IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES OR TO U.S. PERSONS

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view the attached information memorandum or make an investment decision with respect to the perpetual securities, investors must not be (i) a U.S. person (as defined in Regulation S under the Securities Act (as defined below)) or (ii) located within the United States ("**U.S.**"). The attached information memorandum is being sent at your request and by accepting this e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the United States nor a U.S. person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), nor are you acting on behalf of a U.S. person, the e-mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and, to the extent you purchase the perpetual securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), a relevant person as defined under Section 275(2) of the SFA or a person to whom an offer, as referred to in Section 275(1A) of the SFA, is being made and (B) agree to be bound by the limitations and restrictions described therein.

The attached information memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of CITIC Envirotech Ltd. (the "**Issuer**"), DBS Bank Ltd., Barclays Bank PLC, Singapore Branch, CLSA Limited, or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the information memorandum distributed to you in electronic format and the hard copy version.

Restrictions: The attached information memorandum is being furnished in connection with an offering of securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the perpetual securities described therein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, DBS Bank Ltd., Barclays Bank PLC, Singapore Branch or CLSA Limited to subscribe for or purchase any of the perpetual securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (as defined in Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of securities be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering of securities shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession the attached information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this information memorandum, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the perpetual securities described therein.**

Actions that You May Not Take: If you receive this information memorandum by e-mail, you should not reply by e-mail, and you may not purchase any perpetual securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO, AND YOU MAY NOT, FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive the attached information memorandum by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CITIC ENVIROTECH LTD.

(Incorporated in the Republic of Singapore on 9 July 2003)
(UEN/Company Registration No. 200306466G)

US$1,500,000,000
Multicurrency Perpetual Securities Issuance Programme
(the "Programme")

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of perpetual securities (the "**Perpetual Securities**") to be issued from time to time by CITIC Envirotech Ltd. (the "**Issuer**") pursuant to the Programme may not be circulated or distributed, nor may the Perpetual Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Perpetual Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Perpetual Securities pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and the listing of and quotation for any Perpetual Securities which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Perpetual Securities have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Perpetual Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any), its joint venture companies (if any), the Programme or such Perpetual Securities.

Arranger

DBS Bank Ltd.

Dealers

DBS Bank Ltd. **Barclays Bank PLC, Singapore Branch** **CLSA Limited**

TABLE OF CONTENTS

NOTICE

DBS Bank Ltd. (the "**Arranger**") has been authorised by CITIC Envirotech Ltd. (the "**Issuer**") to arrange the US$1,500,000,000 Multicurrency Perpetual Securities Issuance Programme (the "**Programme**") described herein. Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Perpetual Securities denominated in Singapore dollars and/or any other currencies.

The Issuer, having made all reasonable enquiries, confirms that, to the best of its knowledge and belief, (i) this Information Memorandum contains all information which is material in the context of the Programme and the issue and offering of the Perpetual Securities, (ii) the statements contained herein are true and accurate in all material respects and not misleading in any material respect, (iii) the opinions and intentions expressed in this Information Memorandum are based on all relevant considerations and facts existing at the date of this Information Memorandum and are honestly and reasonably made or held by the Issuer, (iv) there are no other facts the omission of which in the context of the Programme and the issue and offering of the Perpetual Securities would make any such statement or expressions of opinion or intention misleading in any material respect, and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

Perpetual Securities may be issued in series having one or more issue dates, and on identical terms (including as to listing) except for the issue dates, issue prices and/or the dates of the first payment of distribution. Each series may be issued in one or more tranches on the same or different issue dates. The Perpetual Securities will be issued in bearer form or registered form and may be listed on a stock exchange. The Perpetual Securities will initially be represented by either a Temporary Global Security (as defined herein) in bearer form or a Permanent Global Security (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the issue date with or registered in the name of, or in the name of a nominee of, either CDP (as defined herein) or common depositary for Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Perpetual Securities may be subject to redemption in whole or in part. The Perpetual Securities may confer a right to receive distributions at a fixed or floating rate. Details applicable to each series or tranche of Perpetual Securities will be specified in the applicable Pricing Supplement (as defined herein) which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Perpetual Securities to be issued, when added to the aggregate principal amount of all Perpetual Securities outstanding (as defined in the Trust Deed referred to herein) shall be US$1,500,000,000 (or its equivalent in any other currencies) or such increased amount in accordance with the terms of the Programme Agreement (as defined herein). On 3 October 2017, the maximum aggregate principal amount of all Perpetual Securities which may be issued from time to time pursuant to the Programme and which remain outstanding has been increased from US$750,000,000 to US$1,500,000,000.

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any of the Dealers. Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries, associated companies (if any) or joint venture companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, the Perpetual Securities in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum (or any part thereof) or any such other document or information and the offer of the Perpetual Securities in certain jurisdictions may be restricted by law. Persons who distribute or publish this Information Memorandum (or any part thereof) or any such other document or information or into whose possession this Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Perpetual Securities have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Perpetual Securities may include Bearer Perpetual Securities (as defined herein) that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Perpetual Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or any of the Dealers to subscribe for or purchase, any of the Perpetual Securities.

This Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Perpetual Securities have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Perpetual Securities from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Perpetual Securities are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Perpetual Securities shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries, associated companies (if any) or joint venture companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger and the Dealers have not separately verified the information contained in this Information Memorandum. None of the Arranger, any of the Dealers or any of their respective officers or employees is making any representation or warranty expressed or implied as to the merits of the Perpetual Securities or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries, associated companies (if any) or joint venture companies (if any). Further, neither the Arranger nor any of the Dealers makes any representation or warranty as to the Issuer or its subsidiaries, associated companies (if any) or joint venture companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Perpetual Securities is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Perpetual Securities. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer and its subsidiaries, associated companies (if any) and joint venture companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer and its subsidiaries, associated companies (if any) and joint venture companies (if any). Accordingly, notwithstanding anything herein, none of the Arranger, any of the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase, subscription or acquisition of any of the Perpetual Securities by a recipient of this Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, neither the Arranger nor any of the Dealers accept any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Arranger or any of the Dealers or on its behalf in connection with the Issuer, the Group (as defined herein), the Programme or the issue and offering of the Perpetual Securities. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports, audited consolidated accounts and/or publicly announced unaudited consolidated financial statements of the Issuer, and (2) any supplement or amendment to this Information Memorandum issued by the Issuer. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Perpetual Securities, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum. Any purchase,subscription or acquisition of the Perpetual Securities is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Perpetual Securities by the Issuer pursuant to the

Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase, subscription or acquisition of the Perpetual Securities or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, the Arranger or any of the Dealers) lapse and cease to have any effect if (for any other reason whatsoever) the Perpetual Securities are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Perpetual Securities set out under the section "Subscription, Purchase and Distribution" on pages 179 to 183 of this Information Memorandum.

Any person(s) who is/are invited to purchase or subscribe for the Perpetual Securities or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Perpetual Securities or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to purchase or subscribe for any of the Perpetual Securities consult their own legal, financial, tax and other advisers before purchasing, subscribing or acquiring the Perpetual Securities. Such persons are also advised to consult their own tax advisers concerning the tax consequences of the acquisition, ownership or disposal of the Perpetual Securities.

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) (including statements as to the revenue, profitability, prospects and future plans of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) and other matters discussed in this Information Memorandum regarding matters that are not historical facts and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any), expected growth in the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social and economic conditions;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any).

