中信环境技术
CITIC ENVIROTECH

CITIC ENVIROTECH LTD.
AND ITS SUBSIDIARIES

(Registration No. 200306466G)

Directors' Statement and Financial Statements

Financial Year Ended December 31, 2017

C O N T E N T S

The directors present their statement together with the audited revised 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, 2017.

This new directors' statement replaces the original directors' statement signed on February 27, 2018. This new directors' statement and the revised financial statements have been prepared in accordance with Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018.

The bases for revisions are explained in Note 44 to the revised financial statements. This new directors' statement is taken as having been prepared on the date of the original directors' statement and accordingly, does not consider those events occurring between February 28, 2018 and March 8, 2019.

In the opinion of the directors,

(a) the revised 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 17 to 145 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, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year covered by the original consolidated financial statements; and

(b) as at the date of the original directors' statement (February 27, 2018), there were reasonable grounds to believe that the Company would be able to pay its debts as and when they fell 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, 2017 (Pre-split)	At December 31, 2017 (Post-split)	At January 21, 2018 (Post-split)
The Company - Ordinary shares			
Dr Lin Yucheng (deemed interest)	42,840,667	85,681,334	85,681,334
Lee Suan Hiang	360,500	721,000	721,000
Lee Suan Hiang (deemed interest)	400,000	800,000	800,000
Tay Beng Chuan	1,125,000	2,250,000	2,250,000
Yeung Koon Sang @ David Yeung	600,000	1,200,000	1,200,000
Bi Jingshuang (deemed interest)	269,024,005	538,048,010	538,048,010
The Company - Share options			
Dr Lin Yucheng	15,000,000	30,000,000	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, 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*

(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, 2017 (Post-split)	Cancelled	Exercised	Balance at December 31, 2017 (Post-split)	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	66,985,000	-	(29,172,000)	37,813,000	$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	10,200,000	-	(4,003,800)	6,196,200	$0.5675	25.7.2016 to 25.7.2024
Total	107,185,000	-	(33,175,800)	74,009,200		

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 (Post-split)	Aggregate options exercised since commencement of the Scheme to the end of the financial year (Post-split)	Aggregate options lapsed/ cancelled since commencement of the Scheme to the end of financial year (Post-split)	Aggregate options outstanding as at the end of financial year (Post-split)
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	-	22,000,000	(10,026,000)	-	11,974,000
Li Li	-	22,000,000	(16,719,000)	-	5,281,000
Wang Ning	-	14,000,000	(4,928,000)	-	9,072,000

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, and Tay Beng Chuan. 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, 2017. 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;

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

c) 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;

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

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

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

g) interested person transactions; and

h) 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.

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 Revised Financial Statements

Opinion

We have audited the revised 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, 2017, 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 revised financial statements, including a summary of significant accounting policies, as set out on pages 17 to 145. The revised financial statements replace the original financial statements approved by the directors on February 27, 2018.

In our opinion, the accompanying revised 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") as they have effect under the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-sheet) Regulations 2018 (the "Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view, seen as at the date of the original financial statements, of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2017 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 Revised 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 revised 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.

Other Audit Matters – Revision Made Under the Regulations

We draw attention to Note 44 to these revised financial statements which describes the nature and effects of the revision to the consolidated financial statements for the financial year ended December 31, 2017. The original financial statements were approved by the directors on February 27, 2018 and we dated our original auditor's report on the original financial statements on that date.

The revised financial statements have been prepared in accordance with the Regulations and accordingly do not deal with events which have taken place after the date on which the original financial statements were approved. Consequently, our procedures on subsequent events are restricted solely to the revisions described in Note 44 to these revised financial statements and we have not performed procedures in relation to events occurring between the date of our original auditor's report and the date of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the revised financial statements of the current year. These matters were addressed in the context of our audit of the revised 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 three operating segments, namely (1) Environmental engineering, (2) Water treatment, and (3) Membrane manufacturing and sales. 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. **Accounting for revenue from the environmental engineering segment** As an engineering, procurement and construction ("EPC") contractor, 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 that contract costs incurred for work performed to date against the estimated total contract costs. 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.	Our audit approach included the following substantive procedures: • We evaluated the Group's process in assessing the applicability of INT FRS 112 and reviewed the associated agreements to assess whether these agreements are properly identified to be service concession arrangement within the scope of INT FRS 112; • We evaluated the design and tested the implementation of business process controls over each of the Group's different revenue streams. In particular, for the environmental 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 challenged management in respect of the estimated total contract costs by comparing previous cost estimates against actual results; 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.

Key Audit Matters	Our audit performed and responses thereon
Accounting for revenue from service concession arrangements The Group's business in the water treatment segment is highly dependent on the service concession arrangements entered into with the local government authorities in the People's Republic of China. INT FRS 112 *Service Concession Arrangements* ("INT FRS 112") is applied in the Group's recognition of revenue from water treatment service from service concession arrangements. Specifically, we have identified the determination of whether the service concessions arrangements fall under the scope of INT FRS 112 for new service concession contracts as a significant risk. This could mean that the Group may inappropriately recognise the consideration received from the local government authorities in exchange for the construction services as financial asset and/or intangible asset for service concession arrangements within the scope of INT FRS 112. As disclosed in Notes 8, 17 and 30 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 INT FRS 112. 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 30 to the financial statements.	

Key Audit Matters	Our audit performed and responses thereon
Impairment of Assets - goodwill, intangible assets and service concession receivables Under FRSs, the Group is required to annually perform impairment testing for goodwill, and for intangible assets and service concession receivables where there are indicators of impairment such as absence of available customer or lower than projected volume of water treated. This assessment requires the exercise of significant judgement in determining the recoverable values of the cash generating units ("CGUs"), including growth rate, discount rates, terminal values and expected changes to selling prices and direct costs. For the Group's water 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 impairment of the Group's service concession receivables. These assets represent a significant portion of the Group's total assets and their proportion as at December 31, 2017 as follows: • Goodwill *(7% of Group's total assets)* • Intangible assets *(16% of Group's total assets)* • Service concession receivables (*24% of Group's total assets)* The key assumptions to the goodwill and intangible assets impairment test are disclosed in Notes 16 and 17 to the financial statements.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in concluding the impairment review. These procedures included: • Using our valuation specialists to review key assumptions used in the impairment analysis, in particular the discount rates and terminal growth rate; • 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.

Key Audit Matters	Our audit performed and responses thereon
Collectability of and Impairment Allowances for Receivables As at December 31, 2017, trade receivables comprise 17% of the Group's total assets. The trade receivables portfolio comprise receivables arising from the Group's environmental engineering, water treatment as well as membrane segments. This represents a significant proportion of the Group's working capital. Furthermore, the balance of receivables aged more than 1 year is 9% of the trade receivables account. 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, collectability of receivables is considered to be a key matter for the Group. As for the allowance for impairment of 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 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 Group 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. The trade receivables balance, credit terms and aging as well as the Group's policy on impairment of 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 impairment indicators; • We evaluated management's continuous assessment of the appropriateness of assumptions used in the impairment 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 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 allowance has been provided to write down the carrying amount to recoverable amount.

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

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the revised financial statements and our auditor's report thereon.

Our opinion on the revised 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 revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised 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 Revised Financial Statements

Management is responsible for the preparation of revised financial statements that give a true and fair view in accordance with the provisions of the Act as they have effect under the Regulations and FRSs, 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 revised financial statements and to maintain accountability of assets.

In preparing the revised financial statements, management is responsible for assessing the Group's ability to continue as a going concern, as made up to the date of the original financial statements, 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 Revised Financial Statements

Our objectives are to obtain reasonable assurance about whether the revised 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 revised 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 revised 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 revised 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 original 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 revised financial statements, including the disclosures, and whether the revised 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 revised consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

(g) Obtain sufficient appropriate audit evidence about whether the revisions made under the Regulations are appropriately reflected in these revised financial statements.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the revised 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

	Note	Group			Company		
		December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
		$'000	$'000	$'000	$'000	$'000	$'000
ASSETS		(Revised)	(Restated)	(Restated)			
Current assets							
Cash and bank balances	6	631,304	493,541	540,466	259,081	110,426	198,024
Trade receivables	7	267,518	240,414	218,323	-	-	-
Service concession receivables	8	6,113	6,248	4,342	-	-	-
Other receivables and prepayments	9	204,550	141,233	163,691	918,580	851,053	732,231
Inventories	10	25,370	13,777	10,570	-	-	-
Prepaid leases	11	2,134	736	766	-	-	-
		1,136,989	895,949	938,158	1,177,661	961,479	930,255
Assets classified as held for sale	12	55,546	55,645	34,582	-	-	-
Total current assets		1,192,535	951,594	972,740	1,177,661	961,479	930,255
Non-current assets							
Trade receivables	7	364,000	25,036	4,687	-	-	-
Service concession receivables	8	864,593	797,693	549,823	-	-	-
Other receivables and prepayments	9	32,163	15,577	16,293	-	-	-
Prepaid leases	11	85,850	39,996	36,704	-	-	-
Subsidiaries	13	-	-	-	595,233	413,323	279,023
Associates	14	29,720	17,807	10,608	10,588	10,588	10,611
Property, plant and equipment	15	219,123	106,822	97,206	309	182	249
Goodwill	16	255,365	255,365	255,365	-	-	-
Intangible assets	17	562,291	339,040	228,943	200	200	200
Available-for-sale investment	18	2,660	-	-	-	-	-
Deferred tax assets	19	470	1,111	517	-	-	-
Total non-current assets		2,416,235	1,598,447	1,200,146	606,330	424,293	290,083
Total assets		3,608,770	2,550,041	2,172,886	1,783,991	1,385,772	1,220,338

STATEMENTS OF FINANCIAL POSITION (CONT'D)

December 31, 2017

		Group			Company		
	Note	December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
		$'000	$'000	$'000	$'000	$'000	$'000
LIABILITIES AND EQUITY		(Revised)	(Restated)	(Restated)			
Current liabilities							
Bank loans	20	197,070	76,499	237,141	-	-	-
Medium term notes	24	224,559	-	97,700	224,559	-	97,700
Trade payables	21	751,143	310,048	140,708	-	-	-
Other payables	22	92,807	79,410	52,641	172,883	15,064	21,071
Finance leases	23	116	161	180	39	17	17
Income tax payable		56,925	30,534	25,054	-	-	-
		1,322,620	496,652	553,424	397,481	15,081	118,788
Liabilities directly associated with assets classified as held for sale	12	4,779	31,953	31,238	-	-	-
Total current liabilities		1,327,399	528,605	584,662	397,481	15,081	118,788
Non-current liabilities							
Bank loans	20	387,725	256,868	188,610	-	-	-
Finance leases	23	236	169	256	139	66	83
Medium term notes	24	-	223,449	222,226	-	223,449	222,226
Deferred tax liabilities	19	52,294	45,432	36,376	-	-	-
Total non-current liabilities		440,255	525,918	447,468	139	223,515	222,309
Capital, reserves and non-controlling interests							
Share capital	25	622,741	608,063	607,973	622,741	608,063	607,973
Perpetual capital securities	26	717,600	481,250	242,055	717,600	481,250	242,055
General reserve	27	10,569	7,414	5,330	-	-	-
Capital reserve	28	6,073	2,096	2,096	-	-	-
Share option reserve	29	21,848	27,782	20,445	21,848	27,782	20,445
Currency translation reserve	28	(15,400)	(10,760)	29,786	(13,005)	7,160	4,415
Retained earnings		328,816	264,385	193,971	37,187	22,921	4,353
Equity attributable to owners of the Company		1,692,247	1,380,230	1,101,656	1,386,371	1,147,176	879,241
Non-controlling interests		148,869	115,288	39,100	-	-	-
Total equity		1,841,116	1,495,518	1,140,756	1,386,371	1,147,176	879,241
Total liabilities and equity		3,608,770	2,550,041	2,172,886	1,783,991	1,385,772	1,220,338

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial year ended December 31, 2017

	Note	2017	2016
		$'000	$'000
Revenue	30	908,768	544,555
Other income	31	25,436	19,319
Changes in inventories		11,593	3,207
Material purchased, consumables used and subcontractors' fees		(595,011)	(281,153)
Employee benefits expense	33	(56,492)	(50,054)
Depreciation and amortisation expenses	33	(23,886)	(22,182)
Other operating expenses		(64,391)	(49,576)
Finance costs	32	(33,971)	(39,573)
Share of profit of associates	14	4,836	6,814
Profit before income tax	33	176,882	131,357
Income tax expense	34	(49,537)	(29,401)
Profit for the year		127,345	101,956
Profit for the year attributable to:			
Owners of the Company		115,943	99,312
Non-controlling interests		11,402	2,644
		127,345	101,956
Earnings per share (cents):			
Basic	35	3.98	3.40
Diluted	35	3.84	3.24

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

Financial year ended December 31, 2017

	2017	2016
	$'000	$'000
	(Revised)	(Restated)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation loss	(7,159)	(41,877)
Other comprehensive income for the year, net of tax	(7,159)	(41,877)
Total comprehensive income for the year	120,186	60,079
Total comprehensive income attributable to:		
Owners of the Company	111,303	58,766
Non-controlling interests	8,883	1,313
	120,186	60,079

See accompanying notes to financial statements.

