) Profit for the year, representing total comprehensive income attributable to owners of the Company	(2,265)	1,367	1,401	(54)	(4,244)	138	6,243	1,525	816	75	25,067	565
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest	569	538	(1,755)	54	2,413	(6)	(641)	81	(857)	(11)	6,267	(150)
Net cash inflow (outflow) from operating activities	272	1,322	(2,841)	(8,226)	(42,117)	(1,113)	14,620	(1,694)	284	2,192	(22,345)	(4,209)
Net cash inflow (outflow) from investing activities	51	–	72	7,816	(3,174)	1	(24,364)	(109)	(221)	(6)	1,456	645
Net cash (outflow) inflow from financing activities	–	(1,752)	–	–	1,985	–	6,004	–	–	–	19,481	–
Net cash inflow (outflow)	323	(430)	(2,769)	(410)	(43,306)	(1,112)	(3,740)	(1,803)	63	2,186	(1,408)	(3,564)

Disposed during the financial year.

14 SUBSIDIARIES (cont'd)

	December 31, 2017												
	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan*	Guang'an	Hongwei	Nantong	Hubei*	Ningbo*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	15,641	12,668	5,454	46,933	–	683	2,391	7,862	2,388	1,262	3,557	169,755	18,226
Expense	(18,997)	(7,342)	(4,431)	(37,204)	–	–	(2,151)	(3,122)	(1,224)	(797)	(3,160)	(150,906)	(16,461)
(Loss) Profit for the year, representing total comprehensive income for the year	(3,356)	5,326	1,023	9,729	–	683	240	4,740	1,164	465	397	18,849	1,765
(Loss) Profit for the year, representing total comprehensive income attributable to owners of the Company	(3,356)	2,896	786	8,824	74	1,232	155	3,394	1,064	268	324	15,105	1,079
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest	–	2,430	237	905	(74)	(549)	85	1,346	100	197	73	3,744	686
Net cash inflow (outflow) from operating activities	1,360	3,813	1,931	(1,739)	(247)	(1,098)	217	10,188	643	232	2,245	(8,744)	202
Net cash inflow (outflow) from investing activities	36,651	12	–	(251)	(16,261)	(135,587)	–	(47,619)	117	25	250	(80)	(645)
Net cash (outflow) inflow from financing activities	(26,430)	(2,918)	(1,631)	4,794	5,128	–	–	42,999	–	–	(1,667)	12,583	4,051
Net cash inflow (outflow)	11,581	907	300	2,804	(11,380)	(136,685)	217	5,568	760	257	828	3,759	3,608

* *Newly incorporated during the financial year.*

15 ASSOCIATES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	31,304	19,186	10,996	12,316	10,588	10,588
Share of post-acquisition profit and reserves	13,053	10,534	6,811	–	–	–
	44,357	29,720	17,807	12,316	10,588	10,588

Details of the associates are as follows:

Name of associates	Principal activities/Country of incorporation and operation	Effective interest and voting power held		
		December 31, 2018	December 31, 2017	January 1, 2017
		%	%	%
Beijing Beipai Membrane Technology Co., Ltd [(a)]	Manufacturing of membrane products/PRC	49.0	49.0	49.0
Chengdu Xingrong Environment Co., Ltd [(b)]	Environmental engineering/PRC	49.0	49.0	49.0
Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd [(c)]	Environmental engineering/PRC	40.0	40.0	40.0
Odan Envirotech Co., Ltd [(d)]	Environmental engineering/PRC	25.0	25.0	–
Dongguan City Water Valley Certificate No. One of Equity Investment Enterprises (Limited Partnership) [(b)]	Investment advisory service/PRC	16.2	16.2	–
Jiangsu Haihuan Water Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd) [(e)]	Operation of water treatment plant/ PRC	30.0	–	–
Jiangsu Siyang Strait Environmental Protection Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Siyang) Co., Ltd) [(e)]	Operation of water treatment plant/ PRC	30.0	–	–
Century Water Systems & Technologies Pte Ltd [(f)]	Water treatment engineering and manufacturing of water treatment equipment/Singapore	20.0	–	–

15 ASSOCIATES (cont'd)

Notes on auditors:

(a) *Audited by Ruihua Certified Public Accountant, PRC. Not material for Group's consolidation purposes.*

(b) *Audited by ShineWing Certified Public Accountant, PRC. Not material for Group's consolidation purposes.*

(c) *Audited by Dong Wan Shi Hai De Certified Public Accountants, PRC. Not material for Group's consolidation purposes.*

(d) *Audited by Shanghai Wei Heng Certified Public Accountants, PRC. Not material for Group's consolidation purposes.*

(e) *Audited by Xinyong Zhonghe Accounting Firm (Special General Partnership) Fuzhou Branch, PRC. Not material for Group's consolidation purposes.*

(f) *Not required to be audited by laws of the country of incorporation. Not material for Group's consolidation purposes.*

The board and Audit Committee are satisfied that the appointments of the above auditors of the associates do not compromise the standard and effectiveness of the audit of the Group.

Aggregate financial information of the associates are set out below:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Current assets	185,806	158,586	97,565
Non-current assets	63,846	2,609	774
Current liabilities	(124,801)	(92,012)	(63,298)
Non-current liabilities	(15,308)	–	–
Net assets	109,543	69,183	35,041
Group's share of associates' net assets	44,357	29,720	17,807

	Group	
	December 31, 2018	December 31, 2017
	$'000	$'000
Revenue	159,032	123,816
Profit for the year	13,881	13,720
Group's share of associates' profit for the year	4,248	4,836

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold building $'000	Leasehold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Plant and machinery $'000	Treatment plants $'000	Office equipment, furniture and fittings $'000	Construction in progress $'000	Total $'000
Group										
Cost										
At January 1, 2017	94	630	29,095	1,663	5,625	63,086	29,110	5,669	13,724	148,696
Exchange realignment	3	(20)	(695)	(23)	(68)	(301)	(371)	(43)	(1,336)	(2,854)
Acquisition of subsidiaries (Note 42)	–	–	71,560	–	–	9,919	–	6	3,298	84,783
Additions	–	–	12,083	17	888	9,569	456	850	–	23,863
Transfer from intangible assets (Note 18)	–	–	–	–	31	–	18,600	–	–	18,631
Assets held for sale (Note 13)	–	–	–	(4)	(99)	(182)	–	(228)	–	(513)
Reclassification	–	–	3,723	–	–	–	2,832	–	(6,555)	–
Disposals	–	–	–	–	(201)	(202)	–	(324)	–	(727)
At December 31, 2017	97	610	115,766	1,653	6,176	81,889	50,627	5,930	9,131	271,879
Exchange realignment	–	–	(6,206)	(98)	(208)	(4,010)	(2,007)	(485)	(523)	(13,537)
Additions	–	–	11,158	302	1,046	1,287	949	1,136	15,220	31,098
Disposals	–	–	–	–	(136)	(32)	–	(107)	–	(275)
Transfer from intangible assets (Note 18)	–	–	14,350	–	135	–	4,344	691	–	19,520
Transfer from service concession receivables (Note 9)	–	–	–	–	59	(10)	–	(27)	–	22
Reclassification	–	–	6,210	–	62	–	3,053	(13)	(9,312)	–
Written off	–	–	–	–	–	(1,299)	–	(20)	(1,871)	(3,190)
Disposal of subsidiaries (Note 43)	–	–	–	–	–	(15)	(394)	(2)	(3,669)	(4,080)
At December 31, 2018	97	610	141,278	1,857	7,134	77,810	56,572	7,103	8,976	301,437

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Freehold building	Leasehold building	Leasehold improvements	Motor vehicles	Plant and machinery	Treatment plants	Office equipment, furniture and fittings	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Accumulated depreciation										
At January 1, 2017	–	58	3,672	942	3,649	23,375	7,224	2,925	–	41,845
Exchange realignment	–	–	(115)	(13)	(45)	(106)	(124)	(32)	–	(435)
Depreciation	–	–	4,026	204	600	3,673	2,359	638	–	11,500
Assets held for sale (Note 13)	–	–	–	(6)	(92)	(10)	–	(186)	–	(294)
Transfer from intangible assets (Note 18)	–	–	–	–	–	–	790	–	–	790
Disposal	–	–	–	–	(185)	(199)	–	(295)	–	(679)
At December 31, 2017	–	58	7,583	1,127	3,927	26,733	10,249	3,050	–	52,727
Exchange realignment	–	–	(748)	42	53	(642)	(691)	(93)	–	(2,079)
Depreciation	–	–	9,244	174	618	3,252	4,523	891	–	18,702
Disposals	–	–	–	–	(126)	(16)	–	(95)	–	(237)
Transfer from intangible assets (Note 18)	–	–	67	–	3	–	286	312	–	668
Transfer from service concession receivables (Note 9)	–	–	–	–	36	–	–	(33)	–	3
Reclassification	–	–	–	–	(83)	98	–	(15)	–	–
Written off	–	–	–	(5)	–	–	–	(8)	–	(13)
Disposal of subsidiaries (Note 43)	–	–	–	–	–	(3)	(31)	(1)	–	(35)
At December 31, 2018	–	58	16,146	1,338	4,428	29,422	14,336	4,008	–	69,736
Accumulated impairment										
As at January 1, 2017, December 31, 2017 andDecember 31, 2018	–	–	–	17	–	–	–	12	–	29
Carrying amount										
At December 31, 2018	97	552	125,132	502	2,706	48,388	42,236	3,083	8,976	231,672
At December 31, 2017	97	552	108,183	509	2,249	55,156	40,378	2,868	9,131	219,123
At January 1, 2017	94	572	25,423	704	1,976	39,711	21,886	2,732	13,724	106,822

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold improvement	Motor vehicles	Office equipment	Total
	$'000	$'000	$'000	$'000
Company				
Cost				
At January 1, 2017	95	462	141	698
Additions	–	191	11	202
At December 31, 2017	95	653	152	900
Additions	–	–	8	8
Written off	–	–	(8)	(8)
At December 31, 2018	95	653	152	900
Accumulated depreciation				
At January 1, 2017	95	305	116	516
Depreciation	–	64	11	75
At December 31, 2017	95	369	127	591
Depreciation	–	79	10	89
Written off	–	–	(8)	(8)
At December 31, 2018	95	448	129	672
Carrying amount				
At December 31, 2018	–	205	23	228
At December 31, 2017	–	284	25	309
At January 1, 2017	–	157	25	182

The carrying amounts of the Group's and the Company's motor vehicles include amounts of $476,000 (December 31, 2017 : $737,000, January 1, 2017 : $726,000) and $177,000 (December 31, 2017 : $284,000, January 1, 2017 : $157,000) respectively which are held under finance leases (Note 25).

The Group has pledged its leasehold building with total carrying amount of approximately $9,278,000 (December 31, 2017 : $9,632,000, January 1, 2017 : $16,955,000) to banks for banking facilities granted to subsidiaries of the Group (Note 22).

17 GOODWILL

Goodwill is allocated to each cash generating units ("CGU") identified that are expected to benefit from the business combination. The carrying amounts of goodwill of each CGU are as follows:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Dataran Tenaga (M) Sdn Bhd	1,346	1,346	1,346
Memstar Pte. Ltd. (Note A)	254,019	254,019	254,019
	255,365	255,365	255,365

17 GOODWILL (cont'd)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units, are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and expected order book and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Expected order book and direct costs are based on past practices and expectations of future changes in the market.

<u>Note A</u>

The Group prepares cash flow forecasts derived from the most recent financial forecasts approved by management for the next four years using an average discount rate of 11.8% (December 31, 2017 : 11.3%, January 1, 2017 : 11.3%) and a terminal growth rate of 2.0% (December 31, 2017 : 2.0%, January 1, 2017 : 2.0%) per annum.

Sensitivity analysis

Management estimates that any reasonable changes in the estimates and assumptions used in the discounted cash flow model would not change the conclusion on the goodwill impairment assessment.