Some of these factors are discussed in greater detail in this Information Memorandum, in particular, but not limited to, discussion under the section "Risk Factors".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, the Arranger and the Dealers do not represent or warrant that the actual future results, performance or achievements of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Perpetual Securities by the Issuer shall under any circumstances constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, its subsidiaries, its associated companies (if any) and/or its joint venture companies (if any) or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuer, the Arranger and the Dealers disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

"**Agency Agreement**"	:	The Agency Agreement dated 14 November 2015 between (1) the Issuer, as issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent, CDP transfer agent and CDP registrar, (3) Deutsche Bank AG, Hong Kong Branch, as non-CDP paying agent and non-CDP transfer agent, (4) Deutsche Bank Luxembourg S.A., as non-CDP registrar, and (5) the Trustee, as trustee, as amended, restated or supplemented from time to time.
"**Arranger**"	:	DBS Bank Ltd.
"**Audit Committee**"	:	The audit committee of the Issuer.
"**Bearer Perpetual Securities**"	:	Perpetual Securities in bearer form.
"**Beijing Drainage**"	:	Beijing Drainage Group Co. Ltd.
"**Board**"	:	Board of Directors of the Issuer.
"**BOO**"	:	Build-operate-own.
"**BOT**"	:	Build-operate-transfer.
"**business day**"	:	In respect of each Perpetual Security, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in the Principal Paying Agent's or, as the case may be, the Non-CDP Paying Agent's specified office and (iii) (if a payment is to be made on that day) (a) (in the case of Perpetual Securities denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore, (b) (in the case of Perpetual Securities denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (c) (in the case of Perpetual Securities denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore and the principal financial centre for that currency.

"**Calculation Agent**"	:	In relation to any Series of Perpetual Securities, the person appointed as calculation agent for that Series and as specified in the applicable Pricing Supplement or its successor or in such capacity.
"**CDP**" or the "**Depository**"	:	The Central Depository (Pte) Limited.
"**CDP Registrar**"	:	Deutsche Bank AG, Singapore Branch.
"**CDP Transfer Agent**"	:	Deutsche Bank AG, Singapore Branch.
"**Certificate**"	:	A registered certificate representing one or more Registered Perpetual Securities of the same Series and, save as provided in the Conditions, comprising the entire holding by a holder of Registered Perpetual Securities of that Series.
"**Chengdu Xingrong**"	:	Chengdu Xingrong Investment Co. Ltd.
"**CITIC Environment**"	:	CITIC Environment Investment Group Co. Ltd. (formerly known as CITIC Environment Protection Co. Ltd).
"**CITIC Group**"	:	The CITIC Group Corporation.
"**CMF**"	:	Continuous membrane filtration.
"**CNOOC**"	:	China National Offshore Oil Corporation.
"**CNPC**"	:	China National Petroleum Corporation.
"**Common Depositary**"	:	In relation to a Series of Perpetual Securities, a depositary common to Euroclear and Clearstream, Luxembourg.
"**Companies Act**"	:	Companies Act, Chapter 50 of Singapore, as amended from time to time.
"**Conditions**"	:	The terms and conditions applicable thereto, which shall be substantially in the form set out in Part III of Schedule 1 to the Trust Deed, as modified, with respect to any Perpetual Securities represented by a Global Security or a Global Certificate, by the provisions of such Global Security or, as the case may be, Global Certificate, shall incorporate any additional provisions forming part of such terms and conditions set out in the Pricing Supplement(s) relating to the Perpetual Securities of such Series and shall be endorsed on the Definitive Securities or, as the case may be, Certificates, subject to amendment and completion as referred to in the first paragraph appearing after the heading "Terms and Conditions of the Perpetual Securities" as set out in Part III of Schedule 1 to the Trust Deed, and any reference to a particularly numbered Condition shall be construed accordingly.

"Couponholders"	:	The holders of the Coupons.
"Coupons"	:	The bearer coupons appertaining to a distribution-bearing Bearer Perpetual Security.
"Dealers"	:	Persons appointed as dealers under the Programme.
"Definitive Security"	:	A definitive Bearer Perpetual Security having, where appropriate, Coupons and/or a Talon attached on issue.
"EBITDA"	:	Earnings before net interest, income tax expense, depreciation and amortisation expenses, share of profit of associates (if any) and joint ventures (if any) and non-controlling interests and exceptional items.
"EIT Law"	:	The Enterprise Income Tax Law of the PRC.
"EPC"	:	Engineering, procurement and construction.
"Euro"	:	The currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.
"FY"	:	Financial year ended 31 March or, as the case may be, 31 December.
"Global Certificate"	:	A Certificate representing Registered Perpetual Securities of one or more Tranches of the same Series that are registered in the name of, or in the name of a nominee of, (i) CDP, (ii) the Common Depositary and/or (iii) any other clearing system.
"Global Security"	:	A global Perpetual Security representing Bearer Perpetual Securities of one or more Tranches of the same Series, being a Temporary Global Security and/or, as the context may require, a Permanent Global Security, in each case, without Coupons or a Talon.
"Group"	:	The Issuer and its subsidiaries.
"Investment Projects"	:	Investments in water and wastewater treatment plants.
"IRAS"	:	Inland Revenue Authority of Singapore.
"Issuer"	:	CITIC Envirotech Ltd. (formerly known as United Envirotech Ltd.).
"ITA"	:	Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time.
"KKR"	:	Kohlberg Kravis Roberts & Co. L. P. and its affiliates.
"KKRCW"	:	KKR China Water Investment Holdings Limited.

"KKRCW Convertible Bonds"	:	The US$113.8 million in aggregate principal amount of convertible bonds due 2016 subscribed by KKRCW.
"kWh"	:	Kilowatt hour.
"Latest Practicable Date"	:	27 September 2017.
"LTM"	:	Last twelve months.
"MAS"	:	The Monetary Authority of Singapore.
"MBR"	:	Membrane bioreactor.
"Memstar"	:	Memstar Pte. Ltd.
"Memstar Acquisition"	:	Acquisition of all the issued shares in Memstar and the acquisition of the business, assets and principal subsidiaries of MTL.
"Memstar Group"	:	Memstar and its subsidiaries.
"MTL"	:	Memstar Technology Ltd.
"Nominating Committee"	:	The nominating committee of the Issuer.
"Non-CDP Paying Agent"	:	Deutsche Bank AG, Hong Kong Branch.
"Non-CDP Registrar"	:	Deutsche Bank Luxembourg S.A.
"Non-CDP Transfer Agent"	:	Deutsche Bank AG, Hong Kong Branch.
"O&M"	:	Operations and maintenance.
"Paying Agents"	:	The Principal Paying Agent and the Non-CDP Paying Agent, or such other or further institutions as may from time to time be appointed by the Issuer as paying agent for the Perpetual Securities and Coupons.
"Permanent Global Security"	:	A Global Perpetual Security representing Bearer Perpetual Securities of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Security.
"Perpetual Securities"	:	The perpetual securities issued or to be issued by the Issuer under the Programme.
"Perpetual Securityholders"	:	The holders of the Perpetual Securities.
"PRC"	:	The People's Republic of China.
"PRC Government"	:	The government of the PRC.
"Pricing Supplement"	:	In relation to a Tranche or Series, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series.
"Principal Paying Agent"	:	Deutsche Bank AG, Singapore Branch.