	Share capital	Perpetual capital securities	General reserve	Capital reserve	Share option reserve	Convertible bonds reserve	Currency translation reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000 (Restated)	$'000
Group											
Balance at April 1, 2015	484,125	-	4,469	2,096	13,515	8,707	34,932	160,816	708,660	32,685	741,345
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	40,762	40,762	1,848	42,610
Other comprehensive income for the Year (restated)	-	-	-	-	-	-	(5,146)	-	(5,146)	92	(5,054)
Total (restated)	-	-	-	-	-	-	(5,146)	40,762	35,616	1,940	37,556
Transactions with owners, recognised directly in equity											
Incorporation of subsidiaries (Note 13)	-	-	-	-	-	-	-	-	-	2,009	2,009
Acquisition of subsidiaries (Note 40)	-	-	-	-	-	-	-	-	-	2,466	2,466
Recognition of share-based payment (Note 29)	-	-	-	-	6,930	-	-	-	6,930	-	6,930
Issuance of shares capital	47,562	-	-	-	-	-	-	-	47,562	-	47,562
Issuance of perpetual capital securities (Note 26)	-	242,055	-	-	-	-	-	-	242,055	-	242,055
Issuance of shares on conversion of convertible bonds	67,489	-	-	-	-	(8,707)	-	-	58,782	-	58,782
Issuance of shares on exercise of ESOS (Note 25)	8,797	-	-	-	-	-	-	-	8,797	-	8,797
Transfer to general reserve (Note 27)	-	-	861	-	-	-	-	(861)	-	-	-
Dividends (Note 36)	-	-	-	-	-	-	-	(6,746)	(6,746)	-	(6,746)
Total	123,848	242,055	861	-	6,930	(8,707)	-	(7,607)	357,380	4,475	361,855
Balance at December 31, 2015 (restated)	607,973	242,055	5,330	2,096	20,445	-	29,786	193,971	1,101,656	39,100	1,140,756

Group	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserve $'000	Currency translation reserve $'000 (Restated)	Retained earnings $'000	Attributable to owners of the Company $'000 (Restated)	Non-controlling interests $'000 (Restated)	Total $'000
Balance at January 1, 2016 (restated)	607,973	242,055	5,330	2,096	20,445	29,786	193,971	1,101,656	39,100	1,140,756
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	99,312	99,312	2,644	101,956
Other comprehensive income for the year (restated)	-	-	-	-	-	(40,546)	-	(40,546)	(1,331)	(41,877)
Total (restated)	-	-	-	-	-	(40,546)	99,312	58,766	1,313	60,079
Transactions with owners, recognised directly in equity										
Incorporation of subsidiaries (Note 13)	-	-	-	-	-	-	-	-	72,426	72,426
Acquisition of subsidiaries (Note 40)	-	-	-	-	-	-	-	-	3,144	3,144
Disposal of subsidiaries (Note 41)	-	-	-	-	-	-	-	-	(695)	(695)
Recognition of share-based payment (Note 29)	-	-	-	-	7,337	-	-	7,337	-	7,337
Issuance of perpetual capital securities (Note 26)	-	242,037	-	-	-	-	-	242,037	-	242,037
Perpetual capital securities issuance costs (Note 26)	-	(2,842)	-	-	-	-	-	(2,842)	-	(2,842)
Issuance of shares on exercise of ESOS (Note 25)	90	-	-	-	-	-	-	90	-	90
Transfer to general reserve (Note 27)	-	-	2,084	-	-	-	(2,084)	-	-	-
Dividends (Note 36)	-	-	-	-	-	-	(26,814)	(26,814)	-	(26,814)
Total	90	239,195	2,084	-	7,337	-	(28,898)	219,808	74,875	294,683
Balance at December 31, 2016 (restated)	608,063	481,250	7,414	2,096	27,782	(10,760)	264,385	1,380,230	115,288	1,495,518

	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
Group	$'000	$'000	$'000	$'000	$'000	$'000 (Revised)	$'000	$'000 (Revised)	$'000 (Revised)	$'000
Balance at January 1, 2017 (restated)	608,063	481,250	7,414	2,096	27,782	(10,760)	264,385	1,380,230	115,288	1,495,518
Total comprehensive income for the year										
Profit for the year	-	-	-	-	-	-	115,943	115,943	11,402	127,345
Other comprehensive income for the year (revised)	-	-	-	-	-	(4,640)	-	(4,640)	(2,519)	(7,159)
Total (revised)	-	-	-	-	-	(4,640)	115,943	111,303	8,883	120,186
Transactions with owners, recognised directly in equity										
Incorporation of subsidiaries (Note 13)	-	-	-	-	-	-	-	-	17,880	17,880
Acquisition of subsidiaries (Note 40)	-	-	-	-	-	-	-	-	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 29)	-	-	-	-	1,633	-	-	1,633	-	1,633
Issuance of perpetual capital securities (Note 26)	-	240,000	-	-	-	-	-	240,000	-	240,000
Perpetual capital securities issuance costs (Note 26)	-	(3,650)	-	-	-	-	-	(3,650)	-	(3,650)
Issuance of shares on exercise of ESOS (Note 25)	17,891	-	-	-	(7,567)	-	-	10,324	-	10,324
Shares buy-back and cancellation of shares (Note 25)	(3,213)	-	-	-	-	-	-	(3,213)	-	(3,213)
Transfer to general reserve (Note 27)	-	-	3,155	-	-	-	(3,155)	-	-	-
Dividends (Note 36)	-	-	-	-	-	-	(48,357)	(48,357)	-	(48,357)
Total	14,678	236,350	3,155	3,977	(5,934)	-	(51,512)	200,714	24,698	225,412
Balance at December 31, 2017 (revised)	622,741	717,600	10,569	6,073	21,848	(15,400)	328,816	1,692,247	148,869	1,841,116

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Financial year ended December 31, 2017

	Share capital	Perpetual capital securities	Share option reserve	Currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
<u>Company</u>						
Balance at January 1, 2016	607,973	242,055	20,445	4,415	4,353	879,241
Total comprehensive income for the year						
Profit for the year	-	-	-	-	45,382	45,382
Other comprehensive income for the year	-	-	-	2,745	-	2,745
Total	-	-	-	2,745	45,382	48,127
Transactions with owners, recognised directly in equity						
Recognition of share-based payment (Note 29)	-	-	7,337	-	-	7,337
Issuance of perpetual capital securities (Note 26)	-	242,037	-	-	-	242,037
Perpetual capital securities issuance costs (Note 26)	-	(2,842)	-	-	-	(2,842)
Issuance of shares on exercise of ESOS (Note 25)	90	-	-	-	-	90
Dividends (Note 36)	-	-	-	-	(26,814)	(26,814)
Total	90	239,195	7,337	-	(26,814)	219,808
Balance at December 31, 2016	608,063	481,250	27,782	7,160	22,921	1,147,176

	Share capital	Perpetual capital securities	Share option reserve	Currency translation reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'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 29)	-	-	1,633	-	-	1,633
Issuance of perpetual capital securities (Note 26)	-	240,000	-	-	-	240,000
Perpetual capital securities issuance costs (Note 26)	-	(3,650)	-	-	-	(3,650)
Issuance of shares on exercise of ESOS (Note 25)	17,891	-	(7,567)	-	-	10,324
Shares buy-back and cancellation of shares (Note 25)	(3,213)	-	-	-	-	(3,213)
Dividends (Note 36)	-	-	-	-	(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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Financial year ended December 31, 2017

	2017	2016
	$'000	$'000
	(Revised)	(Restated)
Operating activities		
Profit before income tax	176,882	131,357
Adjustments for:		
Loss (Gain) on disposal of a subsidiary	781	(873)
(Gain) Loss on disposal of property, plant and equipment	(12)	26
Loss on disposal of service concession receivables	-	2,043
Impairment loss on non-current assets held-for-sale	-	2,494
Interest income	(3,466)	(3,138)
Interest expense	33,971	39,573
Share of profit of associates	(4,836)	(6,814)
Depreciation and amortisation expenses	23,886	22,182
Share option expenses	1,633	7,337
Impairment loss on trade receivables	2,577	1,028
Impairment loss reversed on trade receivables	(61)	-
Operating cash flows before movements in working capital	231,355	195,215
Trade receivables	(372,595)	(61,173)
Other receivables and prepayments	(61,268)	13,769
Inventories	(11,755)	(3,594)
Trade payables	187,370	(174,845)
Other payables	25,974	53,052
Cash (used in) generated from operations	(919)	22,424
Interest received	3,466	3,138
Interest paid	(34,658)	(38,539)
Income tax paid	(18,952)	(14,581)
Net cash used in operating activities	(51,063)	(27,558)

Financial year ended December 31, 2017

	2017 $'000 (Revised)	2016 $'000 (Restated)
Investing activities		
Investment in associates	(8,190)	(385)
Proceeds from disposal of property, plant and equipment	60	3
Addition to service concession receivables	(74,740)	(38,198)
Proceeds from disposal of service concession receivable	-	739
Addition to available-for-sale financial asset	(2,660)	-
Addition for projects and land deposits	(26,086)	-
Dividend received from associate	1,113	-
Addition to intangible assets	(20,406)	(15,536)
Addition to prepaid leases	(39,724)	(4,491)
Disposal of subsidiary	22,532	3,350
Addition to property, plant and equipment	(23,749)	(22,481)
Net cash outflow on acquisition of subsidiaries (Note 40)	(97,373)	(36,120)
Net cash used in investing activities	(269,223)	(113,119)
Financing activities		
Contribution from non-controlling shareholders	17,880	72,426
New bank loans raised	345,276	195,286
Proceeds from issuance of shares, net of expenses	10,324	90
Dividends paid	(49,751)	(21,200)
Repayment of obligations under finance lease	(91)	(106)
Proceeds from issuance of perpetual capital securities, net of expenses	236,350	239,195
Share buy-back and cancellation of shares	(3,213)	-
Acquisition of non-controlling shareholders in a subsidiary	(7,525)	-
Redemption of medium term notes	-	(99,000)
Repayments of bank loans	(82,783)	(281,160)
Net cash from financing activities	466,467	105,531
Net increase (decrease) in cash and cash equivalents	146,181	(35,146)
Cash and cash equivalents at beginning of financial year	493,541	540,466
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(8,418)	(11,779)
Cash and cash equivalents at end of financial year (Note 6)	631,304	493,541

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 13 and 14 to the financial statements respectively.

These revised financial statements were prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018, as the directors have voluntarily revised these financial statements in accordance with section 202A of the Companies Act.

These revised financial statements replace the original financial statements that were approved by the directors on February 27, 2018. These revised financial statements were approved by the directors on March 8, 2019.

These revised financial statements are taken as having been prepared on the date of the original financial statements on February 27, 2018 and accordingly, do not consider any events which occurred between February 28, 2018 and March 8, 2019.

These revised financial statements have been revised to reflect the nature and effects of the adjustments disclosed in Note 44.

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 above (i) in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018 and (ii) in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRSs").

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Adoption of new and revised standards

On January 1, 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending December 31, 2018 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply 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 ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required 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 may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SFRS(I).

Management will be electing the following transition options that will result in material adjustments on transition to the new framework:

- Option to reset the translation reserve to zero as at date of transition

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) that may have impact

The following SFRS(I) pronouncements are expected to have an impact to the group and the company in the periods of their initial application under the new SFRS(I) framework:

<u>Effective for annual periods beginning on or after January 1, 2018</u>

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after January 1, 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from restating comparative information for SFRS(I) 9.