18 INTANGIBLE ASSETS

	Customer contracts $'000	Patents $'000	Operating concessions $'000	Club memberships $'000	License $'000	Total $'000
<u>Group and Company</u>						
Cost						
At January 1, 2017	6,430	4,180	290,700	200	–	301,510
Exchange realignment	–	–	(5,227)	–	–	(5,227)
Acquisition of subsidiaries (Note 42)	–	–	18,690	–	–	18,690
Additions	–	–	22,061	–	7,395	29,456
Assets held-for-sale (Note 13)	–	–	(35,061)	–	–	(35,061)
Transfer to property,plant and equipment(Note 16)	–	–	(18,631)	–	–	(18,631)
Reversal	–	–	(229)	–	–	(229)
Others	–	–	(155)	–	–	(155)
At December 31, 2017	6,430	4,180	272,148	200	7,395	290,353
Exchange realignment	–	–	(12,431)	–	(310)	(12,741)
Additions	–	–	21,305	–	1,836	23,141
Transfer to property, plant and equipment (Note 16)	–	–	(19,520)	–	–	(19,520)
Transfer from service concession receivables *	–	–	32,019	–	–	32,019
Transfer from contract assets	–	–	38,802	–	–	38,802
At December 31, 2018	6,430	4,180	332,323	200	8,921	352,054

18 INTANGIBLE ASSETS (cont'd)

	Customer contracts $'000	Patents $'000	Operating concessions $'000	Club memberships $'000	License $'000	Total $'000
<u>Group and Company</u>						
Accumulated amortisation						
At January 1, 2017	3,973	2,610	23,033	–	–	29,616
Exchange realignment	–	–	1,703	–	–	1,703
Assets held-for-sale (Note 13)	–	–	(4,017)	–	–	(4,017)
Amortisation for the year	1,662	1,081	8,462	–	–	11,205
Transfer to property, plant and equipment (Note 16)	–	–	(790)	–	–	(790)
At December 31, 2017	5,635	3,691	28,391	–	–	37,717
Exchange realignment	–	–	(1,553)	–	–	(1,553)
Amortisation for the year	795	489	12,940	–	–	14,224
Transfer to property, plant and equipment (Note 16)	–	–	(668)	–	–	(668)
Transfer from service concession receivables*	–	–	202	–	–	202
At December 31, 2018	6,430	4,180	39,312	–	–	49,922
Accumulated impairment						
At January 1, 2017 and December 31, 2017	–	–	–	–	–	–
Exchange realignment	–	–	(196)	–	–	(196)
Impairment for the year	–	–	6,905	–	–	6,905
At December 31, 2018	–	–	6,709	–	–	6,709
Carrying amount						
At December 31, 2018	–	–	286,302	200	8,921	295,423
At December 31, 2017	795	489	243,757	200	7,395	252,636
At January 1, 2017	2,457	1,570	267,667	200	–	271,894

* *Due to renegotiation of the terms of the concession agreements with the grantors, the Group has derecognised the waste water treatment plants from service concession receivables in accordance with SFRS(I) 9 and recognised them as intangible assets.*

<u>Customer contracts</u>

Customer contracts represent the manufacture and supply agreement with customer for membrane products acquired from a business combination. Customer contracts are amortised on a straight-line basis over the period of 9 years.

<u>Patents</u>

Patents represent the in-house R&D capabilities and technical expertise in membrane which relate to the PDVF hollow fibre membrane acquired from a business combination. Patents are amortised on a straight-line basis over the period of 5 years.

18 INTANGIBLE ASSETS (cont'd)

Operating concessions

Operating concessions represent the rights to charge users of the public service for the water purification contracts. Such operating concession rights fall within the scope of SFRS(I) INT 12 *Service Concession Arrangements*. The operating concessions are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group for periods ranging from 20 to 30 years (December 31, 2017 : 20 to 30 years, January 1, 2017 : 20 to 30 years).

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Amount to be amortised:			
Not later than one year	11,306	10,287	10,913
Later than one year but not later than five years	45,223	41,077	38,820
Later than five years	229,773	192,393	217,934
Total	286,302	243,757	267,667

The significant aspects of the operating concession arrangements are as follows:

(a) The Group has a total of 17 (December 31, 2017 : 22, January 1, 2017 : 17) service concession arrangements as at the end of the reporting period.

(b) Operating concessions amounting to $95,411,000 (December 31, 2017 : $81,957,000, January 1, 2017 : $32,140,000) are pledged to secure loans for the Group (Note 22).

(c) The recoverable amount of the intangible assets is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and growth rate. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the operating concession units. The discount rate used in the value in use calculations was 9.2% (December 31, 2017 : 9.2%, January 1, 2017 : 9.4%) per annum. The growth rates used in the value in use calculations ranges from 0% to 18% (December 31, 2017 : 0% to 20%, January 1, 2017 : 0% to 16%).

As at December 31, 2018, any reasonably possible changes to the key assumptions applied is not likely to cause the recoverable amounts to be below the carrying amount of the operating concessions except as disclosed below. The sensitivity analyses below have been determined while holding all other assumptions constant.

If the discount rate is 100 and 200 basis points higher, the recoverable amounts will be below the carrying amount of the operating concessions by $4,088,000 (December 31, 2017 : $3,448,000, January 1, 2017 : $1,926,000) and $8,451,000 (December 31, 2017 : $12,279,000, January 1, 2017 : $20,032,000) respectively.

18 INTANGIBLE ASSETS (cont'd)

Operating concessions arose from the following:

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd	辽阳市河东新城第四净水厂	Liaoyang City, Liaoning Province	辽阳市人民政府	BOT	50,000	30 years from 2014
CITIC Envirotech Water (Changyi) Co Ltd	柳疃污水厂/柳疃工业园污水厂/柳疃工业园供水厂/下营污水厂一期&二期	Changyi City, Shandong Province	昌邑市柳疃镇人民政府/昌邑滨海(下营)经济开发区柳疃工业园区管理办公室/昌邑滨海(下营)开发区管理委员会	BOT and BOO	50,000/ 40,000/ 30,000/ 20,000/ 5,000	20 to 30 years from 2009 and 2013
United Envirotech Water (Qidong) Co., Ltd	启东滨江精细化工园水厂	Qidong County, Jiangsu Province	江苏省启东经济开发区滨江精细化工园管委会	TOT and BOT	30,000	30 years from 2014
CITIC Envirotech Water Resource (Bazhou) Co. Ltd	霸州市胜芳镇污水处理厂	Bazhou City, Hebei Province	河北省霸州市人民政府	BOT	50,000	30 years from 2009
United Envirotech Water Resource (Gaoyang) Co., Ltd	高阳县污水处理厂一期/高阳县污水处理厂二期/高阳县污水处理厂再生水利用工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000/ 120,000	28 years from 2010/2013
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd	孝昌污水处理厂	Xiaochang County, Hubei Province	湖北省孝昌县人民政府	BOT	40,000	27 years from 2016
Fuqing Li Yang Water Co., Ltd	福清市融元污水处理厂	Fuqing City, Fujian Province	福清市人民政府	BOT	120,000	20 years from 2007
United Envirotech Water (Mianchi) Co. Ltd	渑池污水厂一期/二期	Mianchi County, Henan Province	河南省渑池县人民政府	BOT	30,000/ 10,000	25 years from 2012
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd	辽阳市中心区污水处理厂一期	Liaoyang City, Liaoning Province	辽阳市人民政府	TOT	200,000	30 years from 2004
CITIC Environment Water (Xinji) Co., Ltd.	辛集市佳洁污水处理厂一期	Xinji City, Hebei Province	河北辛集经济开发区管理委员会	PPP	66,000	30 years from 2017
CITIC Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd	辽阳市中心区污水处理厂二期	Liaoyang City, Liaoning Province	辽阳市人民政府	PPP	200,000	20 years from 2017
CITIC Environment Water Recycling (Changyi) Co., Ltd	昌邑再生水厂一期	Changyi City, Shandong Province	昌邑市人民政府	BOO	30,000	30 years from 2018

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Financial assets mandatorily measured at FVTPL:			
Unquoted equity shares (Non-current)	4,639	–	–

The investments in unquoted equity investments represent 10% unquoted equity interest in Shantou Sunpower Keying Thermal Power Co., Ltd, a company incorporated in the People's Republic of China. The investments are measured at fair value through profit or loss in accordance with SFRS(I) 9 *Financial Instruments*.

The Group has applied the requirements of SFRS(I) 9 as at January 1, 2018 and has classified the unquoted equity investments as financial assets at fair value through profit or loss ("FVTPL") accordingly. The unquoted equity investments was previously classified as available-for-sale investment in accordance with FRS 39, as disclosed in Note 20. The effects of the decrease in the fair value of financial assets through profit or loss as a result of the adoption of SFRS(I) 9 as at January 1, 2018 amounted to $256,000, which is disclosed in Note 47.

During the financial year, the Group increased its investment in Shantou Sunpower Keying Thermal Power Co., Ltd by approximately $2,645,000 (RMB 13,000,000).

Changes in the fair value of financial assets through profit or loss, amounting to a loss of $410,000 (2017 : $Nil) have been included in profit or loss for the year as part of other operating expenses.

20 AVAILABLE-FOR-SALE INVESTMENT

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Unquoted equity shares, at cost (Non-current)	–	2,660	–

The investments in unquoted equity investments represent 10% unquoted equity interest in Shantou Sunpower Keying Thermal Power Co., Ltd, a company incorporated in the People's Republic of China. The Group is of the view that the fair value of unquoted equity shares cannot be measured reliably as there is a wide range of reasonable fair value estimates and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, the investment in unquoted shares is stated at cost less impairment in recoverable value.

The Group has adopted SFRS(I) 9 *Financial Instruments* on January 1, 2018 and has classified the unquoted equity investments as financial assets at fair value through profit or loss ("FVTPL") accordingly, as disclosed in Note 19.

21 DEFERRED TAX ASSETS (LIABILITIES)

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Deferred tax assets	11,704	470	1,111
Deferred tax liabilities	(56,900)	(46,339)	(41,650)
Net	(45,196)	(45,869)	(40,539)

The following are the major deferred tax assets and liabilities recognised by the Group, and the movements thereon, during the current and prior reporting periods:

	Temporary differences due to accounting under SFRS(I) INT 12	Other allowances	Net
	$'000	$'000	$'000
Group			
At January 1, 2017	(45,432)	1,111	(44,321)
Charge to profit or loss (Note 36)	(907)	(641)	(1,548)
At December 31, 2017	(46,339)	470	(45,869)
Effects of adoption of SFRS(I) 9	–	7,379	7,379
At January 1, 2018	(46,339)	7,849	(38,490)
Charge to profit or loss (Note 36)	(10,561)	3,855	(6,706)
At December 31, 2018	(56,900)	11,704	(45,196)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $86,712,000 (December 31, 2017 : $80,208,000, January 1, 2017 : $59,299,000). No 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.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred tax liabilities have not been recognised is $212,000 (December 31, 2017 : $241,000, January 1, 2017 : $340,000). No liability has been recognised in respect of these differences because the amount is immaterial to the Group.

22 BANK LOANS

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans (unsecured)	628,500	20,541	–	545,377	–	–
Bank loans (secured)	754,980	564,254	333,367	–	–	–
Total	1,383,480	584,795	333,367	545,377	–	–

22 BANK LOANS (cont'd)

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
The loans are repayable as follows:						
On demand or within one year	377,736	197,070	76,499	136,344	–	–
More than one year	1,005,744	387,725	256,868	409,033	–	–
Total	1,383,480	584,795	333,367	545,377	–	–
Average effective interest rates (per annum)	4.8%	4.4%	4.6%	4.1%	–	–

The bank loans of the Group amounting to $18,463,000 (December 31, 2017 : $258,611,000, January 1, 2017 : $205,315,000) are secured by the contract assets (Note 8), service concession receivables (Note 9d), prepaid leases (Note 12) and intangible assets (Note 18) of its subsidiaries.

The bank loans of the Group amounting to $6,935,000 (December 31, 2017 : $7,828,000, January 1, 2017 : $8,707,000) are secured by a charge over the Group's leasehold building (Note 16).

The bank loans of the Group amounting to $729,582,000 (December 31, 2017 : $297,815,000, January 1, 2017 : $119,345,000) are secured by corporate guarantees.

As at the end of the reporting period, the Group breached a financial ratio covenant for one of its loans with a carrying amount of $123,172,000. The loan has been classified as current as at December 31, 2018. On February 11, 2019, the loan was subsequently repaid in full.

Included in the above loan balance is an amount due to a related party, who is also a financial institution in PRC, amounting to $844,799,000 (December 31, 2017 : $144,346,000, January 1, 2017 : $82,387,000). The loan is secured by the Group's service concession receivables and corporate guarantee.

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 statement of cash flows as cash flows from financing activities.

			Non-cash changes			
	January 1, 2018	Financing cash flows (i)	New finance leases (Note 25)	Foreign exchange movement	Other changes (ii)	December 31, 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans (Note 22)	584,795	803,489	–	(4,804)	–	1,383,480
Finance leases (Note 25)	352	(120)	–	1	–	233
Medium term notes (Note 26)	224,559	(225,000)	–	–	441	–
	809,706	578,369	–	(4,803)	441	1,383,713

22 BANK LOANS (cont'd)

Reconciliation of liabilities arising from financing activities (cont'd)

	January 1, 2017	Financing cash flows (i)	Non-cash changes: New finance leases (Note 25)	Non-cash changes: Foreign exchange movement	Other changes (ii)	December 31, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans (Note 22)	333,367	262,493	–	(11,065)	–	584,795
Finance leases (Note 25)	330	(91)	114	(1)	–	352
Medium term notes (Note 26)	223,449	–	–	–	1,110	224,559
	557,146	262,402	114	(11,066)	1,110	809,706

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortisation of issuance cost of the medium term notes.