"Programme"	:	The US$1,500,000,000 Multicurrency Perpetual Securities Issuance Programme of the Issuer.
"Programme Agreement"	:	The Programme Agreement dated 14 November 2015 made between (1) the Issuer, as issuer, (2) the Arranger, as arranger, and (3) DBS Bank Ltd., as dealer, as amended, restated or supplemented from time to time.
"PVDF"	:	Polyvinylidene fluoride.
"Registered Perpetual Securities"	:	Perpetual Securities in registered form.
"Remuneration Committee"	:	The remuneration committee of the Company.
"RO"	:	Reverse osmosis.
"R&D"	:	Research and development.
"Securities Act"	:	Securities Act of 1933 of the United States, as amended.
"Senior Perpetual Securities"	:	Perpetual Securities which are expressed to rank as senior obligations of the Issuer.
"Series"	:	A Tranche, together with any further Tranche or Tranches, which are (i) expressed to be consolidated and forming a single series and (ii) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution.
"SFA"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended from time to time.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited.
"Shares"	:	The issued and paid-up ordinary shares in the capital of the Issuer.
"Sinopec"	:	China Petrochemical Corporation.
"Sinopec Group"	:	The Sinopec group of companies.
"SOE"	:	State-owned enterprise.
"Subordinated Perpetual Securities"	:	Perpetual Securities which are expressed to rank as subordinated obligations of the Issuer.
"Talons"	:	Talons for further Coupons.
"Temporary Global Security"	:	A Global Perpetual Security representing Bearer Perpetual Securities of one or more Tranches of the same Series on issue.
"TOT"	:	Transfer-operate-transfer.

"**Tranche**"	:	Perpetual Securities which are identical in all respects (including as to listing).
"**Trust Deed**"	:	The Trust Deed dated 14 November 2015 made between (1) the Issuer, as issuer, and (2) the Trustee, as trustee, as amended, restated or supplemented from time to time.
"**Trustee**"	:	DB International Trust (Singapore) Limited.
"**Thirteenth Five-Year Plan**"	:	The PRC Government's thirteenth five-year plan (2016 – 2020).
"**UEWRPL**"	:	United Envirotech Water Resource Pte. Ltd.
"**United States**" or "**U.S.**"	:	United States of America.
"**VAT**"	:	Value added tax.
"**RMB**" or "**Renminbi**"	:	Renminbi, the official currency of the PRC.
"**HK$**"	:	Hong Kong dollars.
"**S$**" or "**cents**" or "**SGD**"	:	Singapore dollars and cents respectively.
"**US$**" or "**US dollars**" or "**USD**"	:	United States dollars.
"**%**"	:	Per cent.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

CORPORATE INFORMATION

Board of Directors	:	Mr. Hao Weibao Dr. Lin Yucheng Mr. Zhang Yong Mr. Wang Song Mr. Bi Jingshuang Mr. Yeung Koon Sang alias David Yeung Mr. Tay Beng Chuan Mr. Lee Suan Hiang
Company Secretaries	:	Lotus Isabella Lim Mei Hua and Lee Bee Fong
Registered Office	:	80 Robinson Road #02-00 Singapore 068898
Auditors	:	Deloitte & Touche LLP Public Accountants and Chartered Accountants 6 Shenton Way OUE Downtown 2 #33-00 Singapore 068898
Arranger of the Programme	:	DBS Bank Ltd. 12 Marina Boulevard, Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982
Legal Advisers to the Arranger	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Advisers to the Trustee, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Registrar, the Non-CDP Registrar, the CDP Transfer Agent and the Non-CDP Transfer Agent	:	Allen & Gledhill LLP One Marina Boulevard #28-00 Singapore 018989
Legal Advisers to the Issuer	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
Principal Paying Agent, CDP Registrar and CDP Transfer Agent	:	Deutsche Bank AG, Singapore Branch One Raffles Quay #16-00 South Tower Singapore 048583
Non-CDP Paying Agent and Non-CDP Transfer Agent	:	Deutsche Bank AG, Hong Kong Branch Level 52, International Commerce Centre 1 Austin Road West, Kowloon Hong Kong

Non-CDP Registrar	:	Deutsche Bank Luxembourg S.A. 2, Boulevard Konrad Adenauer L-1115 Luxembourg Luxembourg
Trustee for the Perpetual Securityholders	:	DB International Trust (Singapore) Limited One Raffles Quay #16-00 South Tower Singapore 048583

SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuer	:	CITIC Envirotech Ltd.
Arranger	:	DBS Bank Ltd.
Dealers	:	DBS Bank Ltd., Barclays Bank PLC, Singapore Branch, CLSA Limited, and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement.
Trustee	:	DB International Trust (Singapore) Limited
Principal Paying Agent	:	Deutsche Bank AG, Singapore Branch
Non-CDP Paying Agent	:	Deutsche Bank AG, Hong Kong Branch
Description	:	US$1,500,000,000 Multicurrency Perpetual Securities Issuance Programme.
Programme Size	:	The maximum aggregate principal amount of the Perpetual Securities outstanding at any time shall be US$1,500,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the terms of the Programme Agreement.
Currency	:	Subject to compliance with all relevant laws, regulations and directives, Perpetual Securities may be issued in Singapore dollars, US dollars or any other currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	:	Perpetual Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	:	Perpetual Securities may be issued at par or at a discount, or premium, to par.
No Fixed Maturity	:	The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the Conditions.
Distribution Basis	:	Perpetual Securities may confer a right to receive distribution at fixed or floating rates.

Fixed Rate Perpetual Securities	:	Fixed Rate Perpetual Securities will confer a right to receive distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate Perpetual Security, the distribution rate may be reset on such dates and bases as may be set out in the applicable Pricing Supplement.
Floating Rate Perpetual Securities	:	Floating Rate Perpetual Securities which are denominated in Singapore dollars will confer a right to receive distribution at a rate to be determined separately for each Series by reference to S$ SIBOR or S$ Swap Rate or US$ LIBOR (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Distribution periods in relation to the Floating Rate Perpetual Securities will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Perpetual Securities which are denominated in other currencies will confer a right to receive distribution at a rate to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).
Distribution Discretion	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date (as defined in the Conditions) by giving notice to the Trustee, the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 15) not more than 15 nor less than five business days (or such other notice period as may be specified on the face of the Perpetual Security and the relevant Pricing Supplement) prior to a scheduled Distribution Payment Date. If Dividend Pusher is set out on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may not elect to defer any distribution if during the Reference Period (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following (each, a "**Compulsory Distribution Payment Event**") have occurred:

(i) a dividend, distribution or other payment has been declared or paid on or in respect of any of the Issuer's Junior Obligations (as defined in the Conditions) or (except on a *pro rata* basis) any of the Issuer's Specified Parity Obligations (as defined in the Conditions); or

(ii) any of the Issuer's Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or (except on a *pro rata* basis) any of the Issuer's Specified Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of the Issuer's Specified Parity Obligations for the Issuer's Junior Obligations and/or as otherwise specified in the applicable Pricing Supplement.

Non-Cumulative Deferral and Cumulative Deferral	:	If Non-Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 5(IV) is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid ("**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 5(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to Condition 5(IV). If Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 5(IV) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 5(IV)(a)) further defer any Arrears of Distribution by complying with the notice requirement in Condition 5(IV)(e) applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 5(IV) except that Condition 5(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

If Additional Distribution is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to Condition 5 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Restrictions in the case of Non-Payment : If Dividend Stopper is so provided on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of Condition 5(IV), the Issuer shall not and shall procure that none of its subsidiaries shall:

(i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Specified Parity Obligations; or

(ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer's Junior Obligations or (except on a *pro rata* basis) any of the Issuer's Specified Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of the Issuer's Specified Parity Obligations for the Issuer's Junior Obligations, unless and until (a) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (b) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (c) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

Form of Perpetual Securities	:	The Perpetual Securities will be issued in bearer form or registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of Bearer Perpetual Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, the Common Depositary and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or definitive Perpetual Securities (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for definitive Perpetual Securities upon the terms therein. Each Tranche or Series of Registered Perpetual Securities will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of, CDP, the Common Depositary and/or any other agreed clearing system. Each Global Certificate may be exchanged, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the Conditions, a Certificate shall be issued in respect of each Perpetual Securityholder's entire holding of Registered Perpetual Securities of one Series.
Denomination	:	Perpetual Securities will be issued in such denominations as specified in the relevant Pricing Supplement. In the case of Registered Perpetual Securities, such Perpetual Securities will be issued in the denomination amount specified in the relevant Pricing Supplement, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the relevant Pricing Supplement.