The Group anticipates that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. The Group will consider whether a lifetime or 12-month expected credit losses on financial assets and liabilities should be recognised, which is dependent on whether there has been a significant increase in the credit risk of the assets and liabilities from initial recognition to the date of initial application of SFRS(I) 9. Additional disclosures will also be made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group's financial statements in the period of initial application as the Group is currently finalising their transition adjustments.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the initial application of the new SFRS(I) 15 may result in changes to the accounting policies relating to revenue recognition for certain revenue streams. Additional disclosures will also be made with respect of revenue, including information about contracts with customers, contract balances and performance obligations.

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) 16 will take effect from financial years beginning on or after January 1, 2019. Management expects the adoption of the above SFRS(I) to have a material impact on the financial statements of the Group in the period of their initial adoption, in particular on property, plant and equipment, finance lease liabilities and depreciation expenses. It is currently impracticable to disclose any further information on the known or reasonably estimated impact to the financial statements of the Group in the period of initial adoption as the management has yet to complete its detailed assessment. The Group does not plan to early adopt SFRS(I) 16 for financial year ending December 31, 2018.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the 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 (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified/permitted by applicable FRSs) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2.4 Business combinations

Acquisitions of 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS 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 FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities. In instances where the latter amount exceeds the former, the excess is recognised as "Gain from bargain purchase" in profit or loss on the acquisition date.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the 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 FRS.

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.

2.5 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 at fair value through profit or loss are recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a 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".

Financial assets

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.

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.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

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

Financial guarantee 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. A financial guarantee contract issued by the Company and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognition with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

2.6 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).

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.

2.7 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.

2.8 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.

2.9 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.

2.10 Property, plant and equipment

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

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

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

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	-	$3^{1}/_{3}$%
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.

2.11 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.

2.12 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.

2.13 Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

2.14 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 FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the 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 FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less 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 FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or 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 FRS 39. 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.

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.

2.15 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.

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.

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.

2.16 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.

2.17 Government grant

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.

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.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

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

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

Rendering of technical services

Revenue from a contract to provide technical services is recognised when the outcome of the contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of each reporting period.

Environmental engineering contracts

Revenue from environmental engineering contracts are recognised when the outcome of the contract can be estimated reliably, 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 that contract costs incurred for work performed to date against the estimated total contract costs and accepted by the customer, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that 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.

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

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

Income from treatment of waste water

Income from treatment of waste water is recognised based on the volume of waste water treated and are recognised when the services are rendered.

Interest income and finance income

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.

Finance income represents the interest income on the long term receivables recognised in respect of the service concession arrangements in accordance with INT FRS 112 *Service Concession Arrangements*. Finance income is recognised in profit or loss using the effective interest method.

Commission income

Commission income is recognised when the services are rendered.

2.19 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.

2.20 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.

2.21 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.

2.22 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 30 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.

2.23 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.

2.24 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.

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.

2.25 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.

2.26 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.

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.

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. Significant assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the costs. In making the assumptions, the Group evaluates by relying on past experience and the work of specialists. 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 30.

Service concession arrangements

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

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

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's intangible assets and receivables arising from service concession arrangements at the end of the reporting period is disclosed in Notes 17 and 8 to the financial statements respectively.

Determination of functional currency of the entities in the Group

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

Impairment allowances for loans and receivables

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, 8 and 9 to the financial statements respectively.

Classification between financial assets and/or intangible asset under INT FRS 112 *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 8 and 17 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 15 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 17 to the financial statements.

Impairment of property, plant and equipment and intangible assets

The Group assesses annually whether property, plant and equipment and intangible assets exhibit any indication of impairment. In instances where there are indications of impairment, the recoverable amounts of property, plant and equipment 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 and intangible assets at the end of the reporting period are disclosed in Note 15 and Note 17 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 13 and 14 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 40 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

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. Management 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 management.

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.

(a) 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.

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.

(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) *Categories of financial instruments*

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

	Group			Company		
	December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets	(Revised)	(Restated)	(Restated)			
Service concession receivables	870,706	803,941	554,165	-	-	-
Loans and receivables	716,786	349,082	363,597	918,580	851,053	732,231
Cash and bank balances	633,373	493,921	540,466	259,081	110,426	198,024
Available-for-sale investments	2,660	-	-	-	-	-
Financial guarantee contract	-	-	-	847	2,304	2,424
Total	2,223,525	1,646,944	1,458,228	1,178,508	963,783	932,679
Financial liabilities						
Amortised cost						
Trade payables	751,311	310,054	149,623	-	-	-
Other payables	57,701	60,959	52,750	172,883	15,064	21,071
Bank loans	584,795	343,018	425,751	-	-	-
Finance leases	352	330	436	178	83	100
Medium term notes	224,559	223,449	319,926	224,559	223,449	319,926
Total	1,618,718	937,810	948,486	397,620	238,596	341,097

(d) *Financial risk management policies and objectives*

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.

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:

	December 31, 2017				December 31, 2016				January 1, 2016			
	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000
Group												
Cash and bank balances	61,238	6,379	71	243,578	117,694	6,096	374	13,308	219,696	4,919	-	78,455
Trade receivables	468	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	1,353	-	-	-	-	-	-	-	-
Bank borrowings	-	-	-	-	-	-	-	-	(33,274)	-	-	(17,432)
Other payables	(8,614)	-	-	(2,957)	(11,693)	-	-	(3,781)	(620)	-	-	(5,232)
Finance leases	-	-	-	(291)	-	-	-	(233)	-	-	-	(371)
Medium term note	-	-	-	(224,559)	-	-	-	(223,449)	-	-	-	(319,926)
	53,092	6,379	71	17,124	106,001	6,096	374	(214,155)	185,802	4,919	-	(264,506)

	December 31, 2017				December 31, 2016				January 1, 2016			
	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000
Company												
Cash and bank balances	16,006	-	-	241,366	89,313	-	-	11,013	192,304	-	-	4,805
Due from						-						
subsidiaries	-	-	-	-	-	-	-	-	-	2,399	-	-
Other payables	(165,125)	-	-	(2,946)	(11,693)	-	-	(3,781)	-	-	-	(5,332)
Finance leases	-	-	-	(178)	-	-	-	(83)	-	-	-	(100)
Medium term note	-	-	-	(224,559)	-	-	-	(223,449)	-	-	-	(319,926)
	(149,119)	-	-	13,683	77,620	-	-	(216,300)	192,304	2,399	-	(320,393)

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.

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss								
Group	(5,309)	(10,600)	(638)	(610)	(7)	(37)	(1,712)	21,416
Company	14,912	(7,762)	-	-	-	-	(1,368)	21,630
Other equity								
Group	-	-	-	-	-	-	(22,456) [i]	(22,345) [i]
Company	-	-	-	-	-	-	(22,456) [i]	(22,345) [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.

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, 2017 would decrease/increase by $2,924,000 (2016 : decrease/increase by $1,623,000). 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) 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, 2017 and 2016, 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% (2016 : 97%) concentrated in the PRC.

The Group's credit risk primarily relates to the Group's trade and other receivables, trade prepayments 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 doubtful debts has been made for irrecoverable amounts. In this regard, management of the Group considers that the credit risk associated with the Group's trade receivable and trade prepayments 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 and other receivables are disclosed in Notes 7 and 9 to the financial statements respectively.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Note 38, if the full guaranteed amount is claimed by the counterparty to the guarantee is $251,864,000 (2016 : $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.

(iv) 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.

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						
2017						
Non-interest bearing	-	809,012	-	-	-	809,012
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		1,249,027	272,412	203,150	(105,871)	1,618,718
2016						
Non-interest bearing	-	380,664	-	-	-	380,664
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		460,819	444,388	107,186	(74,583)	937,810
Company						
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
2016						
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 $364,000,000 (2016 : $25,036,000) and the Group's service concession receivables amounting to $864,593,000 (2016 : $797,693,000) as further disclosed in Notes 7 and 8 respectively.

The maximum amount that the Company could be forced to settle under the corporate guarantee contract in Note 38, if the full guaranteed amount is claimed by the counterparty to the guarantee, is $251,864,000 (2016 : $196,451,000).

The earliest period that the guarantee could be called is within 1 year (2016 : 1 year) from the end of the reporting period. As mentioned in Note 4(d)(iii), the Company consider that it is more likely than not that no amount will be payable under the arrangement.

(v) 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.

Available-for-sale investment is 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
	2017	2016				
Available-for-sale investment – unquoted equity shares	2,660,000	-	N/A	Cost	N/A	N/A

Note: Unquoted equity shares do not have a quoted market price in active market and whose fair value cannot be reliably measured, hence it is measured at cost less impairment loss.

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 24 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.

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	
	2017	2016
	$'000	$'000
Associates		
Sales of goods	10,765	43,219
Purchases of raw materials	7,276	-
Non-controlling shareholder of a subsidiary		
Income from waste water treatment	-	3,648
Subsidiary of CITIC Group Corporation		
Interest expense	5,037	619
Interest income	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	
	2017	2016
	$'000	$'000
Short-term benefits	9,415	4,743
Share-based payments	-	4,095
Post-employment benefits	196	175
Total	9,611	9,013

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Fixed deposits	201,057	21,403	200,257	-
Cash at banks	430,191	472,058	58,824	110,426
Cash on hand	56	80	-	-
Cash and bank balances	631,304	493,541	259,081	110,426

The interest rates relating to fixed deposits for the Group ranged from 0.75% to 1.31% (2016 : 2.5% to 5.0%) per annum and are for a tenure of approximately 30 days (2016 : 30 days). These fixed deposits could be withdrawn at any time as required by the Group.

As at December 31, 2017, the Group had cash and cash equivalents placed with banks in PRC amounting to $314,010,000 (2016 : $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	
	2017	2016
	$'000	$'000
Outside parties	614,522	237,921
Related parties (Note 5)	20,562	28,581
	635,084	266,502
Less: Allowance for impairment	(3,566)	(1,052)
Net	631,518	265,450

Movement in allowance for impairment:

	Group	
	2017	2016
	$'000	$'000
Balance at beginning of the year	1,052	24
Exchange realignment	(2)	-
Increase in allowance recognised in profit or loss	2,577	1,028
Amount recovered during the year	(61)	-
Balance at end of the year	3,566	1,052

	Group	
	2017	2016
	$'000	$'000
Presentation on the Statements of Financial Position:		
Current	267,518	240,414
Non-current	364,000	25,036
Total	631,518	265,450

The average credit period on sales of goods and rendering of services are 180 days (2016 : 180 days). No interest is charged on the overdue trade receivables.

The Group's non-current trade receivables amounting to $364,000,000 (2016 : $25,036,000) are due within 3 years (2016 : 3 years).

The table below is an analysis of trade receivables as at December 31:

	Group	
	2017	2016
	$'000	$'000
Not past due and not impaired	521,663	169,712
Past due but not impaired (i)	109,855	95,738
Total	631,518	265,450
Impaired receivables - collectively assessed (ii)	3,566	1,052
Less: Allowance for impairment	(3,566)	(1,052)
Net	-	-
Total trade receivables, net	631,518	265,450

(i) Aging of receivables that are past due but not impaired:

< 6 months	54,527	53,694
> 6 months to 18 months	44,683	24,245
> 18 months to 30 months	10,645	10,391
> 30 months	-	7,408
Total	109,855	95,738

(ii) These amounts are stated before any deduction for impairment losses. These receivables are not secured by any collateral or credit enhancements.