23 TRADE PAYABLES

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Outside parties	629,154	509,342	288,069
Related parties (Note 5)	92,730	–	–
	721,884	509,342	288,069

The average credit period on purchases of goods is 30 days (December 31, 2017 : 30 days, January 1, 2017 : 30 days). No interest is charged on overdue trade payables.

24 OTHER PAYABLES

	Group			Company		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Value added tax	29,995	25,570	18,723	–	–	–
Advance receipts	1,208	1,102	492	–	–	–
Accruals	16,798	12,068	6,993	266	803	706
Amount owing to subsidiaries (Note 14)	–	–	–	178,078	157,327	–
Deferred income	8,367	9,491	14,848	–	–	–
Tender deposits	147	2,338	7,219	–	–	–
Interest payable	3,664	12,259	14,358	6,262	12,067	14,358
Other payables to outside parties (Note A)	140,801	27,254	12,454	–	2,686	–
Total	200,980	90,082	75,087	184,606	172,883	15,064

24 OTHER PAYABLES (cont'd)

The amount owing to subsidiaries is unsecured, interest-free and repayable on demand.

As at December 31, 2018, deferred income mainly comprise government grants which were received in relation to the Group's environmental protection initiatives in combating pollution. The deferred income will be recognised in profit or loss over the period ranging from 3 to 5 years, depending on the fulfilment condition of the grant.

Note A

This includes a payable amounting to $124,700,000 for an environmental engineering contract on ecological restoration with the Meigu County, Sichuan Province, PRC, that was awarded to the Group during the financial year.

25 FINANCE LEASES

	Group					
	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Within one year	109	136	178	100	116	161
In the second to fifth year inclusive	142	252	181	133	236	164
After the fifth year	–	–	6	–	–	5
Total	251	388	365	233	352	330
Less: Future finance charges	(18)	(36)	(35)	–	–	–
Present value of lease obligations	233	352	330	233	352	330
Less: Due within one year				(98)	(116)	(161)
Due after one year				135	236	169

	Company					
	Minimum lease payments			Present value of minimum lease payments		
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Within one year	47	47	22	41	39	17
In the second to fifth year inclusive	103	151	71	97	139	66
After the fifth year	–	–	–	–	–	–
Total	150	198	93	138	178	83
Less: Future finance charges	(12)	(20)	(10)	–	–	–
Present value of lease obligations	138	178	83	138	178	83
Less: Due within one year				(39)	(39)	(17)
Due after one year				99	139	66

25 FINANCE LEASES (cont'd)

The average remaining lease terms for both the Group and the Company are 3 to 5 years (December 31, 2017 : 3 to 5 years, January 1, 2017 : 2 to 4 years and 3 years respectively). For the year ended December 31, 2018, the average effective borrowing rates for both the Group and the Company were 4.3% to 5.2% (December 31, 2017 : 4.3% to 5.2%, January 1, 2017 : 4.2% to 5.2%) per annum. Interest rates are fixed at the contract date, and thus expose the Group and Company to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair values of the Group's and Company's lease obligations approximate their carrying amounts.

26 MEDIUM TERM NOTES

	Group and Company		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
At beginning of the year	224,559	223,449	319,926
Redemption upon maturity/early redemption	(225,000)	–	(99,000)
Amortisation of issuance cost charge to profit or loss (Note 34)	441	1,110	2,523
At end of the year	–	224,559	223,449

Presentation on Statements of Financial Position:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Current liabilities	–	224,559	–
Non-current liabilities	–	–	223,449
Total	–	224,559	223,449

During the year ended March 31, 2014, the Company established the Medium Term Note programme (the "MTN programme") with aggregate nominal value of US$300,000,000, of which $50,000,000, $15,000,000 and $35,000,000 were issued on September 2, 2013, October 7, 2013 and February 4, 2014 from the MTN programme (the "Notes") under Series 001 and the Notes carried fixed interest of 7.25% per annum with interest payable on March 2 and September 2 of each year. The Notes under these series have matured and were redeemed in full on September 2, 2016.

On April 10, 2015, the Company increased the maximum aggregate nominal value of the Notes from US$300,000,000 to US$500,000,000.

On April 29, 2015, the Company issued additional Notes of $225,000,000 under Series 002 and the Notes carried fixed interest of 4.70% per annum with interest payable on April 29 and October 29 of each year. The Notes matured on April 29, 2018.

26 MEDIUM TERM NOTES (cont'd)

The Notes are unsecured and are listed on the Singapore Exchange Securities Trading Limited. Prior to the maturity of the Notes, the Company may redeem the Notes based on the stipulated redemption price on the occurrence of the early redemption condition stated in the pricing supplement. Early redemption conditions for the Notes are:

- additional tax obligation to the Company due to any change in, or amendment to, the laws or regulation of Singapore;
- on event of default; and
- change in control of the Company.

The Notes contained certain covenants that limited the Group's abilities to, among other things:

- incur additional indebtedness;
- maintain certain level of earnings ratio;
- maintain certain level of total shareholders' equity; and
- declare dividends exceeding a certain ratio to the consolidated profit after tax.

Management estimated the fair value of the Notes at December 31, 2017 to be approximately $226,125,000 (January 1, 2017 : $227,466,000). The fair value is based on the bid price extracted from Bloomberg as at December 31, 2017 and management determined the Notes to be under Level 2 fair value hierarchy.

In 2017, the net carrying amount of the Notes was stated net of issue expenses totalling $3,081,000. Such expenses will be amortised over the life of the Notes by charging the expenses to profit or loss and increasing the net carrying amount of the Notes with the corresponding amount. As of December 31, 2017, accumulated amortisation amounted to $2,640,000.

27 SHARE CAPITAL

	Group and Company					
	December 31, 2018	December 31, 2017	January 1, 2017	December 31, 2018	December 31, 2017	January 1, 2017
	Number of ordinary shares ('000)			$'000	$'000	$'000
Issued and paid-up:						
At beginning of the year - Post split	2,284,973	2,255,855	2,255,530	622,741	608,063	607,973
Issuance of shares, net of expenses	136,394	33,176	325	95,658	17,891	90
Cancellation of shares	(980)	(4,058)	–	(544)	(3,213)	–
At end of the year - Post split	2,420,387	2,284,973	2,255,855	717,855	622,741	608,063

The ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

On February 1, 2017, the Company completed a share split exercise. Each ordinary share of the Company was split into 2 shares resulting in an increase in the number of issued and paid up shares of the Company from 1,128,918,000 shares to 2,257,836,000 shares.

27 SHARE CAPITAL (cont'd)

During the financial year, the Company issued 136,394,080 (December 31, 2017 : 33,175,800, January 1, 2017 : 162,500 or 325,000 post split in 2017) ordinary shares at $95,658,000 (December 31, 2017 : $17,891,000, January 1, 2017 : $89,700) pursuant to the conversion of the Employee Share Option Scheme.

As at December 31, 2018, the Company repurchased 980,000 shares (December 31, 2017 : 4,058,000 shares) in connection with a share buy-back exercise. The total amount paid to acquire the shares amounted to $544,000 (December 31, 2017 : $3,213,000) and has been cancelled and deducted from shareholders' equity.

Share options over ordinary shares granted under the employee share option scheme:

As at December 31, 2018, employees held options over 37,995,200 ordinary shares (of which 18,164,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options (Post-split)	Expiring on:
14,635,000	February 15, 2023
5,196,200	July 25, 2024
18,164,000	April 25, 2028
37,995,200	

As at December 31, 2017, employees held options over 74,009,200 ordinary shares (of which 2,872,800 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options (Post-split)	Expiring on:
6,000,000	July 20, 2020
37,813,000	February 15, 2023
24,000,000	March 28, 2023
6,196,200	July 25, 2024
74,009,200	

As at January 1, 2017, employees held options over 107,185,000 ordinary shares (of which 8,674,726 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options (Post-split)	Expiring on:
6,000,000	July 20, 2020
66,985,000	February 15, 2023
24,000,000	March 28, 2023
10,200,000	July 25, 2024
107,185,000	

Share options granted under the employee share option scheme carry no rights to dividends and no voting rights. Further details of the employee share option scheme are contained in Note 31 to the financial statements.

28 PERPETUAL CAPITAL SECURITIES

On November 27, 2015, the Company issued senior perpetual securities (the "Series 001 Perpetual Securities) with principal amount of US$175,000,000 bearing distributions at a rate of 5.45% under the US$750,000,000 Multicurrency Perpetual Securities Issuance Programme ("Programme"). A total of $242,055,000 (equivalent to US$171,687,000), net of issuance costs were recognised in equity. The rate is subject to reset every three years and a one-time step-up from and including the first reset date, being November 27, 2018 (the "First Reset Date"). Series 001 Perpetual Securities was fully redeemed during the financial year.

On June 28, 2016, the Company issued senior perpetual securities (the "Series 001 Tranche 002 Securities") with principal amount of US$180,000,000 bearing distributions at a rate of 5.45% (to be consolidated and forming a single series with the existing US$175,000,000 5.45% senior perpetual securities issued on November 27, 2015, under the Programme. A total of $239,195,000 (equivalent to US$180,152,000), net of issuance costs were recognised in equity. The rate is subject to reset every three years and a one-time step-up from and including the first reset date, being November 27, 2018 (the "First Reset Date"). Series 001 Tranche 002 Securities was fully redeemed during the financial year.

On October 3, 2017, the Company revised the maximum aggregate principal amount of perpetual securities that may be issued under the Programme upwards from US$750,000,000 to US$1,500,000,000.

On October 12, 2017, the Company issued senior perpetual securities (the "Series 002 Securities") with principal amount of S$240,000,000 bearing distributions at a rate of 3.90%. A total of S$236,350,000, net of issuance costs were recognised in equity. The rate is subject to reset every three years and a one-time step-up from and including the first reset date, being October 19, 2023 (the "First Reset Date").

The perpetual capital securities bears distributions which are payable semi-annually. Subject to the terms and conditions of the perpetual capital securities, the Company may elect to defer making distributions on the perpetual capital securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual capital securities do not meet the definition for classification as a financial liability under SFRS(I) 1-32 *Financial Instruments: Disclosure and Presentation*. The whole instrument is presented within equity, and distributions are treated as dividends.

These perpetual capital securities were issued for the Company's general corporate purposes as well as to finance certain water treatment projects.

29 GENERAL RESERVE

In accordance with the relevant laws and regulations of PRC, companies in PRC are required to set aside a general reserve fund by way of appropriation from their statutory net profit reported in PRC statutory financial statements at a rate of 10% for each year. Subject to approval from PRC authorities, the fund may be used to offset accumulated losses or increase the registered capital of the subsidiary. The appropriation is required until the statutory reserve reaches 50% of the subsidiary's registered capital. This statutory reserve is not available for dividend distribution to the shareholders.

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Statutory surplus reserve fund:			
At beginning of year	15,137	7,414	5,330
Transfer from retained earnings	12,984	7,723	2,084
At end of year	28,121	15,137	7,414

30 OTHER RESERVES

Currency translation reserve

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

Capital reserve

The capital reserve represents the Group's share of fair value adjustment to the net assets of subsidiaries on acquisition of additional equity interest from the minority shareholders.

31 SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company has a share option scheme for all directors and employees of the Group. The scheme is administered by the Remuneration Committee. Options are exercisable at a price that is equivalent to the Market Price; or a price that is set at a discount to the Market Price, provided always that the maximum discount shall not exceed 20% of the Market Price; and the prior approval of Shareholders shall have been obtained in a separate resolution. The vesting period is 1 year for non-discount options and 2 years for discounted options. If the options remain unexercised after a period of 10 years (Executive Directors and Employees) and 5 years (Non-Executive Directors) from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2018		2017	
	Number of share options (Post-split)	Weighted average exercise price	Number of share options (Post-split)	Weighted average exercise price
	$	$	$	$
Outstanding at beginning of year	74,009,200	0.2447	107,185,000	0.2877
Granted during the year	18,364,000	0.5630	–	–
Exercised during the year	(53,178,000)	0.2715	(33,175,800)	0.3836
Cancelled during the year	(1,200,000)	0.5668	–	–
Outstanding at end of year	37,995,200	0.3508	74,009,200	0.2447
Exercisable at end of year	19,831,200	0.5561	71,136,400	0.2863

For the year ended December 31, 2018, the weighted average share price at the date of grant for share options granted was $0.3508 (December 31, 2017 : $0.2447, January 1, 2017 : $0.5923). The options outstanding at the end of the year have a weighted average remaining contractual life of 7 years (December 31, 2017 : 4 years, January 1, 2017 : 5 years).