Custody of the Perpetual Securities	:	Perpetual Securities which are to be listed on the SGX-ST may be cleared through CDP, Euroclear and/or Clearstream, Luxembourg. Perpetual Securities which are to be cleared through CDP are required to be kept with CDP as authorised depository. Perpetual Securities which are to be cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg.
Status of the Senior Perpetual Securities	:	The Senior Perpetual Securities and Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.
Status of the Subordinated Perpetual Securities	:	The Subordinated Perpetual Securities and Coupons relating to them will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of the Issuer.
Subordination of the Subordinated Perpetual Securities	:	Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Issuer, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.
Set-off in relation to the Subordinated Perpetual Securities	:	Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or

retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

Negative Pledge : The Issuer has covenanted with the Trustee in the Trust Deed that, so long as any Senior Perpetual Security remains outstanding, it shall not, and it shall procure that none of its subsidiaries will, create or allow to subsist any Security Interest (as defined in the Conditions) on any of its assets or properties of any kind, whether owned at the Issue Date (as defined in the Conditions) or thereafter acquired, to secure any Relevant Indebtedness (as defined in the Conditions) or any Guarantee (as defined in the Conditions) of Relevant Indebtedness; unless (i) at the same time or prior thereto, the Issuer's obligations under the Senior Perpetual Securities are secured equally and rateably by the same Security Interest or (ii) the Issuer provides such other security for the Senior Perpetual Securities as the holders of Senior Perpetual Securities may agree.

Limitation on Asset Sales : The Issuer has covenanted with the Trustee in the Trust Deed that it will not, and will not permit any of its subsidiaries to, consummate any Asset Sale (as defined in the Conditions), unless:

(i) no Enforcement Event (as defined below) shall have occurred and be continuing or would occur as a result of such Asset Sale (as defined in the Conditions);

(ii) the consideration received by the Issuer or such subsidiary, as the case may be, is at least equal to the Fair Market Value (as defined in the Conditions) of the assets sold or disposed of; and

(iii) at least 75 per cent. of the consideration received consists of cash or Replacement Assets (as defined in the Conditions), provided that in the case of an Asset Sale in which the Issuer or such subsidiary receives Replacement Assets involving aggregate consideration in excess of S$10,000,000 (or its equivalent in any other currency or currencies), the Issuer shall deliver to the Trustee an Officer's Certificate (as defined in the Conditions) as to the fairness to the Issuer or such subsidiary of such Asset Sale from a financial point of view.

For purposes of this paragraph (iii), each of the following will be deemed to be cash:

(1) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Perpetual Securities) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Issuer or such subsidiary, as the case may be, from further liability; and

(2) any securities, notes or other obligations received by the Issuer or any subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Issuer or such subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds (as defined in the Conditions) from an Asset Sale, the Issuer (or any subsidiary, as the case may be) shall apply such Net Cash Proceeds to:

(A) permanently repay Senior Indebtedness (as defined in the Conditions) of the Issuer or any Indebtedness of a subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person (as defined in the Conditions) other than the Issuer or a subsidiary; or

(B) acquire Replacement Assets (which acquisition may be affected through the Issuer or any subsidiary).

Redemption at the Option of the Issuer	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face thereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) (if any) to (but excluding) the date fixed for redemption.
Redemption for Taxation Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

(i) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:

(1) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the ITA and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(2) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or

(ii) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and

(2) such obligations cannot be avoided by the Issuer taking reasonable measures available to it (which shall not require the Issuer to incur unreasonable costs), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Redemption for Accounting Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council, as amended from time to time (the "**SFRS**") or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.
Redemption for Tax Deductibility	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption), if:

(i) if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

(1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;

(2) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or

(3) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is issued or announced before the Issue Date,

the distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA; or

(ii) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA.

Redemption upon a Change of Control	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving no less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Change of Control (as defined in the Conditions).

Redemption in the case of Minimal Outstanding Amount	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified thereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued.
Limited right to institute proceedings in relation to Perpetual Securities	:	The right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 5(IV).
Proceedings for Winding-Up	:	If (i) a final and effective order is made or an effective resolution is passed for the bankruptcy, winding-up, liquidation, receivership or similar proceedings of the Issuer or (ii) the Issuer fails to make payment in respect of the Perpetual Securities when due and such failure continues for a period of more than three business days (in the case of distribution) or one business day (in the case of principal) (each, an "**Enforcement Event**"), the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 10(d), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.
Taxation	:	All payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, save for certain exceptions. For further details, please see the section on "Singapore Taxation" herein.

Listing	:	Each Series of the Perpetual Securities may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained. If the application to the SGX-ST to list a particular Series of Perpetual Securities is approved, for so long as such Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, such Perpetual Securities will be traded on the SGX-ST in a minimum board lot size of at least S$200,000 (or its equivalent in foreign currencies).
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Perpetual Securities and the distribution of offering material relating to the Perpetual Securities, please see the section on "Subscription, Purchase and Distribution" herein. Further restrictions may apply in connection with any particular Series or Tranche of Perpetual Securities.
Governing Law	:	The Programme and any Perpetual Securities issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore.

SUMMARY OF PROVISIONS RELATING TO THE PERPETUAL SECURITIES WHILE IN GLOBAL FORM

1 Initial Issue of Perpetual Securities

Global Securities and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary or CDP.

Upon the initial deposit of a Global Security with the Common Depositary or CDP, or registration of Registered Perpetual Securities in the name of, or in the name of a nominee of, the Common Depositary or CDP and delivery of the relevant Global Certificate to the Common Depositary or, as the case may be, CDP, the relevant clearing system will credit each subscriber with a principal amount of Perpetual Securities equal to the principal amount thereof for which it has subscribed and paid.

Perpetual Securities that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Perpetual Securities that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

While any Perpetual Security is represented by a Temporary Global Security, payments in respect of such Perpetual Securities due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Global Security only to the extent that certification (in a form to be provided), to the effect that the beneficial owners of interests in such Perpetual Security are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and (in the case of a Temporary Global Security delivered to a Common Depositary) Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent or, as the case may be, the Non-CDP Paying Agent.

2 Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, CDP or any other clearing system (each, an "**Alternative Clearing System**") as the holder of a particular principal amount of Perpetual Securities (each an "**Accountholder**") represented by a Global Security or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Security or the registered holder of the Global Certificate, as the case may be, and in relation to all other rights arising under the Global Securities or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, CDP or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Perpetual Securities for so long as the Perpetual Securities are represented by such Global Security or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Security or the registered holder of the Global Certificate, as the case may be, in respect of each amount so paid.

3 Exchange

3.1 Temporary Global Securities

Each Temporary Global Security will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that the appropriate TEFRA exemption is either "C Rules" or "not applicable", in whole, but not in part, for the Definitive Securities defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security for interests in a Permanent Global Security or, if so provided in the relevant Pricing Supplement, for Definitive Securities.