This allowance for doubtful debts has been determined by reference to past default experience for estimated irrecoverable amounts from the provision of environmental consultancy and engineering services to third parties.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Management believes that there is no further allowance required for credit risk in excess of the allowance for doubtful debts as there has been no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

8 SERVICE CONCESSION RECEIVABLES

The Group through its subsidiaries engages in the businesses of waste water treatment and water supply in the PRC (the "operator") and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT") 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 waste water treatment, 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 waste water treatment and water supply plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group provides to the waste water treatment and water supply plants. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, *inter alia*, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment and water supply to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

	Group		
	December 31, 2017	December 31, 2016	January 1, 2016
	$'000 (Revised)	$'000 (Restated)	$'000 (Restated)
Service concession receivables	870,706	803,941	554,165
Less: Non-current portion	(864,593)	(797,693)	(549,823)
Current portion	6,113	6,248	4,342

The maturity analysis of service concession receivables that are:

	Group		
	December 31, 2017	December 31, 2016	January 1, 2016
	$'000	$'000	$'000
In operation:	(Revised)	(Restated)	(Restated)
On demand or within one year	6,113	6,248	4,342
In the second to fifth year inclusive	42,165	65,090	20,492
After five years	630,661	448,659	398,231
Total	678,939	519,997	423,065
Under construction	191,767	283,944	131,100
Total service concession receivables	870,706	803,941	554,165

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 INT FRS 112 *Service Concession Arrangements*. The Group has a total of 35 (2016 : 35) 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 (Changyi) Co. Ltd	下营污水厂一期	Changyi City, Shandong Province	昌邑滨海(下营)开发区管理委员会	BOT	20,000	30 years from 2013
CITIC Envirotech Water Resource (Yancheng Dafeng）Co., Ltd. *	大丰石化园污水处理厂	Dafeng City, Jiangsu Province	大丰港经济区管委会	BOT	10,000	30 years from 2014
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
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
United Envirotech Water (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

* This has been classified as assets held for sale as at year end (Note 12).

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
United Envirotech Water (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/二期/三期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000/ 120,000/ 60,000	28 years from 2010/2013/ 28 years from year of commencement of operation
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 Lan Fang 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 Environmental Water (Xinji) Co. Ltd	辛集市佳洁污水处理厂一期/二期	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
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
United Envirotech Water Resource (Xinmin) Co. Ltd	新民市吉康污水处理厂二期	Xinmin City, Liaoning Province	新民市住房和城市建设管理局	BOT	30,000	30 years from year of commencement of operation
CITIC Envirotech Water Resource (Weishan) Co. Ltd	微山县第二净水厂	Jining City, Shandong Province	微山县人民政府	BOT	30,000	30 years from year of commencement of operation
Novo Environmental Water Treatment (Xiaochang) Co. Ltd	孝昌工业园污水处理厂一期	Xiaochang County, Hubei Province	孝昌县环保局	BOT	10,000	20 years from year of commencement of operation

(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 RMB635,009,000 (equivalent to $130,436,000) [2016 : RMB524,126,000 (equivalent to $108,887,000)] 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 $247,768,000 (2016 : $221,664,000) are pledged to secure the loans for the Group (Note 20).

(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 6.21% to 12.8% per annum (2016 : 5.68% to 11.70% per annum) is appropriate.

(f) Revenue and gross profits for the year arising from service concession arrangement under service concession receivables and intangible assets (Note 17) for the provision of construction services amount to $274,113,000 (2016 : $278,997,000) and $52,617,000 (2016 : $83,606,000) respectively which form part of revenue from environmental engineering projects (Note 30).

(g) 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 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits for projects	14,973	26,834	-	-
Prepayments and advance payment to suppliers (Note A)	78,176	43,120	-	-
VAT receivable	77,348	38,057	-	-
Dividend receivable from subsidiaries (Note 13)	-	-	226,581	141,581
Amount due from subsidiaries	-	-	690,646	706,926
Deposit for acquisition of subsidiaries	15,019	3,915	-	1,440
Amount due from non-controlling shareholder	17,590	13,577	-	-
Other receivables	31,435	29,669	49	49
Other deposits	2,172	1,638	1,304	1,057
Total	236,713	156,810	918,580	851,053

Presentation on the Statements of Financial Position:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current	204,550	141,233	918,580	851,053
Non-current (Note A)	32,163	15,577	-	-
Total	236,713	156,810	918,580	851,053

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

Note A

This represents a prepayment of $15,352,000 (2016 : $15,577,000) for a TOT waste water treatment plant in Tangshan City, Hebei Province in the PRC; and a prepayment of $16,811,000 (2016 : $Nil) for a leasehold property acquired in Guangzhou, Guangdong Province, PRC.

10 INVENTORIES

	Group	
	2017	2016
	$'000	$'000
Raw materials, at cost	18,402	10,990
Trading merchandise, at cost	6,968	2,787
Total	25,370	13,777

11 PREPAID LEASES

	Group	
	2017	2016
	$'000	$'000
Cost:		
At beginning of year	43,675	39,257
Exchange realignment	(577)	(1,505)
Additions	39,724	4,491
Acquisition of subsidiaries (Note 40)	9,589	1,432
Assets held for sale (Note 12)	(377)	-
At end of year	92,034	43,675
Accumulated amortisation:		
At beginning of year	2,943	1,787
Exchange realignment	(28)	(38)
Charge to profit or loss	1,181	1,194
Assets held for sale (Note 12)	(46)	-
At end of year	4,050	2,943
Carrying amount:		
At beginning and end of year	87,984	40,732

Presentation on Statements of Financial Position:

	Group	
	2017	2016
	$'000	$'000
Current assets	2,134	736
Non-current assets	85,850	39,996
Total	87,984	40,732

This represents prepaid lease payments for land use rights for thirteen (2016 : 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 2017.

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 $27,013,000 (2016 : $29,186,000) to secure project financing facilities granted to the Group (Note 20).

12 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, CITIC Envirotech Water Resource (Siyang) Co., Ltd and CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd to Fujian Haixia Environmental Protection Group Co., Ltd., for a total consideration of RMB 134,207,000 ($27,567,000) which will be settled in four tranches with completion expected in 2018.

In accordance with FRS 105 *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.

The proceeds of disposal are expected to exceed (2016 : is below) the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss (2016 : $2,494,000) has been 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	
	2017	2016
	$'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

13 SUBSIDIARIES

	Company 2017	Company 2016
	$’000	$’000
Unquoted equity shares, at cost	601,355	395,210
Exchange realignment	(8,539)	14,276
Financial guarantee contracts	847	2,304
Net	593,663	411,790
Due from subsidiaries (non-trade)	1,570	1,533
Total	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 2017	Group’s effective interest and voting power held 2016
		%	%
CITIC Envirotech Investment (China) Co. Ltd. (c)	Investment holding company/ PRC	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
Memstar Holding Pte Ltd (b)	Investment holding company/ Singapore	80	80
Nantong Chang’an Water Co., Ltd (a)	Operation of water treatment plant/ PRC	70	70
UE Novo (Malaysia) Sdn. Bhd. (a)	Investment holding company/ Malaysia	100	100
United Envirotech (Hong Kong) Co. Ltd (a)	Investment holding company/ Hong Kong	100	100

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2017 %	2016 %
United Envirotech Water Resource Pte Ltd (b)	Investment holding company/ Singapore	100	100
United Envirotech Water Treatment (Dafeng) Co., Ltd (a)	Management of waste water treatment system/ PRC	50/67@@	50/67@@
Singapore Envirotech Accelerator Pte. Ltd. (c)	Business and Management Consultancy Services. Research and Experimental Development on Environment and Clean Technologies/ Singapore	100#	-
CITIC Envirotech Water (Aktau) Limited (c)	Enviromental engineering/ Kazakhstan	60#	-
CITIC Envirotech (Lanzhou) Co. Ltd. (c)	Operation of water treatment plant/ PRC	100#	-
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.:			
CITIC Envirotech (Guangzhou) Co., Ltd (a)	Environmental engineering/ PRC	100	100
United Envirotech (Fuzhou) Co Ltd (a)	Environmental engineering/ PRC	100	100
CITIC Envirotech (Tianjin) Co. Ltd (f.k.a. Novo Envirotech (Tianjin) Co. Ltd) (a)	Environmental engineering/ PRC	100	100
CITIC Envirotech Water Resource (Guangzhou) Co., Ltd (c)	Management of waste water treatment system/ PRC	100	100
CITIC Envirotech Water (Haimen) Co., Ltd (a)	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd (a)	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd (a)	Operation of water treatment plant/ PRC	100	100

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2017	2016
		%	%
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd. (cont'd):			
CITIC Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100*	100
CITIC Envirotech Water Treatment (Xintai) Co. Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water (Laixi) Co. Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Zaozhuang) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Weishan) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	95	95
Weifang United Envirotech Enviromental Sci-tech Co., Ltd [(a)]	Operation of waste treatment plant/ PRC	100	100
Rizhao United Envirotech Co., Ltd [(c)]	Operation of waste treatment plant/ PRC	70	70
CITIC Envirotech (Rudong) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd [(a)]	Operation of industrial water treatment plant/ PRC	90	90

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2017 %	2016 %
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.: (cont'd):			
Novo Environmental Water Treatment (Xiaochang) Co., Ltd. (c)	Operation of industrial waste water treatment plant/ PRC	90#	-
CITIC Environmental Water (Xinji) Co., Ltd. (a)	Operation of water treatment plant/ PRC	90#	-
CITIC Environmental Water Recycling (Changyi) Co., Ltd. (c)	Operation of water treatment plant/ PRC	100#	-
Shandong Yunshui Jili Environment Protection Co., Ltd (c)	Operation of industrial waste water treatment plant/ PRC	100@	-
CITIC Envirotech Urban Water Management (Ningbo) Co., Ltd. (c)	Environmental engineering/ PRC	60#	-
CITIC Environment (Qingyuan) Technology Development Co., Ltd (a)	Operation of industrial waste water treatment plant/ PRC	60@	-
United Envirotech Water Resource (Suzhou) Co., Ltd (c)	Operation of water treatment plant/ PRC	100#	-
CITIC Envirotech Urban Water Management (Hubei) Co., Ltd (a)	Environmental engineering/ PRC	80#	-
Gansu Anxing Environment Engineering Development Co., Ltd (a)	Environmental engineering/ PRC	65#	-

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2017	2016
		%	%
Subsidiaries of CITIC Envirotech (Guangzhou) Co. Ltd.:			
Novo Envirotech (Yantai) Co. Ltd (c)	Environmental engineering/ PRC	75	75
Weifang Bofa Water Treatment Co. Ltd (a)	Operation of water treatment plant/ PRC	100##	82
CITIC Envirotech Water Resource (HeFei) Co. Ltd (c)	Manage and operate industrial waste water treatment plant/ PRC	100	100
United Envirotech Water (Mianchi) Co. Ltd (c)	Operation of water treatment plant/ PRC	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
Fujian Liyang Environmental Protection Co., Ltd (a)	Operation of water treatment plant/ PRC	100	100
Guangdong Zhihui Environmental Engineering Technlogy Co., Ltd (c)	Environmental engineering/ PRC	60	60
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd (a)	Management of circular economy/ PRC	51	51
Baiyi Environment Investment Jiangsu Co., Ltd (c)	Management of waste water treatment system/ PRC	49.9/50.1***	-
Sichuan Zhongyu Environment Management Co., Ltd (a)	Environmental engineering/ PRC	100#	-
Subsidiary of UE Novo (Malaysia) Sdn. Bhd.:			
Dataran Tenaga (M) Sdn. Bhd. (a)	Trading of pumps and engineering services/ Malaysia	100	100
ACARA CEKAP Sdn. Bhd. (c)	Environmental engineering/ Malaysia	51#	-

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2017	2016
		%	%
Subsidiary of Fujian Liyang Environmental Protection Co., Ltd:			
Fuqing Liyang Water Co., Ltd [c]	Operation of industrial waste water treatment plant/ PRC	100	100
Shaxian Lanfang Water Co., Ltd [c]	Operation of industrial waste water treatment plant/ PRC	100	100
Subsidiary of Memstar Holding Pte Ltd:			
Memstar USA Inc [c]	Manufacturing of polymers and investment holding/ USA	100	100
Subsidiaries of United Envirotech Water Resource Pte Ltd:			
Aton Environmental (Shenyang) Co. Ltd [c]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Diaobingshan) Co Ltd [c]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water (Guang'an) Co. Ltd [c]	Operation of water treatment plant/ PRC	90	90
CITIC Envirotech Water Resource (Siyang) Co., Ltd [a]	Operation of water treatment plant/ PRC	100*	100
CITIC Envirotech Water Resource (Xintai) Co Ltd [c]	Operation of water treatment plant/ PRC	100	100

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2017	2016
		%	%
Subsidiaries of United Envirotech Water Resource Pte Ltd (cont'd):			
PT CITIC Envirotech Indonesia [c]	Environmental engineering/ Indonesia	70	70
PT Sumut Tirta Resource [c]	Operation of water treatment plant/ Indonesia	70	70
CITIC Envirotech Water (Changyi) Co Ltd [a]	Operation of water treatment plant/ PRC	100##	82
United Envirotech Water (Dongying) Co. Ltd [a]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Liaoyang Hongwei) Co. Ltd [c]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Qidong) Co. Ltd [a]	Operation of water treatment plant/ PRC	70	70
United Envirotech Water Resource (Xinmin) Co. Ltd [c]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Yantai) Co. Ltd [c]	Operation of water treatment plant/ PRC	100	100
Memstar Pte. Ltd. [b]	Manufacturing of polymers and investment holding/ Singapore	100	100