These fair values for share options granted were calculated using The Black-Scholes pricing model.

31 SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option scheme (cont'd)

The inputs into the valuation model were as at the respective grants dates were as follows:

Grant date: July 20, 2010	
Weighted average share price ($)	0.3800
Weighted average exercise price ($)	0.3447
Expected volatility (%)	52.87
Expected life (years)	3
Risk free rate (%)	2.72
Expected divided yield (%)	Nil
Grant date: February 15, 2014	
Weighted average share price ($)	0.745
Weighted average exercise price ($)	0.552
Expected volatility (%)	31.38
Expected life (years)	4
Risk free rate (%)	2.72
Expected divided yield (%)	Nil
Grant date: March 28, 2014	
Weighted average share price ($)	0.715
Weighted average exercise price ($)	0.584
Expected volatility (%)	40.00
Expected life (years)	4
Risk free rate (%)	1.88
Expected divided yield (%)	0.90
Grant date: July 25, 2014	
Weighted average share price ($)	1.419
Weighted average exercise price ($)	1.135
Expected volatility (%)	31.38
Expected life (years)	4
Risk free rate (%)	2.72
Expected divided yield (%)	Nil
Grant date: April 25, 2018	
Weighted average share price ($)	0.710
Weighted average exercise price ($)	0.563
Expected volatility (%)	26.97
Expected life (years)	5
Risk free rate (%)	1.64
Expected divided yield (%)	1.76

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

31 SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option scheme (cont'd)

In December 31, 2018, the estimated fair values of the options granted were $14,008,364 (December 31, 2017 : $18,110,791, January 1, 2017 : $31,742,838).

For the financial year ended December 31, 2018, the Group and the Company recognised an expense of $1,370,000 (2017 : $1,633,000) related to fair value of the options granted.

32 REVENUE

The group derives its revenue from the transfer of goods and services over time and at a point in time in the following major revenue streams:

	Group			
	Engineering	Membrane system sales	Treatment	Total
	$'000	$'000	$'000	$'000
2018				
Segment revenue				
Revenue from environmental engineering contracts	495,277	–	–	495,277
Treatment income	4,555	–	157,516	162,071
Finance income from service concessions	–	–	68,787	68,787
Sales of goods	4,903	252,924	–	257,827
Rendering of technical services	6,726	2,154	1,624	10,504
	511,461	255,078	277,927	994,466
2017				
Segment revenue				
Revenue from environmental engineering contracts	358,291	–	–	358,291
Treatment income	–	–	142,102	142,102
Finance income from service concessions	–	–	37,726	37,726
Sales of goods	6,599	124,784	–	131,383
Rendering of technical services	1,531	2,158	3,982	7,671
	366,421	126,942	183,810	667,173

32 REVENUE (cont'd)

	Group			
	Engineering	Membrane system sales	Treatment	Total
	$'000	$'000	$'000	$'000
2018				
Timing of revenue recognition				
At a point in time:				
Sales of goods	4,903	252,924	–	257,827
Over time:				
Revenue from environmental engineering contracts	495,277	–	–	495,277
Treatment income	4,555	–	157,516	162,071
Finance income from service concessions	–	–	68,787	68,787
Rendering of technical services	6,726	2,154	1,624	10,504
	511,461	255,078	277,927	994,466
2017				
Timing of revenue recognition				
At a point in time:				
Sales of goods	6,599	124,784	–	131,383
Over time:				
Revenue from environmental engineering contracts	358,291	–	–	358,291
Treatment income	–	–	142,102	142,102
Finance income from service concessions	–	–	37,726	37,726
Rendering of technical services	1,531	2,,158	3,982	7,671
	366,421	126,942	183,810	667,173

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed, using the transition provisions of SFRS(I) 15.

	Group
	2018
	$'000
Revenue from environmental engineering contracts	1,016,590

33 OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income	4,519	3,466
Commission income	–	135
Gain from disposal of subsidiaries - net	3,390	–
Gain on disposal of property, plant and equipment	–	12
Reversal of loss allowance	385	61
Government grant and VAT refund	12,255	15,757
Finance income from Build-Transfer project (Note A)	19,812	–
Others	–	6,005
Total	40,361	25,436

Note A

This pertains to finance income from the financing of a Build-Transfer project for a period of 13 years that was secured by the Group during the financial year.

34 FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest expense from:		
Bank borrowings	37,708	22,300
Finance leases	17	21
Amortisation of medium term notes issue expense (Note 26)	441	1,110
Medium term notes	2,862	10,540
Total	41,028	33,971

35 PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	2018	2017
	$'000	$'000
Foreign exchange loss, net	10,221	3,886
Auditors' remuneration:		
Paid to auditors of the Company	384	345
Paid to member firms of the auditors of the Company	1,222	1,215
Paid to other auditors	241	228
Non-audit fees:		
Paid to auditors of the Company	117	90
Paid to member firms of the auditors of the Company	12	22
Paid to other auditors	46	51
(Gain) Loss from disposal of subsidiaries	(3,390)	781
Loss (Gain) from disposal of property, plant and equipment	14	(12)
Property, plant and equipment written off	3,177	–
Impairment loss, net of reversals, on financial assets and other items subject to ECL	29,371	–
Impairment loss on trade receivables	–	2,577
Impairment loss on intangible assets	6,905	–
Impairment loss reversed on trade receivables	(385)	(61)
Employee benefits expense	53,372	47,495
Directors' remuneration	3,501	2,632
Directors' fee		
Current year	360	360
Cost of defined contribution retirement plans	5,728	6,005
Total employee benefits expenses	62,961	56,492
Depreciation of property, plant and equipment	18,702	11,500
Amortisation of intangible assets	14,224	11,205
Amortisation of prepaid leases	2,272	1,181
Amortisation of long-term receivables	3,839	–
Total depreciation and amortisation expenses	39,037	23,886

36 INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current tax	42,060	30,821
(Over) Under provision in prior years	(576)	615
Deferred tax (Note 21)	6,706	1,548
Income tax expense	48,190	32,984

(a) Except as disclosed below, the PRC entities are taxed at the statutory tax rate of 25% and Hong Kong entities are taxed at the statutory rate of 16.5%;

(i) CITIC Envirotech (Guangzhou) Co. Ltd, CITIC Envirotech (Tianjin) Co. Ltd, Memstar (Mianyang) Co. Ltd, Memstar (Guangzhou) Co. Ltd and Jiangsu Memstar Membrane Material Technology Co., Ltd - The entities, being high-tech enterprises, enjoy a 15% tax incentive with renewal annually.

(ii) CITIC Envirotech Water (Changyi) Co Ltd, CITIC Envirotech Water (Haimen) Co., Ltd, CITIC Envirotech Water Resource (Liaoyang Hongwei) Co., Ltd, CITIC Envirotech Water Resource (Zaozhuang) Co., Ltd - The entities are granted to claim tax exemption from the PRC income tax for the first three years commencing its first profit-making year of operations, after offsetting all tax losses carried forward from the previous years, and thereafter, entitled to claim 50% relief from PRC income tax for the next three years.

(b) The income tax expense varied from the amount of income tax expense determined by applying the Singapore domestic income tax rate of 17% (2017 : 17%) to profit before income tax as a result of the following differences:

	Group	
	2018	2017
	$'000	$'000
Profit before income tax	161,368	112,905
Tax expense at the Singapore domestic income tax rate of 17%	27,433	19,194
Tax effect of expense that are not deductible in determining taxable profits	8,413	8,948
Deferred tax benefit not recognised	10,325	3,847
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,532	9,767
Tax exempt income	(6,363)	(9,773)
(Over) Under provision in prior years	(576)	615
Others	(574)	386
Total	48,190	32,984

The Group has tax losses carry forwards available for offsetting against future taxable income as follows:

	Group	
	2018	2017
	$'000	$'000
Amount at beginning of year	78,518	62,546
Amount arising	36,739	15,972
Amount at end of year	115,257	78,518
Deferred tax benefit on above unrecorded	27,308	16,983

36 INCOME TAX EXPENSE (cont'd)

(b) (cont'd)

No deferred tax asset on the tax losses carryforwards has been recognised due to the unpredictability of future profits streams of the loss-making entities.

The above deferred tax benefits unrecorded are subject to agreement with the Comptroller of Income Tax and the tax authorities, as well as conditions imposed by law. The tax losses carryforwards from PRC entities will expire after 5 years from the date of tax losses incurred. Included in unrecognised tax losses are losses of $4.525 million, $6.368 million, $9.247 million, $13.373 million and $24.005 million that will expire over the period from 2019 to 2023 correspondingly (2017 : $0.317 million, $4.721 million, $6.851 million, $10.228 million and $16.942 million that will expire over the period from 2018 to 2022).

37 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	2018	2017
	$'000	$'000
Earnings ($'000)		
Profit attributable to owners of the Company	105,141	70,238
Dividends on perpetual capital securities	(29,622)	(25,631)
Earnings for the purposes of basic and diluted earnings per share	75,519	44,607
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share – Post share split	2,375,167	2,267,480
Effect of dilutive potential ordinary shares from share options	37,995	86,256
Weighted average number of ordinary shares for the purpose of diluted earnings per share – Post share split	2,413,162	2,353,736
Earnings per share (cents)		
- Basic	3.18	1.97
- Diluted	3.13	1.90

38 DIVIDENDS

During the financial year,

(i) a tax exempt (1-tier) final dividend of $0.015 per ordinary share totalling $35,613,000 on 2,374,189,356 shares was paid to shareholders in respect of the financial year ended December 31, 2017;

(ii) a tax exempt (1-tier) interim dividend of $0.005 per ordinary share totalling $12,025,000 on 2,405,040,356 shares was paid to shareholders in respect of the financial year ended December 31, 2018; and

(iii) a tax exempt (1-tier) dividend of $29,622,000 on the perpetual capital securities were declared in respect of the financial year ended December 31, 2018. The amount paid out during the financial year was $35,637,000.

In 2017,

(i) a tax exempt (1-tier) dividend of $0.010 per ordinary share totalling $22,726,000 on 2,272,594,272 shares (based on the post-split share) was paid to shareholders in respect of the financial year ended December 31, 2016; and

(ii) a tax exempt (1-tier) dividend of $25,631,000 on the perpetual capital securities were declared in respect of the financial year ended December 31, 2017. The amount paid out during the financial year was $27,025,000.

39 OPERATING LEASE ARRANGEMENTS

	Group	
	2018	2017
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,005	1,081

At the end of the reporting period, the Group and Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	703	983	552	234
In the second to fifth year inclusive	739	2,425	355	244
After fifth year	1,272	21	–	–
Total	2,714	3,429	907	478

Operating lease payments represent rentals payable by the Group and Company for certain of its office and workshop properties. Leases are negotiated for an average of 2 to 5 years (2017 : 2 years).

40 CONTINGENT LIABILITIES

Contingent liability for the Company

The Company provided corporate guarantees to its subsidiaries, United Envirotech Water Resource (Gaoyang) Co., Ltd, Weifang Bofa Water Treatment Co Ltd, CITIC Envirotech (Guangzhou) Co. Ltd, CITIC Envirotech (Tianjin) Co., Ltd, Sichuan Zhongyu Environment Management Co., Ltd, CITIC Envirotech Urban Water Management (Hubei) Co., Ltd, CITIC Envirotech Water (Changyi) Co. Ltd, Weifang United Envirotech Environmental Sci-tech Co., Ltd, CITIC Environmental Water (Xinji) Co., Ltd, Novo Envirotech (Xiaogan) Co., Ltd, United Envirotech (Hong Kong) Co. Ltd, Memstar USA Inc and Memstar Pte. Ltd. for banking facilities up to $491,980,000.

In 2017, the Company provided corporate guarantees to its subsidiaries, United Envirotech Water Resource (Gaoyang) Co., Ltd, Weifang Bofa Water Treatment Co Ltd, CITIC Envirotech (Guangzhou) Co. Ltd, Weifang United Envirotech Environmental Sci-tech Co., Ltd, United Envirotech (Hong Kong) Company Ltd and Memstar Pte Ltd for banking facilities up to $251,864,000.

Management has considered and evaluated the fair value of the above financial guarantee contracts to be insignificant as at December 31, 2018 and 2017.

41 SEGMENT INFORMATION

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

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

The Group is principally engaged in two operating segments:

(1) Engineering and membrane system sales (previously known as Engineering and Membrane segment respectively), comprising of:

  (a) Engineering - design and implementation of integrated environmental engineering solution based on membrane technology; and

  (b) Membrane system sales- manufacturing and sale of membrane systems; and

(2) Treatment - rendering of treatment services.