3.2 Permanent Global Securities

Each Permanent Global Security will be exchangeable, free of charge to the holder, on or after the Exchange Date, in whole (but not (except as provided under paragraph 3.4 below) in part), for Definitive Securities:

(i) if the Permanent Global Security is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention to permanently cease business or does in fact does so; or

(ii) if the Permanent Global Security is held by or on behalf of CDP and (a) an event of default, enforcement event or analogous event entitling an Accountholder or the Trustee to declare the Perpetual Securities to be due and payable as provided in the Conditions has occurred and is continuing; or (b) CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or (c) CDP has announced an intention to permanently cease business and no alternative clearing system is available or (d) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Perpetual Securities and to continue performing its duties as set out in its terms and conditions for the provision of depository services and no alternative clearing system is available.

In the event that a Global Security is exchanged for Definitive Securities, such Definitive Securities shall be issued in Authorised Denomination(s) only. A Perpetual Securityholder who holds a principal amount of less than the minimum Authorised Denomination will not receive a Definitive security in respect of such holding and would need to purchase a principal amount of Perpetual Securities such that it holds an amount equal to one or more Authorised Denominations.

Perpetual Securities which are represented by a Global Security will only be transferable in accordance with the rules and procedures for the time being of CDP, Euroclear or Clearstream, Luxembourg.

3.3 Global Certificates

The following will apply in respect of transfers of Perpetual Securities held in Euroclear or Clearstream, Luxembourg, CDP or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Perpetual Securities within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Perpetual Securities may be withdrawn from the relevant clearing system.

Transfers of the holding of Perpetual Securities represented by a Global Certificate pursuant to Condition 2(b) may only be made:

(i) in whole but not in part if such Perpetual Securities are held on behalf of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention to permanently cease business or does in fact do so; or

(ii) in whole but not in part if such Perpetual Securities are held by or on behalf of CDP and (a) an event of default, enforcement event or analogous event entitling an Accountholder or the Trustee to declare the Perpetual Securities to be due and payable as provided in the Conditions has occurred and is continuing; or (b) CDP has closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or (c) CDP has announced an intention to permanently cease business and no alternative clearing system is available; or (d) CDP has notified the Issuer that it is unable or unwilling to act as depository for the Perpetual Securities and to continue performing its duties as set out in its terms and conditions for the provision of depository services and no alternative clearing system is available; or

(iii) in whole or in part, if such Perpetual Securities are not cleared through CDP, with the consent of the Issuer,

provided that, in the case of a transfer pursuant to paragraphs 3.3(i) and 3.3(ii) above, the holder of such Perpetual Securities has given the Registrar not less than 30 days' notice at its specified office of such holders' intention to effect such transfer.

3.4 Delivery of Perpetual Securities

On or after any due date for exchange the holder of a Global Security may surrender such Global Security or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for any Global Security, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Security exchangeable for a Permanent Global Security, deliver, or procure the delivery of, a Permanent Global Security in an aggregate principal amount equal to the principal amount of the whole or part of the Temporary Global Security submitted for exchange or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Security to reflect such exchange or (ii) in the case of a Permanent Global Security exchangeable for Definitive Securities, deliver, or procure the delivery of, duly executed and authenticated Definitive Securities in an aggregate principal amount equal to the principal amount of the Permanent Global Security submitted for exchange. Definitive Securities will be security printed in accordance with any applicable legal and stock exchange requirements substantially in the form set out in the relevant Schedules to the Trust Deed. Upon exchange (or payment) in whole this Permanent Global Security shall be deemed fully paid and shall be cancelled by the Principal Paying Agent and, unless otherwise instructed by the Issuer, the cancelled Permanent Global Security shall be returned to the Issuer.

3.5 Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Security, the first day following the expiry of 40 days after its issue date and, in relation to a Permanent Global Security, a day falling not less than 60 days after the day on which the notice requiring exchange is given and on which commercial banks are open for business in Singapore and in the case of an exchange pursuant to paragraph 3.3(i), a day on which commercial banks are open for business in the cities in which Euroclear, Clearstream, Luxembourg, the Depository or, if relevant, the Alternative Clearing System are located.

4 Amendment to Conditions

The Temporary Global Securities, Permanent Global Securities and Global Certificates contain provisions that apply to the Perpetual Securities that they represent, some of which modify the effect of the Conditions set out in this Information Memorandum. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Security unless exchange for an interest in a Permanent Global Security or for Definitive Securities is improperly withheld or refused. Payments on any Temporary Global Security issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Security. All payments in respect of Perpetual Securities represented by a Global Security will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Perpetual Securities, surrender of that Global Security to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Perpetual Securityholders for such purpose. A record of each payment so made will be endorsed on each Global Security, which endorsement will be prima facie evidence that such payment has been made in respect of the Perpetual Securities.

All payments in respect of Perpetual Securities represented by a Global Certificate held on behalf of Euroclear or Clearstream, Luxembourg will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

All payments in respect of Perpetual Securities represented by a Global Certificate held through CDP will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the fifth business day before the due date for payment.

4.2 Prescription

Claims in respect of principal and distribution in respect of Perpetual Securities that are represented by a Permanent Global Security shall become void unless it is presented for payment within a period of five years from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a Permanent Global Security or of the Perpetual Securities represented by a Global Certificate shall (unless such Permanent Global Security or Global Certificate represents only one Perpetual Security) be treated as two persons for the purposes of any quorum requirements of a meeting of Perpetual Securityholders and, at any such meeting, the holder of a Permanent Global Security or the Perpetual Securities represented by a Global Certificate shall be treated as having one vote in respect of each principal amount of Perpetual Securities equal to the minimum Denomination Amount of the Perpetual Securities for which such Permanent Global Security or Global Certificate may be exchanged.

4.4 Cancellation

Cancellation of any Perpetual Security represented by a Permanent Global Security that is required by the Conditions to be cancelled (other than upon its redemption) shall be effected by reduction in the principal amount of such Permanent Global Security on its presentation to or to the order of the Principal Paying Agent or, as the case may be, CDP Paying Agent for endorsement in the relevant schedule to such Permanent Global Security or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

4.5 Purchase

Perpetual Securities represented by a Permanent Global Security may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the right to receive all future payments of distribution thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Perpetual Securities while such Perpetual Securities are represented by a Permanent Global Security shall be exercised by the Issuer giving notice to the Perpetual Securityholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Perpetual Securities drawn in the case of a partial exercise of an option and accordingly no drawing of Perpetual Securities shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Perpetual Securities of any Series, the rights of Accountholders with a clearing system in respect of the Perpetual Securities will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, CDP or any other clearing system (as the case may be).

4.7 Trustee's Powers

So long as any Global Security or, as the case may be, Global Certificate is held on behalf of a clearing system, in considering the interests of the Perpetual Securityholders, the Trustee may have regard to any information, reports or certifications provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders or participants with entitlements to such Global Security or, as the case may be, Global Certificate and may consider such interests on the basis that such accountholders or participants were the holders thereof.

4.8 Notices

So long as any Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held on behalf of:

(i) Euroclear and/or Clearstream, Luxembourg or any other clearing system (except as provided in paragraph 4.8(ii) below), notices to the holders of Perpetual Securities of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Security or Global Certificate; or

(ii) (subject to the agreement of CDP) CDP, notices to the holders of Perpetual Securities of that Series may be given by delivery of the relevant notice to CDP or by delivery of the relevant notice to the holder of the Global Security or Global Certificate, except that so long as such Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, notices in respect of such Perpetual Securities shall also be published in a daily newspaper in the English language having general circulation in Singapore.