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2017	2016
		%	%
Subsidiaries of Memstar Pte Ltd:			
Bazhou Shengfang Water Services Co. Ltd [(c)]	Operation of water treatment plant/ PRC	50**	50**
CITIC Envirotech Water Resource (Bazhou) Co., Ltd. [(a)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd. [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Tangshan) Co., Ltd. [(c)]	Operation of water treatment plant/ PRC	100	100
Maxrise Envirogroup Ltd [(c)]	Investment holding company/ Hong Kong	100	100
Max Rise Water Service Holdings [(c)]	Investment holding company/ Hong Kong	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
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
Memstar Water Pte Ltd [(b)]	Investment holding company/ Singapore	100	100

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2017 %	2016 %
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[@]	-
Jiangyin Zhounan Wastewater Treatment Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	49.9[@]	-
Jiangyin Huahong Wastewater Treatment Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	34.93[@]	-
Jiangyin Longyun Wastewater Treatment Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	34.93[#]	-
Jiangyin Longwan Wastewater Treatment Co., Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	34.93[#]	-
Subsidiaries of Sichuan Zhongyu Environment Management Co., Ltd.:			
Fuzhou Zhongyu Environment Management Co., Ltd [(a)]	Environmental engineering/ PRC	100[#]	-

* *This has been classified as assets held for sale as at year end (Note 12).*

** *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 has been newly incorporated during the financial year. The Group's effective interest and voting power are 49.9% and 50.1% respectively.*

\# *Incorporated during the financial year.*

\#\# *Increase in shareholding in subsidiary during the financial year.*

@ *Acquired during the financial year.*

@@ *The effective interest and voting power are 50% and 67% 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	
		2017	2016
Business and Management Consultancy Services	Singapore	1	0
Environmental engineering	PRC	5	3
Investment holding company	Malaysia	1	1
Investment holding company	Singapore	2	2
Investment holding company	Hong Kong	3	3
Investment holding company	PRC	1	1
Manage and operate industrial waste water treatment plant	PRC	1	1
Management of waste water treatment system	PRC	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
Manufacturing of polymers and investment holding	Singapore	1	1
Manufacturing of polymers and investment holding	USA	1	1
Operation of industrial waste water treatment plant	PRC	3	2
Operation of waste treatment plant	PRC	1	1
Operation of water treatment plant	PRC	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
Trading of pumps and engineering services	Malaysia	1	1
		54	46

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		2017	2016
Environmental engineering	PRC	5	2
Environmental engineering	Indonesia	1	1
Environmental engineering	Kazakhstan	1	0
Environmental engineering	Malaysia	1	0
Investment holding company	Singapore	1	1
Management of circular economy	PRC	1	1
Management of waste water treatment system	PRC	2	2
Operation of industrial waste water treatment plant	PRC	9	2
Operation of waste treatment plant	PRC	1	2
Operation of water treatment plant	PRC	6	5
Operation of water treatment plant	Indonesia	1	1
		29	17

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, 2017:

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		%	%	$'000 (Revised)	$'000 (Restated)	$'000 (Revised)	$'000 (Restated)
CITIC Envirotech Water (Changyi) Co., Ltd or ("Changyi")	PRC	-	18	-	182	-	11,023
United Envirotech Water Treatment (Dafeng) Co., Ltd or ("Dafeng")	PRC	50	50	2,430	842	19,424	16,994
United Envirotech Water (Qidong) Co. Ltd or ("Qidong")	PRC	30	30	237	(20)	4,761	4,524
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd or ("Jiangsu")	PRC	10	10	905	380	6,079	5,174
Rizhao United Envirotech Co., Ltd or ("Rizhao")	PRC	30	30	(74)	-	5,053	5,127
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd or ("Shantou")	PRC	49	49	(549)	-	60,727	61,276
Guangdong Zhihui Environmental Engineering Technology Co., Ltd or ("Zhihui")	PRC	40	40	85	(19)	882	797

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		%	%	$'000 (Revised)	$'000 (Restated)	$'000 (Revised)	$'000 (Restated)
CITIC Environment (Qingyuan) Technology Development Co., Ltd ("Qingyuan")	PRC	40	-	1,346	-	18,545	-
CITIC Envirotech Water (Guang'an) Co. Ltd. ("Guang'an")	PRC	10	10	100	38	1,278	1,159
Mianchi Hongwei Co. Ltd ("Hongwei")	PRC	45	45	197	-	1,018	821
Nantong Chang'an Water Co., Ltd ("Nantong")	PRC	30	30	73	54	3,271	3,198
CITIC Envirotech Urban Water Management (Hubei) Co., Ltd. ("Hubei")	PRC	20	-	3,744	-	6,310	-
CITIC Envirotech Urban Water Management (Ningbo) Co., Ltd. or ("Ningbo")	PRC	40	-	686	-	2,306	-
Individually immaterial subsidiaries with non-controlling interests				(297)	(144)	19,215	5,195
				8,883	1,313	148,869	115,288

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.

	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan*	Guang'an	Hongwei	Nantong	Hubei*	Ningbo*
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	$'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 (revised)	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 (revised)	-	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.*

	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Guang'an	Hongwei	Nantong
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
	$'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 (restated)	53,321	17,914	11,532	46,564	11,964	63,777	1,153	10,861	1,073	7,519
Non-controlling interests (restated)	11,023	16,994	4,524	5,174	5,127	61,276	797	1,159	821	3,198

	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Qingyuan*	Guang'an	Hongwei	Nantong	Hubei*	Ningbo*
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
	$'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 (revised)	(3,356)	2,896	786	8,824	74	1,232	155	3,394	1,064	268	324	15,105	1,079
Profit for the year, representing total comprehensive income attributable to non-controlling interest (revised)	-	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.*

**CITIC ENVIROTECH LTD.
AND ITS SUBSIDIARIES**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

	Changyi	Dafeng	Qidong	Jiangsu	Rizhao	Shantou	Zhihui	Guang'an	Hongwei	Nantong
	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	23,955	9,931	5,522	14,209	-	-	415	895	401	2,781
Expense	(20,405)	(6,856)	(4,863)	(10,418)	-	-	(505)	(205)	(326)	(2,544)
Profit (Loss) for the year, representing total comprehensive income for the year	3,550	3,075	659	3,791	-	-	(90)	690	75	237
Profit (Loss) for the year, representing total comprehensive income attributable to owners of the Company (restated)	3,368	2,233	679	3,411	-	-	(71)	652	75	183
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest (restated)	182	842	(20)	380	-	-	(19)	38	-	54
Net cash (outflow) inflow from operating activities	(4,357)	4,665	(6,907)	(24)	-	-	(148)	(424)	2,407	8,140
Net cash outflow from investing activities	(6,051)	(1,466)	(86)	(91)	-	(20,807)	(178)	(58)	(3,871)	(20,368)
Net cash inflow (outflow) from financing activities	8,594	(1,878)	7,232	43,143	11,963	125,053	2,041	1,133	1,737	12,147
Net cash (outflow) inflow	(1,814)	1,321	239	43,028	11,963	104,246	1,715	651	273	(81)

14 ASSOCIATES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	19,186	10,996	10,588	10,588
Share of post-acquisition profit and reserves	10,534	6,811	-	-
	29,720	17,807	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	
		2017	2016
		%	%
Beijing Beipai Membrane Technology Co., Ltd [(a)]	Manufacturing of membrane products/ PRC	49.0	49.0
Chengdu Xingrong Environment Co., Ltd [(b)]	Environmental engineering/PRC	49.0	49.0
Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd [(c)]	Environmental engineering/PRC	40.0	40.0
Odan Envirotech Co., Ltd [(d)]	Environmental engineering/PRC	25.0	-
Dongguan City Water Valley Certificate No. One of Equity Investment Enterprises (Limited Partnership) [(b)]	Investment advisory service/PRC	16.2	-

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.

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	
	2017	2016
	$'000	$'000
Current assets	158,586	97,565
Non-current assets	2,609	774
Current liabilities	(92,012)	(63,298)
Net assets	69,183	35,041
Group's share of associates' net assets	29,720	17,807

	Group	
	2017	2016
	$'000	$'000
Revenue	123,816	122,597
Profit for the year	13,720	13,540
Group's share of associates' profit for the year	4,836	6,814

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Freehold building	Leasehold building	Leasehold improvements	Motor vehicles	Plant and machinery	Treatment plants	Office equipment, furniture and fittings	Construction in progress	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000 (Restated)	$'000
Cost										
At April 1, 2015	102	660	18,823	1,359	4,904	46,975	29,427	3,171	-	105,421
Exchange realignment	(5)	(30)	-	(19)	(96)	(3,152)	(1,720)	(57)	(267)	(5,346)
Acquisition of subsidiaries (Note 40)	-	-	-	-	-	-	-	72	-	72
Additions	-	-	10,758	229	629	12,877	26	2,602	4,506	31,627
Disposals	-	-	-	-	(276)	-	-	(555)	-	(831)
At December 31, 2015 (restated)	97	630	29,581	1,569	5,161	56,700	27,733	5,233	4,239	130,943

Group	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 (Restated)	$'000
Cost										
At January 1, 2016 (restated)	97	630	29,581	1,569	5,161	56,700	27,733	5,233	4,239	130,943
Exchange realignment	(3)	-	(897)	(66)	(208)	(2,062)	(1,183)	(141)	(54)	(4,614)
Acquisition of subsidiaries (Note 40)	-	-	-	-	430	-	-	199	7	636
Additions	-	-	411	170	498	8,872	2,560	438	9,532	22,481
Assets held for sale (Note 12)	-	-	-	-	(84)	(424)	-	(32)	-	(540)
Disposals	-	-	-	(10)	(172)	-	-	(28)	-	(210)
At December 31, 2016 (restated)	94	630	29,095	1,663	5,625	63,086	29,110	5,669	13,724	148,696

	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 (Revised)	$'000
Group										
Cost										
At January 1, 2017 (restated)	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 40)	-	-	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 17)	-	-	-	-	31	-	18,600	-	-	18,631
Assets held for sale (Note 12)	-	-	-	(4)	(99)	(182)	-	(228)	-	(513)
Reclassification	-	-	3,723	-	-	-	2,832	-	(6,555)	-
Disposals	-	-	-	-	(201)	(202)	-	(324)	-	(727)
At December 31, 2017 (revised)	97	610	115,766	1,653	6,176	81,889	50,627	5,930	9,131	271,879

	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
Accumulated depreciation										
At April 1, 2015	-	63	2,382	797	2,973	15,127	5,242	2,018	-	28,602
Exchange realignment	-	(5)	(110)	(30)	(62)	(1,560)	(321)	(43)	-	(2,131)
Depreciation	-	-	803	107	402	4,673	1,424	450	-	7,859
Disposals	-	-	-	-	(256)	-	-	(366)	-	(622)
At December 31, 2015	-	58	3,075	874	3,057	18,240	6,345	2,059	-	33,708
Exchange realignment	-	-	(373)	(39)	(131)	(1,294)	(341)	(87)	-	(2,265)
Acquisition of subsidiaries (Note 40)	-	-	-	-	399	-	-	185	-	584
Depreciation	-	-	970	112	562	6,452	1,220	821	-	10,137
Assets held for sale (Note 12)	-	-	-	-	(84)	(23)	-	(31)	-	(138)
Disposals	-	-	-	(5)	(154)	-	-	(22)	-	(181)
At December 31, 2016	-	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 12)	-	-	-	(6)	(92)	(10)	-	(186)	-	(294)
Transfer from intangible assets (Note 17)	-	-	-	-	-	-	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

	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
Accumulated impairment										
As at December 31, 2015, 2016 and December 31, 2017	-	-	-	17	-	-	-	12	-	29
Carrying amount										
At December 31, 2017 (revised)	97	552	108,183	509	2,249	55,156	40,378	2,868	9,131	219,123
At December 31, 2016 (restated)	94	572	25,423	704	1,976	39,711	21,886	2,732	13,724	106,822
At December 31, 2015 (restated)	97	572	26,506	678	2,104	38,460	21,388	3,162	4,239	97,206

	Leasehold improvement	Motor vehicles	Office equipment	Total
	$'000	$'000	$'000	$'000
Company				
Cost				
At January 1, 2016	95	462	136	693
Additions	-	-	5	5
At December 31, 2016	95	462	141	698
Additions	-	191	11	202
At December 31, 2017	95	653	152	900
Accumulated depreciation				
At January 1, 2016	94	245	105	444
Depreciation	1	60	11	72
At December 31, 2016	95	305	116	516
Depreciation	-	64	11	75
At December 31, 2017	95	369	127	591
Carrying amount				
At December 31, 2017	-	284	25	309
At December 31, 2016	-	157	25	182

The carrying amounts of the Group's and the Company's motor vehicles include amounts of $737,000 (2016 : $726,000) and $284,000 (2016 : $157,000) respectively which are held under finance leases (Note 23).