During the reporting period, the Group has elected to change its reportable segments from (i) Engineering, (ii) Treatment and (iii) Membrane to (i) Engineering and membrane system sales and (ii) Treatment. The Group is mainly involved in supplying membrane-based engineering projects and this change is to better reflect the nature of the Group's business operations. Accordingly, the Group has restated the corresponding items of the comparative segment information for earlier periods.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, directors' remuneration, share of results of associates, interest income, foreign exchange gains and losses and finance costs at corporate level.

41 SEGMENT INFORMATION (cont'd)

Segment information about the Group's operating segment is presented below:

	2018					2017				
	Engineering	Membrane system sales	Engineering and membrane system sales	Treatment	Total	Engineering	Membrane system sales	Engineering and membrane system sales	Treatment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue										
Total	511,461	255,078	766,539	227,927	994,466	366,421	126,942	493,363	183,810	677,173
Results										
Segment result			130,311	91,383	221,694			60,500	102,122	162,622
Finance costs					(41,028)					(33,971)
Unallocated corporate expenses					(11,138)					(19,393)
Gain (Loss) from disposal of subsidiaries					3,390					(781)
(Loss) Gain on disposal of property, plant and equipment					(14)					12
Property, plant and equipment written off					(3,177)					–
Impairment loss on intangible assets					(6,905)					–
Foreign currency exchange loss					(10,221)					(3,886)
Share of profit of associates					4,248					4,836
Interest income					4,519					3,466
Profit before income tax					161,368					112,905
Income tax					(48,190)					(32,984)
Profit for the year					113,178					79,921

41 SEGMENT INFORMATION (cont'd)

Segment assets represent property, plant and equipment, service concession receivables, associates, intangible assets, goodwill, inventories, contract assets, trade and other receivables and cash and bank balances, which are attributable to each operating segments. Segment liabilities represent trade and other payables and bank borrowings, which are attributable to each operating segments.

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Segment assets			
Engineering and membrane system sales	839,984	906,334	881,709
Treatment	2,588,740	2,002,454	1,401,273
Total segment assets	3,428,724	2,908,788	2,282,982
Unallocated corporate assets	358,035	369,527	219,054
Consolidated total assets	3,786,759	3,278,315	2,502,036
Segment liabilities			
Engineering and membrane system sales	1,311,160	839,146	398,655
Treatment	421,615	251,362	368,197
Total segment liabilities	1,732,775	1,090,508	766,852
Unallocated corporate liabilities	679,876	411,047	256,422
Consolidated total liabilities	2,412,651	1,501,555	1,023,274

Unallocated corporate assets mainly represent Group's cash and bank balances and other financial assets at corporate level.

Unallocated corporate liabilities represent Group's finance leases, bank loans, deferred tax liabilities and medium term notes at corporate level.

Other information

	Depreciation and amortisation		Additions to non-current assets*	
Group	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Engineering and membrane system sales	9,590	6,300	14,734	29,105
Treatment	29,289	17,468	38,206	54,686
	38,879	23,768	52,940	83,791

* *Include only additions of property, plant and equipment, intangible assets and prepaid leases.*

41 SEGMENT INFORMATION (cont'd)

Geographical segment

The geographical locations of the customers of the Group principally comprise the People's Republic of China ("PRC"), United States of America ("USA") and Malaysia and others.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets		
	2018	2017	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000	$'000	$'000
PRC	964,941	653,095	2,365,857	1,809,325	1,288,773
Singapore	–	–	303,505	288,375	282,416
Malaysia and others	23,380	22,432	2,794	1,690	1,545
USA	6,145	1,646	18,151	5,477	–
Total	994,466	677,173	2,690,307	2,104,867	1,572,734

Non-current assets information presented above mainly consist of non-current trade and other receivables, prepaid leases, property, plant and equipment, service concession receivables, associates, intangible assets, contract assets, goodwill and deferred tax assets.

Information about major customers

There is no revenue from major customers which accounts for 10% or more of the Group's revenue.

42 ACQUISITION OF SUBSIDIARIES

The Group acquired the following subsidiaries and accounted for the acquisition using the acquisition method of accounting:

For the financial year ended December 31, 2017

A subsidiary of the Group, Baiyi Environment Investment Jiangsu Co., Ltd, acquired 70% equity interest of Jiangyin Zhoubei Wastewater Treatment Co., Ltd ("Zhoubei") for a total cash consideration of approximately RMB10,191,000 (equivalent to $2,124,000). The effective date of the completion of the acquisition, as determined by management, is January 1, 2017. Zhoubei is a private entity incorporated in China. Its principal activity is the operation of industrial waste water treatment plant. The Group acquired Zhoubei primarily to strengthen and value add its core business strategically.

A subsidiary of the Group, Baiyi Environment Investment Jiangsu Co., Ltd, acquired 100% equity interest of Jiangyin Zhounan Wastewater Treatment Co., Ltd ("Zhounan") for a total cash consideration of approximately RMB27,055,000 (equivalent to $5,495,000). The effective date of the completion of the acquisition, as determined by management, is June 30, 2017. Zhounan is a private entity incorporated in China. Its principal activity is the operation of industrial waste water treatment plant. The Group acquired Zhounan primarily to strengthen and value add its core business strategically.

A subsidiary of the Group, Baiyi Environment Investment Jiangsu Co., Ltd, acquired 70% equity interest of Jiangyin Huahong Wastewater Treatment Co., Ltd ("Huahong") for a total cash consideration of approximately RMB3,990,000 (equivalent to $804,000). The effective date of the completion of the acquisition, as determined by management, is July 31, 2017. Huahong is a private entity incorporated in China. Its principal activity is the operation of industrial waste water treatment plant. The Group acquired Huahong primarily to strengthen and value add its core business strategically.

42 ACQUISITION OF SUBSIDIARIES (cont'd)

The Group acquired 100% equity interest of Shandong Yunshui Jili Environment Protection Co., Ltd ("Shandong Yunshui") for a total cash consideration of approximately RMB55,000,000 (equivalent to $11,253,000). The effective date of the completion of the acquisition, as determined by management, is September 22, 2017. Shandong Yunshui is a private entity incorporated in China. Its principal activity is the operation of waste treatment plant. The Group acquired Shandong Yunshui primarily to strengthen and value add its core business strategically.

The Group acquired 60% equity interest of CITIC Environment (Qingyuan) Technology Development Co., Ltd ("Qingyuan") for a total cash consideration of approximately RMB378,000,000 (equivalent to S$78,247,000). The effective date of the completion of the acquisition, as determined by management, is September 1, 2017. Qingyuan is a private entity incorporated in China. Its principal activity is the operation of industrial waste water treatment plant. The Group acquired Qingyuan primarily to strengthen and value add its core business strategically.

Details of the fair value of consideration transferred, assets acquired and liabilities assumed at the date of acquisitions are as follows:

	Zhoubei	Zhounan	Huahong	Shandong Yunshui	Qingyuan	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cash and bank balances	410	43	97	–	–	550
Trade receivables	1,103	377	395	–	–	1,875
Other receivables and prepayments	4	6	113	5,073	5,043	10,239
Inventories	21	3	18	–	–	42
Prepaid lease	–	482	–	–	9,107	9,589
Property, plant and equipment	905	–	2,393	–	81,485	84,783
Intangible assets	3,932	4,869	3,260	6,629	–	18,690
Bank loans	–	–	(1,394)	–	–	(1,394)
Trade payables	(489)	(236)	(2,597)	(449)	–	(3,771)
Other payables	(3,175)	(20)	(961)	–	–	(4,156)
Income tax payable	(175)	(29)	–	–	–	(204)
Net assets acquired	2,536	5,495	1,324	11,253	95,635	116,243
Less: Non-controlling interest	(412)	–	(520)	–	(17,388)	(18,320)
Total consideration paid	2,124	5,495	804	11,253	78,247	97,923

Analysed as:

	Total
	$'000
Net cash outflow on acquisition of subsidiary	
Consideration paid in cash	97,923
Less: Cash and cash equivalents acquired	(550)
Net cash outflow	97,373

There is no goodwill arising from the acquisition of the above five subsidiaries as these are entities with service concession arrangements and any excess of consideration over the fair value of the net assets arising from the acquisitions have been included in the fair values of the intangible assets.

The acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of $14,421,000 and profit of $4,968,000 in the Group's financial statements for the year ended December 31, 2017.

43 DISPOSAL OF SUBSIDIARIES

The Group completed the disposal of the following subsidiaries:

For the financial year ended December 31, 2018

As referred to in Note 13 to the financial statements, the Group completed the disposal of its subsidiaries, Jiangsu Siyang Strait Environmental Protection Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Siyang) Co., Ltd) ("Siyang") and Jiangsu Haihuan Water Co., Ltd. (f.k.a. CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd.) ("Yancheng Dafeng") on May 24, 2018 and June 6, 2018 respectively.

During the financial year, the Group entered into a sale and purchase agreement to dispose its subsidiary, Mianchi Hongwei Co. Ltd ("Mianchi Hongwei"), to an individual in the PRC.

Details of the disposals are as follows:

Carrying amounts of the net assets over which control was lost

	Siyang	Yancheng Dafeng	Mianchi Hongwei	Total
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	852	–	4,045	4,897
Intangible assets	31,044	–	–	31,044
Service concession receivables	–	17,114	–	17,114
Prepaid leases	–	323	–	323
	31,896	17,437	4,045	53,378
Current assets				
Cash and bank balances	7,893	1,280	593	9,766
Trade and other receivables	1,809	2,577	4,081	8,467
Inventories	40	17	8	65
Prepaid leases	–	8	–	8
	9,742	3,882	4,682	18,306
Current liabilities				
Trade payables	5,831	3	30	5,864
Other payables	20,227	62	6,313	26,602
Income tax payable	–	510	–	510
	26,058	575	6,343	32,976
Non-current liabilities				
Deferred tax liability	384	1,210	–	1,594
	384	1,210	–	1,594
Net assets derecognised	15,196	19,534	2,384	37,114
Total cash consideration received	16,513	10,934	1,566	29,013
Gain on disposal				
Cash consideration received	16,513	10,934	1,566	29,013
Net assets derecognised	(15,196)	(19,534)	(2,384)	(37,114)
Non-controlling interest derecognised	–	–	1,073	1,073
Fair value of retained interest	4,558	5,860	–	10,418
Net gain (loss) on disposal	5,875	(2,740)	255	3,390

43 DISPOSAL OF SUBSIDIARIES (cont'd)

The net gain on disposal of the subsidiaries is recorded as part of profit for the year in the statement of profit or loss and other comprehensive income.

Net cash inflow arising on disposal

	2018
	$'000
Cash consideration received	29,013
Cash and cash equivalents disposed of	(9,766)
	19,247

For the financial year ended December 31, 2017

As referred to in Note 13 to the financial statements, on January 11, 2017, the Group completed the disposal of its subsidiary, CITIC Envirotech Water Resource (Hegang) Co., Ltd.

Details of the disposal are as follows:

Carrying amounts of the net assets over which control was lost

	2017
	$'000
Non-current assets	
Property, plant and equipment	402
Intangible asset	6,710
Service concession receivable	40,154
	47,266
Current assets	
Cash and bank balances	380
Trade receivables	7,999
	8,379
Current liabilities	
Trade payables	6
Other payables	19,442
Income tax payable	758
	20,206
Non-current liabilities	
Bank loan	9,651
Deferred tax liability	2,095
	11,746
Net assets derecognised	23,693
Total cash consideration received	22,912

43 DISPOSAL OF SUBSIDIARIES (cont'd)

Carrying amounts of the net assets over which control was lost (cont'd)

	2017
	$'000
Loss on disposal	
Cash consideration received	22,912
Net assets derecognised	(23,693)
Loss on disposal	(781)

The loss on disposal of the subsidiary is recorded as part of profit for the year in the statement of profit or loss and other comprehensive income.