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. Unless otherwise stated, all capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Perpetual Securities or on the Certificates relating to such Registered Perpetual Securities. References in the Conditions to "Perpetual Securities" are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme. Details of the relevant Series are shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.

The Perpetual Securities are constituted by a Trust Deed (as amended, restated or supplemented from time to time, the "**Trust Deed**") dated 14 November 2015 made between (1) CITIC Envirotech Ltd., as issuer (the "**Issuer**") and (2) DB International Trust (Singapore) Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Perpetual Securityholders (as defined below), and (where applicable) the Perpetual Securities are issued with the benefit of a deed of covenant (as amended, restated or supplemented from time to time, the "**Deed of Covenant**") dated 14 November 2015, relating to the Perpetual Securities (the "**CDP Perpetual Securities**") cleared or to be cleared through the CDP System (as defined in the Trust Deed) issued by the Issuer. These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Perpetual Securities, Certificates, Coupons and Talons referred to below. The Issuer has entered into an Agency Agreement (as amended, restated or supplemented from time to time, the "**Agency Agreement**") dated 14 November 2015 made between (1) the Issuer, as issuer, (2) Deutsche Bank AG, Singapore Branch, as principal paying agent (in such capacity, the "**Principal Paying Agent**"), transfer agent in respect of CDP Perpetual Securities (in such capacity, the "**CDP Transfer Agent**") and registrar in respect of CDP Perpetual Securities (in such capacity, the "**CDP Registrar**"), (3) Deutsche Bank AG, Hong Kong Branch, as paying agent in respect of Perpetual Securities cleared or to be cleared through a clearing system other than the CDP System (the "**Non-CDP Perpetual Securities**") (in such capacity, the "**Non-CDP Paying Agent**" and, together with the Principal Paying Agent and any other paying agents that may be appointed, the "**Paying Agents**") and transfer agent in respect of Non-CDP Perpetual Securities (in such capacity, the "**Non-CDP Transfer Agent**" and, together with the CDP Transfer Agent and any other transfer agents that may be appointed, the "**Transfer Agents**"), (4) Deutsche Bank Luxembourg S.A., as registrar in respect of Non-CDP Perpetual Securities (in such capacity, the "**Non-CDP Registrar**", and, together with the CDP Registrar, the "**Registrars**"), and (5) the Trustee, as trustee for the Perpetual Securityholders. The Perpetual Securityholders and the holders (the "**Couponholders**") of the distribution coupons (the "**Coupons**") appertaining to the Perpetual Securities in bearer form and, where applicable in the case of such Perpetual Securities, talons for further Coupons (the "**Talons**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement (as defined in the Trust Deed) and the Deed of Covenant.

For the purposes of these Conditions, all references to (a) the Principal Paying Agent shall, in the case of a Series of Non-CDP Perpetual Securities, be deemed to be a reference to the Non-CDP Paying Agent, (b) the Registrar shall, in the case of a Series of CDP Perpetual Securities, be deemed to be a reference to the CDP Registrar and, in the case of a Series of Non-CDP Perpetual Securities, be deemed to be a reference to the Non-CDP Registrar, and (c) the Transfer Agent shall, in the case of a Series of CDP Perpetual Securities, be deemed to be a reference to the CDP Transfer Agent and, in the case of a Series of Non-CDP Perpetual Securities, be deemed to be a reference to the Non-CDP Transfer Agent, and (unless the context otherwise requires) all such references shall be construed accordingly.

Copies of the Trust Deed, the Agency Agreement, the relevant Calculation Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the respective specified offices of the Paying Agents for the time being.

1. Form, Denomination and Title

(a) Form and Denomination

(i) The Perpetual Securities of the Series of which this Perpetual Security forms part (in these Conditions, the "**Perpetual Securities**") are issued in bearer form ("**Bearer Perpetual Securities**") or in registered form ("**Registered Perpetual Securities**"), in each case, in the Denomination Amount shown hereon. In the case of Registered Perpetual Securities, such Perpetual Securities are in the Denomination Amount shown hereon, which may include a minimum denomination and higher integral multiples of a smaller amount, in each case, as specified in the applicable Pricing Supplement.

(ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual Security (depending upon the Distribution Basis shown on its face).

(iii) Bearer Perpetual Securities are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached.

(iv) Registered Perpetual Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Perpetual Securities by the same holder.

(b) Title

(i) Title to the Bearer Perpetual Securities and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Perpetual Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Perpetual Security, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined below) or, as the case may be, a Global Certificate (as defined below) and such Global Security or Global Certificate is held by a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or The Central Depository (Pte) Limited (the "**Depository**") and/or any other clearing system, each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agent (as defined below), all other agents of the Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, premium, interest, distribution, redemption, purchase and/or any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Paying Agents, the Transfer Agents, the Registrars, the Calculation Agent, all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Perpetual Securityholder**" and "**holder of Perpetual Securities**" and related expressions shall be construed accordingly). Perpetual Securities which are represented by the Global Security or, as the case may be, the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system. For so long as any of the Perpetual Securities is represented by a Global Security or, as the case may be, a Global Certificate and such Global Security or, as the case may be, such Global Certificate is held by the Depository, the record date for the purposes of determining entitlements to any payment of principal, distribution and any other amounts in respect of the Perpetual Security shall, unless otherwise specified by the Issuer, be the date falling five business days prior to the relevant payment date (or such other date as may be prescribed by the Depository from time to time).

(iv) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) the Depository and/or (3) any other clearing system, "**Perpetual Securityholder**" means the bearer of any Bearer Perpetual Security or the person in whose name a Registered Perpetual Security is registered (as the case may be) and "**holder**" (in relation to a Perpetual Security, Coupon or Talon) means the bearer of any Bearer Perpetual Security, Coupon or Talon or the person in whose name a Registered Perpetual Security is registered (as the case may be), "**Series**" means a Tranche, together with any further Tranche or Tranches, which are (A) expressed to be consolidated and forming a single series and (B) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and "**Tranche**" means Perpetual Securities which are identical in all respects (including as to listing).

(v) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. No Exchange of Perpetual Securities and Transfers of Registered Perpetual Securities

(a) **No Exchange of Perpetual Securities:** Registered Perpetual Securities may not be exchanged for Bearer Perpetual Securities. Bearer Perpetual Securities of one Denomination Amount may not be exchanged for Bearer Perpetual Securities of another Denomination Amount. Bearer Perpetual Securities may not be exchanged for Registered Perpetual Securities.

(b) **Transfer of Registered Perpetual Securities:** Subject to Conditions 2(e) and 2(f) below, one or more Registered Perpetual Securities may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Perpetual Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Perpetual Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Registered Perpetual Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Perpetual Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, and in the case of any change proposed by the Registrar or the Trustee, with the prior approval of the Issuer. A copy of the current regulations will be made available by the Registrar, at the expense of the Issuer, to any Perpetual Securityholder upon request.

(c) **Exercise of Options or Partial Redemption or Purchase in Respect of Registered Perpetual Securities:** In the case of an exercise of an Issuer's option in respect of, or a partial redemption of or purchase of, a holding of Registered Perpetual Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed or purchased. In the case of a partial exercise of an option resulting in Registered Perpetual Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Perpetual Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Perpetual Securities to a person who is already a holder of Registered Perpetual Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets are open for business in the place of the specified office of the Registrar or the relevant Transfer Agent (as the case may be).

(e) **Transfers Free of Charge:** Transfers of Perpetual Securities and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the Perpetual Securityholders of any tax or other governmental charges that may be imposed in relation to it (or the giving by the Perpetual Securityholder of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require) in respect of tax or charges.