The Group has pledged its leasehold building, construction in progress and a treatment plant with total carrying amount of approximately $48,268,000 (2016 : $16,955,000) to banks for banking facilities granted to subsidiaries of the Group (Note 20).

16 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	
	2017	2016
	$'000	$'000
Dataran Tenaga (M) Sdn Bhd	1,346	1,346
Memstar Pte. Ltd. (Note a)	254,019	254,019
	255,365	255,365

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.

Note a

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 11.3% (2016 : 11.3%) and a terminal growth rate of 2.0% (2016 : 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.

17 INTANGIBLE ASSETS

Group	Customer contracts $'000	Patents $'000	Operating concessions $'000 (Restated)	Club memberships $'000	License $'000	Total $'000
Cost						
At April 1, 2015	6,430	4,180	191,689	200	-	202,499
Exchange realignment	-	-	(5,340)	-	-	(5,340)
Acquisition of subsidiaries (Note 40)	-	-	37,357	-	-	37,357
Additions	-	-	14,026	-	-	14,026
At January 1, 2016 (restated)	6,430	4,180	237,732	200	-	248,542
Exchange realignment	-	-	(17,012)	-	-	(17,012)
Acquisition of subsidiaries (Note 40)	-	-	14,573	-	-	14,573
Additions	-	-	111,405	-	-	111,405
Assets held-for-sale (Note 12)	-	-	(6,920)	-	-	(6,920)
Transfer from service concession receivables*	-	-	21,507	-	-	21,507
Transfer to service concession receivables	-	-	(1,667)	-	-	(1,667)
Reversal	-	-	(1,772)	-	-	(1,772)
At December 31, 2016 (restated)	6,430	4,180	357,846	200	-	368,656
Exchange realignment	-	-	(5,227)	-	-	(5,227)
Acquisition of subsidiaries (Note 40)	-	-	18,690	-	-	18,690
Additions	-	-	264,570	-	7,395	271,965
Assets held-for-sale (Note 12)	-	-	(35,061)	-	-	(35,061)
Transfer to property, plant and equipment (Note 15)	-	-	(18,631)	-	-	(18,631)
Reversal	-	-	(229)	-	-	(229)
Others	-	-	(155)	-	-	(155)
At December 31, 2017 (revised)	6,430	4,180	581,803	200	7,395	600,008

	Customer contracts	Patents	Operating concessions	Club memberships	License	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated amortisation						
At April 1, 2015	1,388	902	10,028	-	-	12,318
Exchange realignment	-	-	(131)	-	-	(131)
Amortisation for the year	923	627	5,862	-	-	7,412
At January 1, 2016	2,311	1,529	15,759	-	-	19,599
Exchange realignment	-	-	(498)	-	-	(498)
Assets held-for-sale (Note 12)	-	-	(210)	-	-	(210)
Amortisation for the year	1,662	1,081	8,108	-	-	10,851
Transfer to service concession receivables	-	-	(126)	-	-	(126)
At December 31, 2016	3,973	2,610	23,033	-	-	29,616
Exchange realignment	-	-	1,703	-	-	1,703
Assets held-for-sale (Note 12)	-	-	(4,017)	-	-	(4,017)
Amortisation for the year	1,662	1,081	8,462	-	-	11,205
Transfer to property, plant and equipment (Note 15)	-	-	(790)	-	-	(790)
At December 31, 2017	5,635	3,691	28,391	-	-	37,717
Carrying amount						
At December 31, 2017 (revised)	795	489	553,412	200	7,395	562,291
At December 31, 2016 (restated)	2,457	1,570	334,813	200	-	339,040
At December 31, 2015 (restated)	4,119	2,651	221,973	200	-	228,943

* 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 FRS 39 and recognised them as intangible assets.

Customer contracts

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.

Patents

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.

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 INT FRS 112 *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 38.5 years (2016 : 20 to 38.5 years).

	Group	
	2017	2016
	$'000	$'000
Amount to be amortised:		
Not later than one year	10,287	10,913
Later than one year but not later than five years	41,077	38,820
Later than five years	192,393	217,934
Total	243,757	267,667
Under construction	309,655	67,146
Total operating concessions	553,412	334,813

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

(a) The Group has a total of 29 (2016 : 22) service concession arrangements as at the end of the reporting period.

(b) Operating concessions amounting to $81,957,000 (2016 : $32,140,000) are pledged to secure loans for the Group (Note 20).

(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% (2016 : 9.4%) per annum. The growth rates used in the value in use calculations ranges from 0% to 20% (2016 : 0% to 16%).

As at December 31, 2017, 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 $3,448,000 (2016 : $1,926,000) and $12,279,000 (2016 : $20,032,000) respectively.

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	BOT and BOO	50,000/ 40,000/ 30,000/ 5,000	20 to 30 years from 2009 and 2013
CITIC Envirotech Water Resource (Siyang) Co. Ltd*	城东厂一期城东厂二期/泗阳供水厂	Siyang County, Jiangsu Province	江苏省泗阳经济开发区管理委员	TOT and BOT	30,000/ 20,000/ 20,000	30 years from 2013, 2014 and 2016
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/二期工程/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/ 40,000	28 years from 2010/2013

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 (Xiaochang) Co., Ltd	孝昌市政污水处理厂	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
Jiangyin Zhoubei Wastewater Treatment Co., Ltd	周北污水处理厂	Jiangyin City, Jiangsu Province	Agreement has not been signed as at date of report	Agreement has not been signed as at date of report	15,000	Operation from 2017
Jiangyin Zhounan Wastewater Treatment Co., Ltd	周南污水处理厂	Jiangyin City, Jiangsu Province	Agreement has not been signed as at date of report	Agreement has not been signed as at date of report	10,000	Operation from 2017
Jiangyin Huahong Wastewater Treatment Co., Ltd	华宏污水处理厂	Jiangyin City, Jiangsu Province	Agreement has not been signed as at date of report	Agreement has not been signed as at date of report	10,000	Operation from 2017
Jiangyin Longyun Wastewater Treatment Co., Ltd	周西污水处理厂	Jiangyin City, Jiangsu Province	Agreement has not been signed as at date of report	Agreement has not been signed as at date of report	10,000	Operation from 2017
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 Environmental 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

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 (Shantou) Integrated Dyestuff Environmental Development Co., Ltd	汕头市潮南区循环经济园	Shantou City, Guangdong Province	汕头市潮南区纺织印染环保综合处理中心管理办公室	BOO	155,000	38.5 years from year of commencement of operation
Rizhao United Envirotech Co., Ltd	日照市工业废物资源利用处置中心	Rizhao City, Shandong Province	日照市岚山经济开发区管理委员会	BOO	70,980/year	30 years from year of commencement of operation
CITIC Environmental Water (Xinji) Co., Ltd	辛集市佳洁污水处理厂污水再生利用工程	Xinji City, Hebei Province	河北辛集经济开发区管理委员会	BOO	30,000	30 years from 2017
CITIC Environmental 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 year of commencement of operation
CITIC Environment (Qingyuan) Technology Development Co., Ltd	清远市清新区循环经济园	Qingyuan City, Guangdong Province	清远市清新区经信局	BOO	40,000	30 years from year of commencement of operation
Shandong Yunshui Jili Environment Protection Co., Ltd	山东云水基力环境保护固体废物综合处置中心	Binzhou City, Shandong Province	滨州市沾化区城北工业园管理委员会	BOO	60,000/year	30 years from year of commencement of operation

* This has been classified as assets held for sale as at year end (Note 12).

18 AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2017	2016
	$'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.

19 DEFERRED TAX ASSETS (LIABILITIES)

	Group	
	2017	2016
	$'000	$'000
Deferred tax assets	470	1,111
Deferred tax liabilities	(52,294)	(45,432)
Net	(51,824)	(44,321)

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 INT FRS 112	Other allowances	Net
	$'000	$'000	$'000
Group			
At January 1, 2016	(36,376)	517	(35,859)
Acquisition of subsidiaries (Note 40)	(3,306)	-	(3,306)
Charge to profit or loss (Note 34)	(5,750)	594	(5,156)
At December 31, 2016	(45,432)	1,111	(44,321)
Charge to profit or loss (Note 34)	(6,862)	(641)	(7,503)
At December 31, 2017	(52,294)	470	(51,824)

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 $80,208,000 (2016 : $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 $241,000 (2016 : $340,000). No liability has been recognised in respect of these differences because the amount is immaterial to the Group.

20 BANK LOANS

	Group	
	2017	2016
	$'000	$'000
Bank loans (unsecured)	20,541	-
Bank loans (secured)	564,254	333,367
Total	584,795	333,367

	Group	
	2017	2016
	$'000	$'000
The loans are repayable as follows:		
On demand or within one year	197,070	76,499
More than one year	387,725	256,868
Total	584,795	333,367
Average effective interest rates (per annum)	4.4%	4.6%

The bank loans of the Group amounting to $258,611,000 (2016 : $205,315,000) are secured by the service concession receivables of its subsidiaries (Note 8d), prepaid leases (Note 11), construction in progress (Note 15) and intangible assets (Note 17) of its subsidiaries.

The bank loans of the Group amounting to $7,828,000 (2016 : $8,707,000) are secured by a charge over the Group's leasehold building (Note 15).

The bank loans of the Group amounting to $297,815,000 (2016 : $119,345,000) are secured by corporate guarantees.

Included in the above loan balance is an amount due to a related party, who is also a financial institution in PRC, amounting to $144,346,000 (2016 : $82,387,000). The loan is secured by the 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, 2017 $'000	Financing cash flows [i] $'000	New finance leases (Note 23) $'000	Foreign exchange movement $'000	Other changes [ii] $'000	December 31, 2017 $'000
Bank loans (Note 20)	333,367	262,493	-	(11,065)	-	584,795
Finance leases (Note 23)	330	(91)	114	(1)	-	352
Medium term notes (Note 24)	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.

21 TRADE PAYABLES

	Group	
	2017	2016
	$'000	$'000
Outside parties	751,143	310,048

The average credit period on purchases of goods is 30 days (2016 : 30 days). No interest is charged on overdue trade payables.

22 OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Value added tax	28,122	23,046	-	-
Advance receipts	1,102	492	-	-
Accruals	12,068	6,993	803	706
Amount owing to subsidiaries (Note 13)	-	-	157,327	-
Deferred income	9,491	14,848	-	-
Tender deposits	2,338	7,219	-	-
Interest payable	12,259	14,358	12,067	14,358
Other payables to outside parties	27,427	12,454	2,686	-
Total	92,807	79,410	172,883	15,064

The amount owing to subsidiaries is unsecured, interest-free and repayable on demand.

As at December 31, 2017, 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.

23 FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Within one year	136	178	116	161	47	22	39	17
In the second to fifth year inclusive	252	181	236	164	151	71	139	66
After the fifth year	-	6	-	5	-	-	-	-
Total	388	365	352	330	198	93	178	83
Less: Future finance charges	(36)	(35)	NA	NA	(20)	(10)	NA	NA
Present value of lease obligations	352	330	352	330	178	83	178	83
Less: Due within one year			(116)	(161)			(39)	(17)
Due after one year			236	169			139	66

The average remaining lease terms for both the Group and the Company are 3 to 5 years (2016 : 2 to 4 years and 3 years respectively). For the year ended December 31, 2017, the average effective borrowing rates for both the Group and the Company were 4.3% to 5.2% (2016 : 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.