Net cash inflow arising on disposal

	2017
	$'000
Cash consideration received	22,912
Cash and cash equivalents disposed of	(380)
	22,532

44 COMMITMENTS

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Commitments	709,869	1,325,642	378,490

44 COMMITMENTS (cont'd)

The above shows the commitments to be undertaken by the Group:

	Group		
	December 31, 2018	December 31, 2017	January 1, 2017
	$'000	$'000	$'000
Investment projects			
Rizhao City, Shandong Province	–	17,141	34,783
Shantou City, Guangdong Province	78,318	125,477	161,779
Changyi County, Shandong Province	–	–	15,691
Yixing County, Jiangsu Province	–	58,061	121,224
Gaoyang City, Hebei Province	–	996	12,013
Medan City, Indonesia	–	–	33,000
Xinji County, Hebei Province	12,594	15,363	–
Binzhou City, Shandong Province	20,769	26,803	–
Qingyuan City, Guangdong Province	43,893	84,636	–
Lanzhou City, Gansu Province	341,167	741,427	–
Xiaochang County, Hubei Province	55	3,416	–
Mengzhou City, Henan Province	51	2,475	–
Suzhou City, Jiangsu Province	–	6,279	–
Ningbo City, Zhejiang Province	–	22,657	–
Xiaogan City, Hubei Province	1,029	141,125	–
Aktau City, Kazakhstan	45,546	79,786	–
Aksu City, Xinjiang Province	799	–	–
Bazhou City, Xinjiang Province	550	–	–
Linfen City, Shanxi Province	64,117	–	–
Anyang City, Henan Province	1,849	–	–
Maoming City, Guangdong Province	4,056	–	–
Dongyuan County, Guangdong Province	21,813	–	–
Yunfu City, Guangdong Province	29,196	–	–
Shihezi City, Xinjiang Province	44,067	–	–
Total - Investment projects	709,869	1,325,642	378,490

45 EVENTS AFTER REPORTING PERIOD

On January 2, 2019, the Company announced that it had entered into an agreement to acquire 65% shareholding interest in Nantong Guoqi Environmental Protection Technology Co., Ltd ("Nantong Guoqi") from Nantong Xinyuan Investment Development Co., Ltd. ("Nantong Xinyuan") for a consideration of approximately S$16,115,000 (RMB 81,250,000). The 25,000-ton per year hazardous waste treatment facility in the Qidong Binjiang Fine Chemical Industry Park located in Qidong County owned by Nantong Guoqi has an incineration plant and covers a total land area of 53,280 square metres.

45 EVENTS AFTER REPORTING PERIOD (cont'd)

Disclosures required by the revised SFRS(I) 3 *Business Combinations* have not been made as the acquisition occurred after the end of the reporting period.

On February 26, 2019, the directors of the Company proposed a tax exempt (1-tier) dividend of $0.0075 per ordinary share totalling $18,153,000 on 2,420,387,356 shares for the financial year ended December 31, 2018. This is subject to approval by shareholders at the Annual General Meeting.

46 RESTATEMENT AND COMPARATIVE FIGURES

The Group and Company issued revised financial statements for the financial years ended December 31, 2017 and 2016 which were prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulation 2018, as the directors have voluntarily revised the financial statements in accordance with section 202A of the Companies Act. The revised financial statements replace the original financial statements that were approved by the directors on February 27, 2018 and March 1, 2017 respectively. The revised financial statements were approved by the directors on March 8, 2019.

The financial statements for the financial years ended December 31, 2017 and 2016 were restated for the following matters:

(a) Construction, upgrade and expansion works carried out on treatment and water supply plants amounting to $501,422,000 (2016: $267,648,000) as part of "Construction in progress" under "Property, plant and equipment" (Note 16) as no Service Concession Agreements ("SCA") were signed with the local authority. These costs would be reclassified to "Intangible assets" (Note 18) and "Service concession receivables" (Note 9) upon completion of the construction, upgrade and expansion works.

However, as these works were supported by Memorandum of Understanding ("MOU"), which is a common practice in the PRC and historically the tariff rates in the final signed SCA does not vary significantly from the rates in the MOU, these construction, upgrade and expansion works of $309,655,000 (2016: $67,146,000) and $191,767,000 (2016: $200,502,000) have been reclassified to "Intangible assets" and "Service concession receivables" respectively.

(b) Currency translation loss of $7,159,000 (2016: $41,877,000) was allocated fully to owners of the Company. Loss of $2,519,000 (2016: $1,331,000) was attributable to non-controlling interests and have been reclassified to non-controlling interests accordingly.

(c) The differences between the closing and opening exchange rates used for the cash flow transactions of $23,465,000 (2016: $17,697,000) were embedded in "Exchange differences arising on foreign currency translation" within "operating activities" in the consolidated statement of cash flows. These differences have been re-allocated to the respective cash flow items in "operating activities", "investing activities" and "financing activities".

(d) Contribution from non-controlling shareholders of $17,880,000 (2016: $72,426,000) were classified as part of "investing activities" in the consolidated statement of cash flows. This has been reclassified as "financing activities".

(e) During the period, the Group acquired property, plant and equipment with an aggregate cost of $23,863,000 (2016: $22,481,000) of which $114,000 (2016: $Nil) was acquired by means of finance leases and bank loan arrangements. Cash payments of $23,749,000 (2016: $22,481,000) were made to purchase property, plant and equipment.

(f) Due to the reclassification in (a) above, the "addition to service concession receivables", "addition to intangible assets" and "addition to property, plant and equipment" have been restated in the consolidated statement of cash flows.

The effects of the above restatement to the consolidated statement of financial position as at January 1, 2017 and the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows as at December 31, 2017 are disclosed in Note 47.

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15, which are effective at the same time.

Management has elected the following transition exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I) that occurred before January 1, 2017. The FRS carrying amounts of assets and liabilities determined in that business combination, that are required to be recognised under SFRS(I), are the deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with SFRS(I). Assets and liabilities that do not qualify for recognition under SFRS(I) are excluded from the opening SFRS(I) statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of SFRS(I) recognition requirements.

  SFRS(I) 1 also requires that the FRS carrying amount of goodwill must be used in the opening SFRS(I) statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with SFRS(I) 1, the Group has tested goodwill for impairment at the date of transition to SFRS(I). No additional goodwill impairment was deemed necessary at January 1, 2017.

- As permitted under SFRS(I) 1, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed using the transition provisions of SFRS(I) 15.

- The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on January 1, 2018. Accordingly, the requirements of FRS39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended December 31, 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

  As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliation of equity and total comprehensive income

The effects of transition to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15 are presented and explained below.

Group

(A) Impact on the Statement of Financial Position as at January 1, 2017 (date of transition to SFRS(I))

	December 31, 2016				January 1, 2017		
	As previously reported under FRS	Adjustments	(Note)	After restatement (under FRS)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000
Current assets							
Cash and bank balances	493,541	–		493,541	–		493,541
Trade receivables	240,414	–		240,414	(25,088)	(a)(b)	215,326
Service concession receivables	6,248	–		6,248	6,246	(c)	12,494
Other receivables and prepayments	141,233	–		141,233	(3,450)	(a)	137,783
Inventories	13,777	–		13,777	–		13,777
Prepaid leases	736	–		736	–		736
Assets classified as held for sale	55,645	–		55,645	–		55,645
Non-current assets							
Trade receivables	25,036	–		25,036	–		25,036
Contract assets	–	–		–	263,309	(b)(c)	263,309
Service concession receivables	597,191	200,502	46	797,693	(221,876)	(c)	575,817
Other receivables and prepayments	15,577	–		15,577	–		15,577
Prepaid leases	39,996	–		39,996	–		39,996
Associates	17,807	–		17,807	–		17,807
Property, plant and equipment	374,470	(267,648)	46	106,822	–		106,822
Goodwill	255,365	–		255,365	–		255,365
Intangible assets	271,894	67,146	46	339,040	(67,146)	(c)	271,894
Deferred tax assets	1,111	–		1,111	–		1,111

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliation of equity and total comprehensive income (cont'd)

Group (cont'd)

(A) Impact on the Statement of Financial Position as at January 1, 2017 (date of transition to SFRS(I)) (cont'd)

	December 31, 2016				January 1, 2017		
	As previously reported under FRS	Adjustments	(Note)	After restatement (under FRS)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000
Current liabilities							
Bank loans	76,499	–		76,499	–		76,499
Trade payables	310,048	–		310,048	(21,979)	(a)	288,069
Other payables	79,410	–		79,410	(4,323)	(a)	75,087
Finance leases	161	–		161	–		161
Income tax payable	30,534	–		30,534	(1,165)	(d)	29,369
Liabilities directly associated with assets classified as held for sale	31,953	–		31,953	–		31,953
Non-current liabilities							
Bank loans	256,868	–		256,868	–		256,868
Finance leases	169	–		169	–		169
Medium term notes	223,449	–		223,449	–		223,449
Deferred tax liabilities	45,432	–		45,432	(3,782)	(d)	41,650
Capital, reserves and non-controlling interests							
Share capital	608,063	–		608,063	–		608,063
Perpetual capital securities	481,250	–		481,250	–		481,250
General reserve	7,414	–		7,414	–		7,414
Capital reserve	2,096	–		2,096	–		2,096
Share option reserve	27,782	–		27,782	–		27,782
Currency translation reserve	(11,999)	1,239	46	(10,760)	(49)		(10,809)
Retained earnings	264,385	–		264,385	(16,320)		248,065
Non-controlling interests	116,527	(1,239)	46	115,288	(387)		114,901

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliation of equity and total comprehensive income (cont'd)

Group (cont'd)

(B) Impact on the Statement of Financial Position as at December 31, 2017 (end of last period reported under FRS) and January 1, 2018

	December 31, 2017							January 1, 2018		
	As previously reported under FRS	Adjust-ments	(Note)	After restatement (under FRS)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000	$'000		$'000
Current assets										
Cash and bank balances	631,304	–		631,304	–		631,304	–		631,304
Trade receivables	267,518	–		267,518	(29,822)	(a)(b)	237,696	(18,652)	(e)	219,044
Contract assets	–	–		–	23,402	(b)(c)	23,402	–		23,402
Service concession receivables	6,113	–		6,113	9,017	(c)	15,130	–		15,130
Other receivables and prepayments	204,550	–		204,550	(21,684)	(a)	182,866	(4,499)	(e)	178,367
Inventories	25,370	–		25,370	–		25,370	–		25,370
Prepaid leases	2,134	–		2,134	–		2,134	–		2,134
Assets classified as held for sale	55,546	–		55,546	–		55,546	–		55,546
Non-current assets										
Trade receivables	364,000	–		364,000	(205,335)	(a)(b)	158,665	–		158,665
Contract assets	–	–		–	428,225	(b)(c)	428,225	(6,112)	(e)	422,113
Service concession receivables	672,826	191,767	46	864,593	(224,603)	(c)	639,990	–		639,990
Other receivables and prepayments	32,163	–		32,163	–		32,163		–	32,163
Prepaid leases	85,850	–		85,850	–		85,850		–	85,850
Associates	29,720	–		29,720	–		29,720		–	29,720
Property, plant and equipment	720,545	(501,422)	46	219,123	–		219,123		–	219,123
Goodwill	255,365	–		255,365	–		255,365		–	255,365
Intangible assets	252,636	309,655	46	562,291	(309,655)	(c)	252,636		–	252,636
Available-for-sale investment	2,660	–		2,660	–		2,660	(2,660)	(f)	–
Financial assets at fair value through profit or loss	–	–		–	–		–	2,404	(f)	2,404
Deferred tax assets	470	–		470	–		470	7,379	(g)	7,849

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliation of equity and total comprehensive income (cont'd)

Group (cont'd)

(B) Impact on the Statement of Financial Position as at December 31, 2017 (end of last period reported under FRS) and January 1, 2018 (cont'd)

	December 31, 2017							January 1, 2018		
	As previously reported under FRS	Adjust-ments	(Note)	After restatement (under FRS)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)	Initial application of SFRS(I) 9	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000	$'000		$'000
Current liabilities										
Bank loans	197,070	–		197,070	–		197,070	–		197,070
Medium term notes	224,559	–		224,559	–		224,559	–		224,559
Trade payables	751,143	–		751,143	(241,801)	(a)	509,342	–		509,342
Other payables	92,807	–		92,807	(2,725)	(a)	90,082	–		90,082
Finance leases	116	–		116	–		116	–		116
Income tax payable	56,925	–		56,925	(15,618)	(d)	41,307	–		41,307
Liabilities directly associated with assets classified as held for sale	4,779	–		4,779	–		4,779	–		4,779
Non-current liabilities										
Bank loans	387,725	–		387,725	–		387,725	–		387,725
Finance leases	236	–		236	–		236	–		236
Deferred tax liabilities	52,294	–		52,294	(5,955)	(d)	46,339	–		46,339
Capital, reserves and non-controlling interests										
Share capital	622,741	–		622,741	–		622,741	–		622,741
Perpetual capital securities	717,600	–		717,600	–		717,600	–		717,600
General reserve	10,569	–		10,569	4,568		15,137	–		15,137
Capital reserve	6,073	–		6,073	–		6,073	–		6,073
Share option reserve	21,848	–		21,848	–		21,848	–		21,848
Currency translation reserve	(19,158)	3,758	46	(15,400)	(225)		(15,625)	–		(15,625)
Retained earnings	328,816	–		328,816	(66,593)		262,223	(22,140)		240,083
Non-controlling interests	152,627	(3,758)	46	148,869	(2,106)		146,763	–		146,763

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Reconciliation of equity and total comprehensive income (cont'd)

Group (cont'd)

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended December 31, 2017 (last financial year reported under FRS)