(f) **Closed Periods:** No Perpetual Securityholder may require the transfer of a Registered Perpetual Security to be registered (i) during the period of 15 days prior to any date on which Perpetual Securities may be called for redemption by the Issuer at its option pursuant to Condition 6, (ii) after any such Perpetual Security has been called for redemption or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)(ii)).

3. Status

(a) Senior Perpetual Securities: This Condition 3(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement). The Senior Perpetual Securities and Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(b) Subordinated Perpetual Securities: This Condition 3(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) **Status**

The Subordinated Perpetual Securities and Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of the Issuer. The rights and claims of the Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3(b).

In these Conditions, "**Parity Obligations**" means any instrument or security (including without limitation any preference shares) issued, entered into or guaranteed by the Issuer (1) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Subordinated Perpetual Securities and (2) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

(ii) **Ranking of claims on winding-up**

Subject to the insolvency laws of Singapore and other applicable laws, in the event of the winding-up of the Issuer, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

(iii) **No Set-off**

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

4. Covenants

(a) Negative Pledge

The Issuer has covenanted with the Trustee in the Trust Deed that, so long as any Senior Perpetual Security remains outstanding, it shall not, and it shall procure that none of its subsidiaries will, create or allow to subsist any Security Interest on any of its assets or properties of any kind, whether owned at the Issue Date or thereafter acquired, to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness; unless (i) at the same time or prior thereto, the Issuer's obligations under the Senior Perpetual Securities are secured equally and rateably by the same Security Interest or (ii) the Issuer provides such other security for the Senior Perpetual Securities as the holders of Senior Perpetual Securities may agree.

(b) Limitation on Asset Sales

The Issuer has covenanted with the Trustee in the Trust Deed that it will not, and will not permit any of its subsidiaries to, consummate any Asset Sale, unless:

(i) no Enforcement Event (as defined in Condition 10(b)) shall have occurred and be continuing or would occur as a result of such Asset Sale;

(ii) the consideration received by the Issuer or such subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(iii) at least 75 per cent. of the consideration received consists of cash or Replacement Assets, provided that in the case of an Asset Sale in which the Issuer or such subsidiary receives Replacement Assets involving aggregate consideration in excess of S$10,000,000 (or its equivalent in any other currency or currencies), the Issuer shall deliver to the Trustee an Officer's Certificate as to the fairness to the Issuer or such subsidiary of such Asset Sale from a financial point of view. For purposes of this Condition 4(b), each of the following will be deemed to be cash:

(1) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Perpetual Securities) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Issuer or such subsidiary, as the case may be, from further liability; and

(2) any securities, notes or other obligations received by the Issuer or any subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Issuer or such subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer (or any subsidiary, as the case may be) shall apply such Net Cash Proceeds to:

(A) permanently repay Senior Indebtedness of the Issuer or any Indebtedness of a subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Issuer or a subsidiary; or

(B) acquire Replacement Assets (which acquisition may be affected through the Issuer or any subsidiary).

The Trustee shall be entitled to accept the Officer's Certificate as sufficient evidence of the satisfaction of the conditions in Conditions 4(b) above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

(c) Definitions

For the purposes of this Condition 4:

"**Asset Sale**" means any sale, transfer or other disposition (including by way of merger, consolidation or sale and leaseback transaction) of any of its property or assets (including any sale or issuance of Capital Stock of a subsidiary) in one transaction or a series of related transactions by the Issuer or any of its subsidiaries to any Person; provided that "**Asset Sale**" shall not include:

(i) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(ii) a transfer of assets among the Issuer and its wholly-owned subsidiaries;

(iii) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of S$3,000,000 (or its equivalent in any other currency or currencies) in any transaction or series of related transactions;

(iv) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Issuer or its subsidiaries; and

(v) any sale, transfer or other disposition by the Issuer or any of its subsidiaries, including the sale or issuance by the Issuer or any subsidiary of any Capital Stock of any subsidiary, to the Issuer or any subsidiary;

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all common stock, ordinary stock and preferred stock, but excluding debt securities convertible into such equity;

"**Fair Market Value**" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors, whose determination shall be conclusive if evidenced by a board resolution of the Issuer or the relevant subsidiary;

"**GAAP**" means Singapore Financial Reporting Standards as in effect from time to time;

"**Guarantee**" means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

(i) any obligation to purchase such Indebtedness;

(ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and

(iv) any other agreement to be responsible for such Indebtedness;

"**Indebtedness**" means, with respect to a Person at any date of determination, any indebtedness for or in respect of:

(i) moneys borrowed;

(ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;

(iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

(v) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(vi) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, except Trade Payables;

(vii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);

(viii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(ix) any amount raised by the issue of redeemable shares;

(x) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance, except Trade Payables;

(xi) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (x) above; and

(xii) (without double counting) any indebtedness referred to in paragraphs (i) to (x) above of other Persons secured by Security Interest upon any assets of the Person to which this definition is being applied, provided that the amount of such Indebtedness shall be the lesser of (1) the fair market value of such asset at such date of determination and (2) the amount of such indebtedness;

"**Net Cash Proceeds**" means:

(i) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

(1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;

(2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Issuer and its subsidiaries, taken as a whole;

(3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (A) is secured by a Security Interest on the property or assets sold or (B) is required to be paid as a result of such sale;

(4) appropriate amounts to be provided by the Issuer or any subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(ii) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof;

"**Officer**" means, with respect to any Person, the Chairman, the Managing Director, any Executive Director, the Chief Executive Officer or the Chief Financial Officer of such Person;

"**Officer's Certificate**" means a certificate signed by an Officer of the Issuer;

"**Original Issue Date**" means the date the first Tranche of such Series of Perpetual Securities was issued;

"**Permitted Businesses**" means any business which is the same as or reasonably related, ancillary or complementary to any of the businesses of the Issuer and its subsidiaries on the Original Issue Date;

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Replacement Assets**" means, with respect to Asset Sales, (i) properties or assets that replace the properties and assets that were the subject of such Asset Sale or (ii) on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Issuer or any of its subsidiaries of such Capital Stock, become a subsidiary;

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**Senior Indebtedness**" of the Issuer or a subsidiary, as the case may be, means all Indebtedness of the Issuer or the subsidiary, as relevant, whether outstanding on the Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Perpetual Securities, provided that Senior Indebtedness does not include (i) any obligation to the Issuer or any subsidiary, (ii) trade payables or (iii) Indebtedness incurred in violation of the Trust Deed; and

"**Trade Payables**" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

5. Distribution and Other Calculations

(I) Distribution on Fixed Rate Perpetual Securities

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its outstanding principal amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate shown on the face of such Perpetual Security payable in arrear on each Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, the first payment will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation thereof and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Perpetual Security is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

(i) (if no Reset Date is specified in the applicable Pricing Supplement):

(1) if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or

(2) if a Step-Up Margin is specified in the applicable Pricing Supplement, (A) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the

rate shown on the face of such Perpetual Security and (B) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and

(ii) (if a Reset Date is specified in the applicable Pricing Supplement):

(1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; and

(2) for the period from (and including) the First Reset Date and each Reset Date (as specified in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate,

Provided always that if a Redemption upon a Change of Control (as defined in Condition 6(f)) is specified on the face of such Perpetual Security and a Change of Control Margin is specified in the applicable Pricing Supplement, in the event that a Change of Control has occurred, so long as the Issuer has not already redeemed the Perpetual Securities in accordance with Condition 6(f), the then prevailing Distribution Rate shall be increased by the Change of Control Margin with effect from (and including) the Distribution Payment Date immediately following the date on which the Change of Control occurred (or, if the Change of Control occurs on or after the date which is two business days prior to the immediately following Distribution Payment Date, the next following Distribution Payment Date).