24 MEDIUM TERM NOTES

	Group and Company	
	2017	2016
	$'000	$'000
At beginning of the year	223,449	319,926
Redemption upon maturity/early redemption	-	(99,000)
Amortisation of issuance cost charge to profit or loss (Note 32)	1,110	2,523
At end of the year	224,559	223,449

Presentation on Statements of Financial Position:

	Group	
	2017	2016
	$'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 will mature on April 29, 2018.

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 (2016 : $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.

The net carrying amount of the Notes was stated net of issue expenses totalling $3,081,000 (2016 : $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 (2016 : $1,530,000).

25 SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid-up:				
At beginning of the year – Post split	2,255,855	2,255,530	608,063	607,973
Issuance of shares, net of expenses	33,176	325	17,891	90
Cancellation of shares	(4,058)	-	(3,213)	-
At end of the year – Post split	2,284,973	2,255,855	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.

During the current financial year, the Company issued 33,175,800 (2016 : 162,500 or 325,000 post split in 2017) ordinary shares at $17,891,000 (2016 : $89,700) pursuant to the conversion of the Employee Share Option Scheme.

During the current financial year, the Company repurchased 4,058,000 shares in connection with a share buy-back exercise. The total amount paid to acquire the shares amounted to $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, 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 December 31, 2016, 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 29 to the financial statements.

26 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").

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").

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 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 FRS 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.

27 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	
	2017	2016
	$'000	$'000
Statutory surplus reserve fund:		
At beginning of year	7,414	5,330
Transfer from retained earnings	3,155	2,084
At end of year	10,569	7,414

28 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.

29 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			
	2017		2016	
	Number of share options (Post-split)	Weighted average exercise price	Number of share options (Pre-split)	Weighted average exercise price
		$		$
Outstanding at beginning of year	107,185,000	0.2877	53,875,500	0.5921
Exercised	(33,175,800)	0.3836	(162,500)	0.5520
Forfeited	-	-	(120,500)	0.5520
Outstanding at end of year	74,009,200	0.2447	53,592,500	0.5923
Exercisable at end of year	71,136,400	0.2863	49,255,137	0.5754

For the year ended December 31, 2017, the weighted average share price at the date of grant for share options granted was $0.2447 (2016 : $0.5923). The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2016 : 5 years).

These fair values for share options granted were calculated using The Black-Scholes pricing model.

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 ($)	0.3209
Weighted average exercise price ($)	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

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.

In December 31, 2017, the estimated fair values of the options granted were $18,110,791 (2016 : $31,742,838).

For the financial year ended December 31, 2017, the Group and the Company recognised an expense of $1,633,000 (2016 : $7,337,000) related to fair value of the options granted.

30 REVENUE

	Group	
	2017	2016
	$'000	$'000
Revenue from environmental engineering projects	610,664	305,738
Income from waste water treatment	141,038	121,238
Finance income from service concessions	46,369	32,779
Sales of goods	101,927	75,285
Technical services income	8,770	9,515
Total	908,768	544,555

31 OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Interest income	3,466	3,138
Foreign exchange gain - net	-	2,934
Commission income	135	118
Gain from disposal of a subsidiary	-	873
Gain on disposal of property, plant and equipment	12	-
Reversal of allowance for doubtful debts	61	-
Government grant and VAT refund	15,757	10,456
Others	6,005	1,800
Total	25,436	19,319

32 FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense from:		
Bank borrowings	22,300	19,995
Finance leases	21	17
Amortisation of medium term notes issue expense (Note 24)	1,110	2,523
Medium term notes	10,540	17,038
Total	33,971	39,573

33 PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	2017	2016
	$'000	$'000
Foreign exchange loss (gain), net	3,886	(2,934)
Auditors' remuneration:		
Paid to auditors of the Company	345	295
Paid to member firms of the auditors of the Company	1,215	745
Paid to other auditors	228	77
Non-audit fees:		
Paid to auditors of the Company	90	100
Paid to member firms of the auditors of the Company	22	63
Paid to other auditors	51	-
Loss (Gain) from disposal of subsidiary	781	(873)
(Gain) Loss from disposal of property, plant and equipment	(12)	26
Impairment loss on non-current assets held-for-sale	-	2,494
Impairment loss on trade receivables	2,577	1,028
Impairment loss reversed on trade receivables	(61)	-
Employee benefits expense	47,495	42,343
Directors' remuneration	2,632	2,171
Directors' fee		
- Prior year	-	60
- Current year	360	258
Cost of defined contribution retirement plans	6,005	5,222
Total employee benefits expenses	56,492	50,054
Depreciation of property, plant and equipment	11,500	10,137
Amortisation of intangible assets	11,205	10,851
Amortisation of prepaid leases	1,181	1,194
Total depreciation and amortisation expenses	23,886	22,182

34 INCOME TAX EXPENSE

	Group	
	2017	2016
	$'000	$'000
Current tax	41,419	24,981
Under (Over) provision in prior years	615	(1,211)
Deferred tax (Note 19)	7,503	5,156
Withholding tax	-	475
Income tax expense	49,537	29,401

(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, Novo Envirotech (Tianjin) Co. Ltd and Memstar (Mianyang) Co. Ltd - The entities, being high-tech enterprises, enjoy a 15% tax incentive with renewal annually.

(ii) CITIC Envirotech Water (Changyi) Co. Ltd is 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.

(iii) CITIC Envirotech Water (Siyang) Co. Ltd is granted to claim tax exemption from the PRC income tax for the first five 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 five 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% (2016 : 17%) to profit before income tax as a result of the following differences:

	Group	
	2017	2016
	$'000	$'000
Profit before income tax	176,882	131,357
Tax expense at the Singapore domestic income tax rate of 17%	30,070	22,331
Tax effect of expense that are not deductible in determining taxable profits	4,303	6,794
Deferred tax benefit not recognised	3,847	2,862
Effect of different tax rates of subsidiaries operating in other jurisdictions	14,885	9,365
Tax exempt income	(3,818)	(10,614)
Under (Over) provision in prior years	615	(1,211)
Withholding tax	-	475
Others	(365)	(601)
Total	49,537	29,401

The Group has tax losses carry forwards available for offsetting against future taxable income as follows:

	Group	
	2017	2016
	$'000	$'000
Amount at beginning of year	62,546	49,582
Amount arising	15,972	12,964
Amount at end of year	78,518	62,546
Deferred tax benefit on above unrecorded	16,983	13,136

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 $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 correspondingly (2016 : $2.526 million, $1.683 million, $4.058 million, $6.318 million and $10.596 million that will expire over the period from 2016 to 2021).

35 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	2017	2016
	$'000	$'000
Earnings ($'000)		
Profit attributable to owners of the Company	115,943	99,312
Effect of dilutive potential ordinary shares:		
Dividends on perpetual capital securities	(25,631)	(22,754)
Earnings for the purposes of diluted earnings per share	90,312	76,558
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share – Post share split	2,267,480	2,255,688
Effect of dilutive potential ordinary shares from share options	86,256	107,186
Weighted average number of ordinary shares for the purpose of diluted earnings per share – Post share split	2,353,736	2,362,874
Earnings per share (cents)		
- Basic	3.98	3.40
- Diluted	3.84	3.24

36 DIVIDENDS

During the financial year,

(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.

In 2016,

(i) a tax exempt (1-tier) dividend of $0.0036 per ordinary shares totalling $4,060,000 on 1,127,765,088 shares was paid to shareholders in respect of the financial year ended December 31, 2015; and

(ii) a tax exempt (1-tier) dividend of $22,754,000 on the perpetual capital securities were declared in respect of the financial year ended December 31, 2016. The amount paid out in 2016 was $16,027,000.

37 OPERATING LEASE ARRANGEMENTS

	Group	
	2017	2016
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	1,081	1,070

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	983	920	234	234
In the second to fifth year inclusive	2,425	1,424	244	477
After fifth year	21	128	-	-
Total	3,429	2,472	478	711

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 years (2016 : 2 years).

38 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, Novo 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 (2016 : its subsidiaries, CITIC Envirotech Water Resource (Hegang) Co Ltd, United Envirotech Water Resource (Gaoyang) Co., Ltd, Weifang Bofa Water Treatment Co Ltd, Novo Envirotech (Guangzhou) Co. Ltd, United Envirotech (Hong Kong) Company Ltd and Memstar Pte Ltd for banking facilities up to $196,451,000).

Management has considered and evaluated the fair value of the above financial guarantee contracts to be insignificant as at December 31, 2017 and 2016.

39 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 three operating segments, namely (1) Engineering - design and implementation of integrated environmental engineering solution based on membrane technology; and (2) Treatment - rendering of waste water treatment services and (3) Membrane - manufacturing and sale of polymers.

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.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment information about the Group's operating segment is presented below:

	December 31, 2017					December 31, 2016				
	Engineering	Treatment	Membrane	Elimination	Total	Engineering	Treatment	Membrane	Elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue										
External sales	686,494	192,454	29,820	-	908,768	318,719	165,791	60,045	-	544,555
Inter-segment sales	25,365	-	40,537	(65,902)	-	8,428	-	15,240	(23,668)	-
Total	711,859	192,454	70,357	(65,902)	908,768	327,147	165,791	75,285	(23,668)	544,555

	2017					2016				
	Engineering	Treatment	Membrane	Elimination	Total	Engineering	Treatment	Membrane	Elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Results										
Segment result	99,543	102,123	24,933	-	226,599	73,213	65,244	26,316	-	164,773
Finance costs					(33,971)					(39,573)
Unallocated corporate expenses					(19,393)					(3,039)
(Loss) Gain on disposal of subsidiary					(781)					873
Gain (Loss) on disposal of property, plant and equipment					12					(26)
Loss on disposal of service concession					-					(2,043)
Impairment loss on assets held for sale					-					(2,494)
Foreign currency exchange (loss) gain					(3,886)					2,934
Share of profit of associates					4,836					6,814
Interest income					3,466					3,138
Profit before income tax					176,882					131,357
Income tax					(49,537)					(29,401)
Profit for the year					127,345					101,956

Segment assets represent property, plant and equipment, service concession receivables, associates, joint venture, intangible assets, goodwill, inventories, trade and other receivables bank balances and cash, which are attributable to each operating segments. Segment liabilities represent trade and other payables and bank borrowings, which are attributable to each operating segments.

	December 31, 2017				December 31, 2016			
	Engineering	Treatment	Membrane	Total	Engineering	Treatment	Membrane	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	910,997	2,125,000	416,320	3,452,317	509,086	1,422,150	399,751	2,330,987
Unallocated corporate assets				156,453				219,054
Consolidated total assets				3,608,770				2,550,041
Segment liabilities	960,571	355,861	40,174	1,356,606	386,584	371,979	33,790	792,353
Unallocated corporate liabilities				411,048				262,170
Consolidated total liabilities				1,767,654				1,054,523

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

	December 31, 2017				December 31, 2016			
	Engineering	Treatment	Membrane	Total	Engineering	Treatment	Membrane	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Additions to non-current assets	8,807	394,627	30,180	433,614	308	485,499	2,737	488,544
Depreciation and amortisation	352	17,586	5,948	23,886	381	14,008	7,793	22,182

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.

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
PRC	884,690	521,715	2,120,693	1,314,486
Singapore	-	-	288,375	282,416
Malaysia	22,432	19,507	1,690	1,545
USA	1,646	3,333	5,477	-
Total	908,768	544,555	2,416,235	1,598,447

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, club memberships, 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.

40 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.

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.

For the financial year ended December 31, 2016

The Group acquired 100% equity interest of Fujian Liyang Environmental Protection Co., Ltd. and its subsidiaries, businesses and assets ("Fujian Liyang") (the "Acquisition") for a total cash consideration of approximately RMB132,039,000 (equivalent to $28,784,000). The effective date of the completion of the acquisition, as determined by management, is January 1, 2016.

Fujian Liyang is a private entity incorporated in China. Its principal activity is the operation of water treatment plant. The Group acquired the Fujian Liyang primarily to strengthen and value add its core business strategically.

The Group acquired 70% equity interest of Nantong Chang'an Water Co., Ltd ("Nantong Chang'an") for a total cash consideration of approximately RMB35,000,000 (equivalent to $7,336,000). The effective date of the completion of the acquisition, as determined by management, is January 1, 2016.