	As previously reported under FRS	Adjustments	(Note)	After restatement (under FRS)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000
Revenue	908,768	–		908,768	(231,595)	(a)	677,173
Other income	25,436	–		25,436	–		25,436
Changes in inventories	11,593	–		11,593	–		11,593
Material purchased, consumables used and subcontractors' fees	(595,011)	–		(595,011)	167,444	(a)	(427,567)
Employee benefits expenses	(56,492)	–		(56,492)	–		(56,492)
Depreciation and amortisation expenses	(23,886)	–		(23,886)	–		(23,886)
Other operating expenses	(64,391)	–		(64,391)	174	(a)	(64,217)
Finance costs	(33,971)	–		(33,971)	–		(33,971)
Share of profit of associates	4,836	–		4,836	–		4,836
Income tax expense	(49,537)	–		(49,537)	16,553	(d)	(32,984)
Profit for the year	127,345	–		127,345	(47,424)		79,921
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss							
Currency translation loss	(7,159)	–		(7,159)	(176)		(7,335)
Total comprehensive income attributable to:							
Owners of the Company	108,784	2,519	46	111,303	(45,881)		65,422
Non-controlling interests	11,402	(2,519)	46	8,883	(1,719)		7,164

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

(D) Impact on the Statement of Cash Flows for the year ended December 31, 2017 (last financial year reported under FRS)

	As previously reported under FRS	Adjust-ments	(Note)	After restatement (under FRS)	Adjust-ments	(Note)	Initial application of SFRS(I) 15	(Note)	As adjusted under SFRS(I)
	$'000	$'000		$'000	$'000		$'000		$'000
Profit before tax	176,882	–		176,882	–		(63,977)		112,905
Operating activities									
Exchange differences arising on foreign currency translation	23,465	(23,465)	46	–	–		–		–
Trade receivables	(366,466)	(6,129)	46	(372,595)	–		209,105	(e)	(163,490)
Contract assets	–	–		–	–		(184,826)	(e)	(184,826)
Other receivables and prepayments	(50,133)	(11,135)	46	(61,268)	–		18,076	(e)	(43,192)
Inventories	(11,607)	(148)	46	(11,755)	–		–		(11,755)
Trade payables	435,206	(247,836)	46	187,370	–		37,091	(e)	224,461
Other payables	13,424	12,550	46	25,974	–		1,727	(e)	27,701
Changes in receivables under service concession arrangements	–	–		–	(74,740)	(i)	(17,196)	(e)	(91,936)
Net cash from (used in) operating activities	225,100	(276,163)		(51,063)	(74,740)		–		(125,803)
Investing activities									
Addition to service concession receivables	(104,076)	29,336	46	(74,740)	74,740	(i)	–		–
Addition to intangible assets	(30,254)	9,848	46	(20,406)	–		–		(20,406)
Contribution from non-controlling shareholders	17,880	(17,880)	46	–	–		–		–
Addition to property, plant and equipment	(259,560)	235,811	46	(23,749)	–		–		(23,749)
Net cash used in investing activities	(526,338)	257,115		(269,223)	74,740		–		(194,483)
Financing activities									
Contribution from non-controlling shareholders	–	17,880	46	17,880	–		–		17,880
Addition of obligations under finance lease	114	(114)	46	–	–		–		–
Net cash from financing activities	448,701	17,766		466,467	–		–		466,467
Effect of exchange rate change on the balance of cash and cash equivalents held in foreign currencies	(9,700)	1,282	46	(8,418)	–		–		(8,418)

47 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (cont'd)

Notes to the reconciliations:

SFRS(I) 15

(a) Under FRS, revenue is recognised progressively for each environmental engineering contract by reference to the stage of completion of the contract activity at the balance sheet date. The Group has assessed each contract under the requirements of SFRS(I) 15 and concluded that the extent of performance obligations satisfied are different to depict the transfer of control. This resulted in a decrease in revenue and receivables and its corresponding costs and payables.

(b) Under SFRS(I) 15, revenue recognised prior to the date on which it has unconditional right and is invoiced to the customer is recognised as a contract asset. This balance was previously recognised as part of trade receivables and so has been reclassified to contract assets.

(c) Under SFRS(I) 15, waste water treatment and water supply plants under construction which are not completed are recognised as a contract asset over the period of construction to represent the Group's right to operate the plants. This balance was previously recognised as part of service concession receivables or intangible assets and so has been reclassified to contract assets.

(d) To recognise the impact on income tax of the adjustments recognised.

(e) To recognise the impact on the reclassifications within changes in working capital (operating cash flows).

SFRS(I) 9

(f) The application of the SFRS(I) 9 impairment requirements has resulted in additional loss allowance to be recognised.

(g) The Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale investments and were measured at fair value at each reporting date under FRS 39 have been designated as fair value through profit or loss ("FVTPL") under SFRS(I) 9.

(h) To recognise the impact on deferred income tax of the adjustments recognised.

Others

(i) In accordance with the application of SFRS(I) INT 12 *Service Concession Arrangements* and SFRS(I) 1-7 *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 the financial year ended December 31, 2017.

48 STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases*

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

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

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases that the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

The Group plans to adopt SFRS(I) 16 using the transition approach with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, January 1, 2019.

STATISTICS TO SHAREHOLDINGS

Shareholding Statistics As At 13 March 2019

Class of Shares	:	Ordinary Shares
Number of Shares	:	2,420,387,356
Voting rights	:	One vote per Share

Distribution Of Shareholders By Size Of Shareholdings As At 13 March 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1,158	22.86	43,246	0.00
100 - 1,000	1,168	23.05	414,353	0.02
1,001 - 10,000	1,582	31.23	7,451,185	0.31
10,001 - 1,000,000	1,124	22.19	75,816,687	3.13
1,000,001 and above	34	0.67	2,336,661,885	96.54
TOTAL	**5,066**	**100.00**	**2,420,387,356**	**100.00**

Free Float

Based on the information available to the Company, as at 13 March 2019, approximately 19.98% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Twenty Largest Shareholders As At 13 March 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHARES
1	CLSA SINGAPORE PTE LTD	1,842,336,294	76.12
2	NEW RESOURCES LLC	83,216,080	3.44
3	CITIBANK NOMINEES SINGAPORE PTE LTD	65,345,701	2.70
4	P&L CAPITAL LIMITED	62,098,410	2.57
5	GREEN RESOURCES LIMITED	57,121,334	2.36
6	MAYBANK KIM ENG SECURITIES PTE. LTD	36,140,985	1.49
7	LIN YUCHENG	32,305,600	1.33
8	GE HAILIN	26,922,656	1.11
9	RAFFLES NOMINEES (PTE) LIMITED	25,961,564	1.07
10	DBS NOMINEES PTE LTD	17,716,253	0.73
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	9,940,000	0.41
12	HSBC (SINGAPORE) NOMINEES PTE LTD	9,672,000	0.40
13	UOB KAY HIAN PTE LTD	8,204,150	0.34
14	TAN HUCHUAN	6,685,600	0.28
15	PHILLIP SECURITIES PTE LTD	5,740,758	0.24
16	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,245,892	0.22
17	RHB SECURITIES SINGAPORE PTE LTD	4,789,500	0.20
18	OCBC SECURITIES PRIVATE LTD	4,668,500	0.19
19	KGI SECURITIES (SINGAPORE) PTE. LTD	4,241,800	0.18
20	TAN SWEE TECK MICHAEL	3,249,000	0.13
	Total:	**2,311,602,077**	**95.51**

STATISTICS TO SHAREHOLDINGS

Substantial Shareholders As At 13 March 2019

	Number of Shares	Direct Interest (%) (1)	Number of Shares	Deemed Interest (%) (1)
CRF Envirotech Co., Ltd.	538,048,010	22.23	–	–
CRF Envirotech Fund L.P. (2)	–	–	538,048,010	22.23
China Reform Conson Soochow Overseas Fund I L.P. (3)	–	–	538,048,010	22.23
CRF Envirotech GP Ltd. (4)	–	–	538,048,010	22.23
China Reform Puissance Overseas GP L.P. (5)	–	–	538,048,010	22.23
China Reform Puissance Overseas Holdings Limited (6)	–	–	538,048,010	22.23
China Reform Overseas Feeder GP Ltd. (7)	–	–	538,048,010	22.23
China Reform Overseas Cayman Company Limited (8)	–	–	538,048,010	22.23
China Reform Fund Management Co., Ltd. (9)	–	–	538,048,010	22.23
Golden Bridge Capital Holdings Limited (10)	–	–	538,048,010	22.23
Soochow International Capital Limited (11)	–	–	538,048,010	22.23
Soochow Securities (Hong Kong) Financial Holdings Limited (12)	–	–	538,048,010	22.23
Soochow Securities Co., Ltd (13)	–	–	538,048,010	22.23
Bi Jingshuang (14)	–	–	538,048,010	22.23
Haitian (HK) Financial Development Limited (15)	–	–	538,048,010	22.23
Qingdao Conson Financial Holdings Co., Ltd. (16)	–	–	538,048,010	22.23
Qingdao Conson Development (Group) Co., Ltd. (17)	–	–	538,048,010	22.23
SASAC of the Qingdao Municipal Government (18)	–	–	538,048,010	22.23
CKM (Cayman) Company Limited (19)	–	–	1,304,288,284	53.89
CITIC Environment (International) Company Limited (20)	–	–	1,304,288,284	53.89
CITIC Environment Investment Group Co., Ltd. (21)	–	–	1,304,288,284	53.89
CITIC Corporation Limited (21)	–	–	1,304,288,284	53.89
CITIC Limited (21)	–	–	1,304,288,284	53.89
CITIC Group Corporation (21)	–	–	1,304,288,284	53.89
CENVIT (Cayman) Company Limited	1,304,288,284	53.89	–	–

Notes:

(1) There are 2,420,387,356 issued Shares as at 13 March 2019

(2) CRF Envirotech Fund L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of two-thirds of the voting power in CRF Envirotech Co., Ltd..

(3) China Reform Conson Soochow Overseas Fund I L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of one-third of the voting power in CRF Envirotech Co., Ltd..

(4) CRF Envirotech GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of CRF Envirotech Fund L.P..

(5) China Reform Puissance Overseas GP L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Conson Soochow Overseas Fund I L.P. and the parent company of CRF Envirotech GP Ltd..

(6) China Reform Puissance Overseas Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Puissance Overseas GP L.P..

(7) China Reform Overseas Feeder GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 25.5% of the voting power in China Reform Puissance Overseas Holdings Limited.

(8) China Reform Overseas Cayman Company Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Feeder GP Ltd..

(9) China Reform Fund Management Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Cayman Company Limited.

(10) Golden Bridge Capital Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 24.5% of the voting power in China Reform Puissance Overseas Holdings Limited.

(11) Soochow International Capital Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 22% of the voting power in China Reform Puissance Overseas Holdings Limited.

(12) Soochow Securities (Hong Kong) Financial Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow International Capital Limited.

(13) Soochow Securities Co., Ltd is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow Securities (Hong Kong) Financial Holdings Limited.

(14) Bi Jingshuang is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through his shareholding interest in Golden Bridge Capital Holdings Limited.

(15) Haitian (HK) Financial Development Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of 22% of the voting power in China Reform Puissance Overseas Holdings Limited.

(16) Qingdao Conson Financial Holdings Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Haitian (HK) Financial Development Limited.

(17) Qingdao Conson Development (Group) Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Qingdao Conson Financial Holdings Co., Ltd..

(18) SASAC of the Qingdao Municipal Government is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Qingdao Conson Development (Group) Co., Ltd..

(19) CKM (Cayman) Company is deemed interested in the Shares held by its subsidiary, CENVIT (Cayman) Company Limited.

(20) CITIC Environment (International) Company Limited is deemed interested in the Shares held by CKM (Cayman) Company Limited through its controlling interest in CKM (Cayman) Company Limited.