Nantong Chang'an is a private entity incorporated in China. Its principal activity is the operation of water treatment plant. The Group acquired the Nantong Chang'an 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 were as follows:

	Fujian Liyang	Nantong Chang'an	Total
	$'000	$'000	$'000
Cash and bank balances	395	16	411
Trade receivables	1,116	456	1,572
Other receivables and prepayments	364	7,173	7,537
Inventories	-	14	14
Prepaid lease	-	1,432	1,432
Property, plant and equipment	45	7	52
Service concession receivable	34,072	-	34,072
Intangible assets	2,097	12,476	14,573
Bank loans	(1,663)	(5,764)	(7,427)
Trade payables	(1,116)	(1,122)	(2,238)
Other payables	(2,450)	(3,773)	(6,223)
Income tax payable	(770)	(24)	(794)
Deferred tax liabilities	(3,306)	-	(3,306)
Net assets acquired	28,784	10,891	39,675
Less: Non-controlling interest	-	(3,144)	(3,144)
Total consideration paid	28,784	7,747	36,531

Analysed as:

	Total
	$'000
<u>Net cash outflow on acquisition of subsidiary</u>	
Consideration paid in cash	36,531
Less: Cash and cash equivalents acquired	(411)
Net cash outflow	36,120

There is no goodwill arising from the acquisition of the above two 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 service concession receivables and intangible assets.

The acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of $9,162,000 and profit of $2,699,000 in the Group's financial statements for the year ended December 31, 2016.

For the financial period ended December 31, 2015

During the 9 months period ended December 31, 2015, the Group acquired 100% equity interest of Gaoyang Bishuilantian Water Co. Ltd. and its subsidiary, businesses and assets ("Gaoyang BSLT") (the "Acquisition") for a total cash consideration of approximately RMB353,720,000 (equivalent to $77,868,000). The effective date of the completion of the acquisition, as determined by management, was April 1, 2015.

Gaoyang BSLT is a private entity incorporated in China. Its principal activity is the operation of water treatment plant. The Group acquired the Gaoyang BSLT primarily to strengthen and value add its core business strategically.

The Group acquired 70% equity interest of PT Sumut Tirta Resource Co Ltd ("PT Sumut") for a total cash consideration of approximately $8,234,000. The effective date of the completion of the acquisition, as determined by management, was November 1, 2015.

PT Sumut is a private entity incorporated in Indonesia. Its principal activity is the operation of water treatment plant. The Group acquired the PT Sumut 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 were as follows:

	Gaoyang BSLT	PT Sumut	Total
	$'000	$'000	$'000
Cash and bank balances	-	2	2
Trade receivables	-	9,160	9,160
Other receivables and prepayments	125	765	890
Prepaid lease	30,732	-	30,732
Property, plant and equipment	29	43	72
Service concession receivable	67,583	-	67,583
Intangible assets	34,898	2,459	37,357
Bank loans	(50,471)	-	(50,471)
Trade payables	(26)	(1,588)	(1,614)
Other payables	-	(39)	(39)
Income tax payable	-	(104)	(104)
Deferred tax liabilities	(5,000)	-	(5,000)
Net assets acquired	77,870	10,698	88,568
Less: Non-controlling interest	-	(2,466)	(2,466)
Total consideration paid	77,870	8,232	86,102

Analysed as:

	Total
	$'000
<u>Net cash outflow on acquisition of subsidiary</u>	
Consideration paid in cash	86,102
Less: Cash and cash equivalents acquired	(2)
Net cash outflow	86,100

There is no goodwill arising from the acquisition of the above two 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 service concession receivables and intangible assets.

The acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of $17,708,000 and profit of $6,679,000 in the Group's financial statements for the year ended December 31, 2015.

Had the business combination during the year been effected at April 1, 2015, the revenue of the Group would have been $274,761,000 and the profit for the year would have been $42,438,000.

41 DISPOSAL OF SUBSIDIARY

As referred to in Note 12 to the financial statements, the Group completed the disposal of the following subsidiaries:

<u>For the financial period ended December 31, 2017</u>

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

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 and 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

For the financial period ended December 31, 2016

On October 24, 2016, the Group completed the disposal of its subsidiary, Heilongjiang Qitaihe Wanxinglong Water Co., Ltd.

Details of the disposal are as follows:

Carrying amounts of the net assets over which control was lost

	2016
	$'000
Non-current assets	
Property, plant and equipment	210
Service concession receivable	27,756
	27,966
Current assets	
Cash and bank balances	198
Trade receivables	2,308
Other receivables and prepayments	4,088
Inventories	22
	6,616
Current liabilities	
Trade payables	8,915
Other payables	21,176
Income tax payable	1,147
	31,238
Net assets derecognised	3,344
Total cash consideration received	3,548

Gain on disposal

Cash consideration received	3,548
Net assets derecognised	(3,344)
Non- controlling interest derecognised	695
Others	(26)
Gain on disposal	873

The gain on disposal of the subsidiary is recorded as part of profit for the year in the statement of profit and loss and other comprehensive income.

Net cash inflow arising on disposal

	2016
	$'000
Cash consideration received	3,548
Cash and cash equivalents disposed of	(198)
	3,350

42 COMMITMENTS

	Group	
	2017	2016
	$'000	$'000
Commitments	1,325,642	378,490

The above shows the commitments to be undertaken by the Group:

	Group	
	2017	2016
	$'000	$'000
Investment projects		
Rizhao City, Shandong Province	17,141	34,783
Shantou Chaonan, Guangdong Province	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	15,363	-
Binzhou City, Shandong Province	26,803	-
Qingyuan City, Guangdong Province	84,636	-
Lanzhou City, Gansu Province	741,427	-
Xiaochang, Hubei Province	3,416	-
Mengzhou City, Henan Province	2,475	-
Suzhou City, Jiangsu Province	6,279	-
Ningbo City, Zhejiang Province	22,657	-
Xiaogan City, Hubei Province	141,125	-
Aktau City, Kazakhstan	79,786	-
Total - Investment projects	1,325,642	378,490

43 EVENTS AFTER REPORTING PERIOD

On February 27, 2018, the directors of the Company proposed a tax exempt (1-tier) dividend of $0.0150 per ordinary share totalling $34,275,000 on 2,284,973,276 shares (based on the post-split share) for the financial year ended December 31, 2017. This is subject to approval by shareholders at the Annual General Meeting.

44 REVISION OF ORIGINAL FINANCIAL STATEMENTS ISSUED ON FEBRUARY 27, 2018

These revised financial statements were prepared in accordance with the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet) Regulations 2018, as the directors have voluntarily revised these financial statements in accordance with section 202A of the Companies Act.

These revised financial statements replace the original financial statements that were approved by the directors on February 27, 2018. These revised financial statements were approved by the directors on March 8, 2019.

These revised financial statements are taken as having been prepared on the date of the original financial statements on February 27, 2018 and accordingly, do not consider any events which occurred between February 28, 2018 and March 8, 2019.

Certain revisions have been made to the original financial statements issued on February 27, 2018 to correct the following items:

a) Construction, upgrade and expansion works carried out on treatment and water supply plants amounting to $501,422,000 (2016: $267,648,000; 2015: $51,665,000) as part of "Construction in progress" under "Property, plant and equipment" (Note 15) as no Service Concession Agreements ("SCA") were signed with the local authority. These costs would be reclassified to "Intangible assets" (Note 17) and "Service concession receivables" (Note 8) 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; 2015: $6,661,000) and $191,767,000 (2016: $200,502,000; 2015: $45,004,000) have been reclassified to "Intangible assets" and "Service concession receivables" respectively.

b) Currency translation loss of $7,159,000 (2016: $41,877,000; 2015: $5,054,000) was allocated fully to owners of the Company. Loss of $2,519,000 (2016: loss of $1,331,000; 2015: gain of $92,000) was attributable to non-controlling interests and have been reclassified to non-controlling interests accordingly.

c) The difference between the closing and opening exchange rates used for the cash flow transactions of $23,465,000 (2016: $17,697,000; 2015: $1,029,000) 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; 2015: $2,009,000) 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; 2015: $31,627,000) of which $114,000 (2016: $Nil; 2015: $8,240,000) was acquired by means of finance leases and bank loan arrangements. Cash payments of $23,749,000 (2016: $22,481,000; 2015: $23,123,000) were made to purchase property, plant and equipment and $Nil (2016: $Nil; 2015: $264,000) was unpaid and adjusted against changes in other payables, within "operating activities" of the consolidated statement of cash flows.

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.

As a result, certain line items have been amended in the consolidated statements of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, and the related notes to the financial statements. Comparative figures have been adjusted (Note 45).

The effects of the above restatement are as follows:

	December 31, 2017		
	Previously reported	Adjustments	After restatement
	$'000	$'000	$'000
Consolidated statements of financial position			
Non-current assets			
Service concession receivables	672,826	191,767	864,593
Property, plant and equipment	720,545	(501,422)	219,123
Intangible assets	252,636	309,655	562,291
Capital, reserves and non-controlling interests			
Currency translation reserve	(19,158)	3,758	(15,400)
Non-controlling interests	152,627	(3,758)	148,869
Consolidated statement of profit or loss and other comprehensive income			
Total comprehensive income attributable to:			
Owners of the Company	108,784	2,519	111,303
Non-controlling interests	11,402	(2,519)	8,883

Consolidated statement of cash flows

Operating activities			
Exchange differences arising on foreign currency translation	23,465	(23,465)	-
Trade receivables	(366,466)	(6,129)	(372,595)
Other receivables and prepayments	(50,133)	(11,135)	(61,268)
Inventories	(11,607)	(148)	(11,755)
Trade payables	435,206	(247,836)	187,370
Other payables	13,424	12,550	25,974
Investing activities			
Addition to service concession receivables	(104,076)	29,336	(74,740)
Addition to intangible assets	(30,254)	9,848	(20,406)
Contribution from non-controlling shareholders	17,880	(17,880)	-
Addition to property, plant and equipment	(259,560)	235,811	(23,749)
Financing activities			
Contribution from non-controlling shareholders	-	17,880	17,880
Addition of obligations under finance lease	114	(114)	-
Effects of exchange rate change on the balance of cash and cash equivalents held in foreign currencies	(9,700)	1,282	(8,418)

45 RESTATEMENT AND COMPARATIVE FIGURES

Certain restatements have been made to the prior year's financial statements for the items disclosed in Note 44.

As a result, certain line items have been amended in the consolidated statements of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows, and the related notes to the prior year's financial statements.

The items were restated as follows:

	December 31, 2016		
	Previously reported	Adjustments	After restatement
	$'000	$'000	$'000
Consolidated statements of financial position			
Non-current assets			
Service concession receivables	597,191	200,502	797,693
Property, plant and equipment	374,470	(267,648)	106,822
Intangible assets	271,894	67,146	339,040
Capital, reserves and non-controlling interests			
Currency translation reserve	(11,999)	1,239	(10,760)
Non-controlling interests	116,527	(1,239)	115,288
Consolidated statement of profit or loss and other comprehensive income			
Total comprehensive income attributable to:			
Owners of the Company	57,435	1,331	58,766
Non-controlling interests	2,644	(1,331)	1,313
Consolidated statement of cash flows			
Operating activities			
Exchange differences arising on foreign currency translation	(17,697)	17,697	-
Trade receivables	(53,261)	(7,912)	(61,173)
Other receivables and prepayments	30,824	(17,055)	13,769
Inventories	(3,192)	(402)	(3,594)
Trade payables	166,697	(341,542)	(174,845)
Other payables	37,886	15,166	53,052
Investing activities			
Addition to service concession receivables	(130,344)	92,146	(38,198)
Addition to intangible assets	(44,260)	28,724	(15,536)
Contribution from non-controlling shareholders	72,426	(72,426)	-
Addition to property, plant and equipment	(259,317)	236,836	(22,481)
Financing activities			
Contribution from non-controlling shareholders	-	72,426	72,426
Repayment of bank loans	(258,398)	(22,762)	(281,160)
Effects of exchange rate change on the balance of cash and cash equivalents held in foreign currencies	(10,883)	(896)	(11,779)

	January 1, 2016		
	Previously reported	Adjustments	After restatement
	$'000	$'000	$'000
Consolidated statements of financial position			
Non-current assets			
Service concession receivables	504,819	45,004	549,823
Property, plant and equipment	148,871	(51,665)	97,206
Intangible assets	222,282	6,661	228,943
Capital, reserves and non-controlling interests			
Currency translation reserve	29,878	(92)	29,786
Non-controlling interests	39,008	92	39,100