(21) These companies are deemed interested in the Shares held by CITIC Environment (International) Company Limited through their direct and indirect shareholding interest in CITIC Environment (International) Company Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Ballroom 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539, on 29 April 2019 at 10.00 a.m., to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the re-issued and restated Audited Financial Statements of the Company for the year ended 31 December 2016, together with the Directors' Statement and the Auditors Report thereon. **(Resolution 1)**

2. To receive and adopt the re-issued and restated Audited Financial Statements of the Company for the year ended 31 December 2017, together with the Directors' Statement and the Auditors Report thereon. **(Resolution 2)**

3. To receive and adopt the Audited Financial Statements of the Company for the year ended 31 December 2018 and the Directors' Report and the Auditors Report thereon. **(Resolution 3)**

4. To declare a Final tax-exempt (one-tier) Dividend of 0.75 Singapore cents per ordinary share for the financial year ended 31 December 2018. **(Resolution 4)**

5. To re-elect Mr. Zhang Yong, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 5)**

6. To re-elect Mr. Lee Suan Hiang, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 6)**

   Mr. Lee Suan Hiang, if re-appointed will remain as an Independent Director as well as the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

7. To re-elect Mr. Tay Beng Chuan, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 7)**

   Mr. Tay Beng Chuan, if re-appointed will remain as an Independent Director as well as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

8. To approve the payment of additional Directors' fee amounting to S$52,500/- for the financial year ended 31 December 2018. **(Resolution 8)**

9. To approve the payment of Directors' fee amounting to S$450,000/- for the financial year ending 31 December 2019. **(Resolution 9)**

10. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 10)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

11. **AUTHORITY TO ALLOT SHARES**

    (a) That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(Resolution 11)
(See Explanatory Note 1)

12. **RENEWAL OF SHARE PURCHASE MANDATE**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases on the Singapore Exchange Securities Trading Limited or off-market purchases on an equal access scheme as may be determined or formulated by the Directors as they consider fit) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of the Annual General Meeting of the Company at such price(s) as may be determined by the Directors from time to time up to but not exceeding the Maximum Price (as defined in the Company's circular to shareholders dated 12 April 2019), and this authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company, the date on which Share Purchases are carried out to the full extent mandated, or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 12)
(See Explanatory Note 2)

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders to the Final Dividend (the "Proposed Final Dividend) being obtained at the Annual General Meeting (the "AGM") to be held on 29 April 2019, the Share Transfer Books and the Register of Members of the Company will be closed on 9 May 2019 for the purpose of determining Members' entitlements to the Proposed Final Dividend.

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 8 May 2019 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 will be entitled to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 8 May 2019 will be entitled to the Proposed Final Dividend.

The Proposed Final Dividend, if approved at the AGM, will be paid on 22 May 2019.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

Singapore, 12 April 2019

EXPLANATORY NOTE 1

The ordinary resolution in item no. 11 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

EXPLANATORY NOTE 2

The Company intends to use internal sources of funds, or a combination of internal sources of funds and external borrowings, to finance purchases or acquisitions of shares of the Company ("Shares") pursuant to the share purchase mandate. The Directors do not propose to carry out purchases pursuant to the share purchase mandate to such an extent that would, or in the circumstances that might, result in a material adverse effect on the financial position (including working capital and gearing) of the group as a whole and/or affect the listing status of the Company on the SGX-ST. The amount of financing required for the Company to purchase or acquire its shares and the impact on the Company's financial position cannot be ascertained as at the date of this Notice as these will depend on, inter alia, whether the shares are purchased out of capital or profits of the Company, the price paid for such shares, the aggregate number of shares purchased or acquired. An illustration of the financial impact of the share purchases by the Company pursuant to the share purchase mandate on the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018 is set out in the Company's circular to shareholders dated 12 April 2019. Shareholders should note that the financial effects set out therein are purely for illustrative purposes only.

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. A member of the Company (other than a member who is a relevant intermediary as defined in Note 2 below) shall not be entitled to appoint more than two proxies to attend and vote at the Annual General Meeting on his behalf. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy needs not be a member of the Company.

2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorised officer on behalf of the corporation

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

PERSONAL DATA POLICY

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr. Zhang Yong, Mr. Lee Suan Hiang and Mr. Tay Beng Chuan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2019 ("**AGM**") (collectively, the "Retiring Directors" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
Date of Appointment	24 April 2015	19 January 2011	1 October 2008
Date of last re-appointment	27 April 2017	27 April 2017	27 April 2016
Age	56	69	80
Country of principal residence	China	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Zhang Yong for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr. Zhang Yong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Lee Suan Hiang for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr. Lee Suan Hiang possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Tay Beng Chuan for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr. Tay Beng Chuan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Non-Executive Director, Chairman of the Remuneration Committee and Member of the Audit Committee and Nominating Committee.	Independent Non-Executive Director, Chairman of the Nominating Committee, Member of the Remuneration Committee and Audit Committee.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
Professional qualifications	Bachelor degree from Beijing University of Technology and MBA degree from Chinese University of Hong Kong. He holds Chinese Senior Accountant Title.	BA (Hons) Industrial Design (Engineering) Manchester Polytechnic, UK. Colombo Plan Scholar. He also attended the Leaders in Administration Programme at Singapore Civil Service College in 1997, the Advanced Management Programme at Harvard University in 1998 and the International Executive Programme at INSEAD in 1988. He is also a Fellow of the Singapore Institute of Directors, the Chartered Management Institute,UK and the Chartered Institute of Marketing, UK.	Diploma of Commerce from the Gordon Technical Institute in Geelong, Victoria, Australia.
Working experience and occupation(s) during the past 10 years	Mr. Zhang is the Vice President of CITIC Environment. He has worked for the CITIC Group for almost 20 years and served in various leadership and management positions. He has been significantly involved with the approval and financing processes of many investment projects undertaken by CITIC Environment, and has played an important role in implementing the corporate strategy and planning for CITIC Environment.	Chief Executive Officer of National Arts Council (2001-2003), Chief Executive of Productivity & Standards Board (1996-2001), Chief Executive of National Productivity Board and Singapore Institute of Standards and Industrial Research (1995-1996); and as Deputy Managing Director of Economic Development Board (1993-1995). He was also Chief Executive Officer of Real Estate Developers' Association of Singapore (2011-2016).	October 1997 till present- Member, The Singapore Parliamentary Society 7 February 2007 till 31 March 2014 - Chairman, Traditional Chinese Medicine Practitioners Board (TCMPB) (Appointed by the Minister of Health) 1 December 2015 till 31 March 2018- Member, TCM Advisory Board Committee, Academy of Chinese Medicine Singapore (ACMS) 18 July 2013 till present-Member, TCM Research Advisory Committee (TRAC) 2005 till present-Honorary President, Singapore Chinese Chamber of Commerce & Industry (SCCCI) 2004 till present- Member, Board of Governors Singapore Hokkien Huay Kuan
Shareholding interest in the listed issuer and its subsidiaries	No	Direct interest in shares: 721,000 Deemed interest in shares: 800,000	Direct interest in shares: 2,250,000

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of Interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments Including Directorships Past (for the last 5 years)	December 2015 till March 2017 - Director of CITIC Investment Holdings Limited January 2005 till March 2018 - Director of Beijing CITI-BEN GS Product Co., Ltd January 2016 till October 2017 - Chairman of Xi'an Silk Road (Sheraton) Hotel Co., Ltd. March 2006 till April 2017 - Director of CITIC Min Xin Bioengineering Co., Ltd	Chairman of Anacle Systems Ltd; and Independent Director of Viking Offshore and Marine Ltd; Perennial Real Estate Holdings Ltd; United Engineers Ltd; and MindChamps PreSchool Ltd. Past Directorships in Listed Companies: Memstar Technology Ltd; Advance SCT Ltd.	October 1997 till present- Member, The Singapore Parliamentary Society 1 December 2015 till 31 March 2018- Member, TCM Advisory Board Committee, Academy of Chinese Medicine Singapore (ACMS) 18 July 2013 till present- Member, TCM Research Advisory Committee (TRAC) 2005 till present- Honorary President, Singapore Chinese Chamber of Commerce & Industry (SCCCI) 2004 till present- Member, Board of Governors - Singapore Hokkien Huay Kuan More than 5 years till present – Honorary President, The Singapore Buddhist Lodge

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
			Honorary President/ Advisor, Yuying Secondary School Alumni Advisor, Leong Khay Huay Kuan Vice Chairman, The Management Committee of The Tan Kah Kee Foundation Director, Winnow Investments Pte Ltd, Ocean Navigation Pte Ltd, Uni-Ocean Tankers Pte Ltd, Premium Funding Singapore Pte Ltd., Alor Star Shipping Pte Ltd 26 October 2010 till 2017 - Independent Director, Kino Biotech Co Ltd 1 October 2008 till present-Independent Director, United Envirotech Ltd (renamed Citic Envirotech Ltd) September 1999 till present - Honorary President, Beijing Chinese Overseas Friendship Association
Present	Director of CITIC Environment Investment Group Co Ltd (2015.4-present) Director of CITIC Environment (International) Company Limited (2014.1-present) Director of CKM (Cayman) Company Limited (2014.1-present) Director of CENVIT (Cayman) Company Limited (2014.1-present) Director of Singapore Envirotech Accelerator Pte Ltd (2017.1-present)	Current President of The EDB Society and Chairman of Global Cultural Alliance Ltd.	Member, The Singapore Parliamentary Society Member, TCM Research Advisory Committee (TRAC) Patron, Eunos CCC Honorary President, Singapore Chinese Chamber of Commerce & Industry (SCCCI) Member, Board of Governors – Singapore Hokkien Huay Kuan Honorary President, The Singapore Buddhist Lodge

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
	Chairman of CITIC Financial Holding Management Co., Ltd (2016.1-present)		Honorary President/Advisor, Yuying Secondary School Alumni Advisor, Leong Khay Huay Kuan Vice Chairman, The Management Committee of The Tan Kah Kee Foundation Honorary President, Beijing Chinese Overseas Friendship Association Independent Director – Citic Envirotech Ltd Director, Winnow Investments Pte Ltd, Ocean Navigation Pte Ltd, Uni-Ocean Tankers Pte Ltd, Premium Funding Singapore Pte Ltd, Alor Star Shipping Pte Ltd
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
c) Whether there is any unsatisfied judgment against him?	No	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	In May 2015, Mr Lee received a supervisory warning by the MAS in respect of his failure to notify a listed corporation (of which he was a director) of changes in his interest in the securities of the corporation within two business days of his acquisition of an interest, as required under section 133 of the SFA. In the letter issued by the MAS, the MAS indicated its position not to take further regulatory action in respect of this matter.	In October 2014, Mr Tay received a supervisory warning by the MAS in respect of his failure to notify a listed corporation (of which he was a director) of changes in his interest in the securities of the corporation within two business days of his acquisition of an interest, as required under section 133 of the SFA.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR. ZHANG YONG	MR. LEE SUAN HIANG	MR. TAY BENG CHUAN
Disclosure applicable to the appointment of Director only			
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.

LIST OF PROPERTIES HELD BY THE GROUP

1. No. 88, Jalan Mutiara Emas 7/5, Taman Mount Austin, 81100, Johor Bahru, Johor, Malaysia
2. 11 Kian Teck Drive Singapore 628828
3. No. 249 Pioneering Road, Science & Technology Venture Park, Mianyang City 621000, Sichuan, China
4. No. 18 Wuyi Road, Sutong Science and Technology Park, Nantong 226017, Jiangsu, China
5. No. 3655 Pollok Drive, Conroe, Texas 77303

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CITIC Envirotech Ltd.

(Incorporated in the Republic of Singapore)
(Company Registration No. 200306466G)

IMPORTANT:

1. For investors who have used their CPF monies to buy CITIC Envirotech Ltd. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We ______________________ (Name), ______________________ (NRIC/Passport),

of ____

being * a member/members of CITIC Envirotech Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Ballroom 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on 29 April 2019 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the re-issued and restated Audited Financial Statements for the financial year ended 31 December 2016 and the Directors Statement and Auditors Report thereon		
2.	To receive and adopt the re-issued and restated Audited Financial Statements for the financial year ended 31 December 2017 and the Directors Statement and Auditors Report thereon		
3.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors Statement and Auditors Reports thereon.		
4.	To approve a Final tax-exempt (one-tier) Dividend of 0.75 Singapore cents per ordinary share for the year ended 31 December 2018		
5.	To re-elect Mr. Zhang Yong as a Director of the company pursuant to Article 91 of the Company's Constitution.		
6.	To re-elect Mr. Lee Suan Hiang as a Director of the company pursuant to Article 91 of the Company's Constitution.		
7.	To re-elect Mr Tay Beng Chuan as a Director of the Company pursuant to Article 91 of the Company's Constitution.		
8.	To approve the payment of additional Directors' fees of S$52,500/- for the financial year ended 31 December 2018.		
9.	To approve the payment of Directors' fees of S$450,000/- for the financial year ending 31 December 2019.		
10.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
11.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		
12.	To approve the renewal of a share purchase mandate		

Dated this __________ day of ______________ 2019

Total Number of Shares Held

____

Signature(s) of Member(s)/Common Seal
** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this Proxy Form as invalid.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member'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.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.
3. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #02-00, Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.

AFFIX
STAMP

The Company Secretary

CITIC ENVIROTECH LTD.

80 Robinson Road #02-00
Singapore 068898

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中信环境技术
CITIC ENVIROTECH

Company Registration No: 200306466G

10 Science Park Road #01-01
The Alpha Singapore 117684
Tel: (65) 6774 7298
Fax : (65) 6774 8920
www.citicenvirotech.com