For the purposes of these Conditions:

"**Comparable Period**" means the period specified as such in the applicable Pricing Supplement;

"**Comparable US Treasury Issue**" means the US Treasury security selected by the Calculation Agent as having a maturity of Comparable Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity of Comparable Period;

"**Reset Distribution Rate**" means (in the case of Fixed Rate Perpetual Securities which are denominated in Singapore dollars) the Swap Offer Rate, (in the case of Fixed Rate Perpetual Securities which are denominated in US dollars) the US Treasury Rate or such other relevant rate to be specified in the applicable Pricing Supplement with respect to the relevant Reset Date plus the Initial Spread (as specified in the applicable Pricing Supplement) plus the Step-Up Margin (if applicable, as specified in the applicable Pricing Supplement) plus the Change of Control Margin (if applicable, as specified in the applicable Pricing Supplement); and

"**Swap Offer Rate**" means:

(aa) the rate per annum (expressed as a percentage) notified by the Calculation Agent to the Issuer equal to the swap offer rate published by the Association of Banks in Singapore (or such other equivalent body) for a period equal to the duration of the Reset Period specified in the applicable Pricing Supplement on the second business day prior to the relevant Reset Date (the "**Reset Determination Date**");

(bb) if on the Reset Determination Date, there is no swap offer rate published by the Association of Banks in Singapore (or such other equivalent body), the Calculation Agent will determine the swap offer rate for such Reset Period (determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates (excluding the highest and the lowest rates) which appears on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon — Rates — Interest Rate Swaps — Asia Pac — SGD" and the column headed "Ask" (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on each of the five consecutive business days prior to and ending on the Reset Determination Date);

(cc) if on the Reset Determination Date, rates are not available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon — Rates — Interest Rate Swaps — Asia Pac — SGD" and the column headed "Ask" (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on one or more of the said five consecutive business days, the swap offer rate will be the rate per annum notified by the Calculation Agent to the Issuer equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates which are available in such five-consecutive-business-day period or, if only one rate is available in such five-consecutive-business-day period, such rate; and

(dd) if on the Reset Determination Date, no rate is available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon — Rates — Interest Rate Swaps — Asia Pac — SGD" and the column headed "Ask" (or if the Calculation Agent determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Calculation Agent after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business in such five-consecutive-business-day period, the Calculation Agent will request the principal Singapore offices of the Reference Banks to provide the Calculation Agent with quotation(s) of their swap offer rates for a period equivalent to the duration of the Reset Period at the close of business on the Reset Determination Date. The swap offer rate for such Reset Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations, as determined by the Calculation Agent or, if only one of the Reference Banks provides the Calculation Agent with such quotation, such rate quoted by that Reference Bank,

provided that, in each case, in the event the Swap Offer Rate is less than zero, the Swap Offer Rate shall be equal to zero per cent. per annum; and

"**US Treasury Rate**" means:

(aa) the rate per annum (expressed as a percentage) notified by the Calculation Agent to the Issuer equal to the yield, under the heading that represents the average for the week immediately prior to the Reset Determination Date appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded US Treasury securities adjusted to constant maturity under the caption "Treasury constant maturities" for the maturity corresponding to the Comparable US Treasury Issue for a period equal to the duration of the Reset Period specified in the applicable Pricing Supplement; or

(bb) if during the week preceding the Reset Determination Date, such release (or any successor release) is not published or does not contain such yields, the Calculation Agent will determine the rate for such Reset Period (determined by the Calculation Agent to be the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable US Treasury Issue, calculated using a price for the Comparable US Treasury Issue (expressed as a percentage of its nominal amount) equal to the price for the Comparable US Treasury Issue for the Reset Determination Date),

provided that, in each case, in the event the US Treasury Rate is less than zero, the US Treasury Rate shall be equal to zero per cent. per annum.

(c) Calculation of Reset Distribution Rate

The Calculation Agent will, on the second business day prior to each Reset Date, determine the applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate payable in respect of each Perpetual Security. The determination of any rate, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(d) Notification of Relevant Reset Distribution Rate

The Calculation Agent will cause the applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate determined by it to be notified to the Principal Paying Agent, the Registrar, the Transfer Agent, the Trustee and the Issuer as soon as possible after its determination but in no event later than the fourth business day thereafter. The Calculation Agent shall cause notice of the then applicable Reset Distribution Rate or applicable Distribution Rate to be notified to the Perpetual Securityholders in accordance with Condition 15 as soon as possible after determination thereof. The determination of any rate, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent for the purposes of this Condition 5(I) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent, the Registrar, the Transfer Agent and the Perpetual Securityholders and (except as provided in the Agency Agreement) no liability to any such person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(e) Determination or Calculation by Trustee

If the Calculation Agent does not at any material time determine or calculate the applicable Reset Distribution Rate or (if a Change of Control has occurred) the applicable Distribution Rate, the Trustee shall do so. In doing so, the Trustee shall apply the provisions of this Condition 5(I), with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and in all other respects, it shall do so in such manner as it shall in its sole opinion deem fair and reasonable in all the circumstances.

(f) Calculations

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction shown on the face of the Perpetual Security. The amount of distribution payable per Calculation Amount (as defined in Condition 5(II)(c)) for any Fixed Rate Distribution Period in respect of any Fixed Rate Perpetual Security shall be calculated by multiplying the product of the Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the face of the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency.

In these Conditions, "**Fixed Rate Distribution Period**" means the period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date;

(II) Distribution on Floating Rate Perpetual Securities

(a) Distribution Payment Dates

Each Floating Rate Perpetual Security confers a right to receive distribution on its outstanding principal amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Date(s) or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period (as defined below) on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be). If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a "**Distribution Period**".

Distribution will cease to accrue on each Floating Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

(b) Rate of Distribution — Floating Rate Perpetual Securities

(i) Each Floating Rate Perpetual Security confers a right to receive distribution on its outstanding principal amount at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Perpetual Security, being (in the case of Perpetual Securities which are denominated in Singapore dollars) SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security), Swap Rate (in which case such Perpetual Security will be a Swap Rate Perpetual Security) or (in the case of Perpetual Securities which are denominated in US dollars) LIBOR (in which case such Perpetual Security will be a LIBOR Perpetual Security) or in any other case (or in the case of Perpetual Securities which are denominated in a currency other than Singapore dollars or US dollars) such other Benchmark as is set out on the face of such Perpetual Security.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Perpetual Security. The "Spread" is the percentage rate per annum specified on the face of such Perpetual Security as being applicable to the rate of distribution for such Perpetual Security. The rate of distribution so calculated shall be subject to Condition 5(III)(a) below.

The rate of distribution payable in respect of a Floating Rate Perpetual Security from time to time is referred to in these Conditions as the "**Rate of Distribution**".

(ii) The Rate of Distribution payable from time to time in respect of each Floating Rate Perpetual Security will be determined by the Calculation Agent on the basis of the following provisions:

(1) in the case of Floating Rate Perpetual Securities which are SIBOR Perpetual Securities:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX - SIBOR AND SWAP OFFER RATES - RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page (as defined below) as may be provided hereon) and as adjusted by the Spread (if any);

(B) if on any Distribution Determination Date, no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will request the principal Singapore offices of each of the Reference Banks to provide the Calculation Agent with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Calculation Agent;

(C) if on any Distribution Determination Date, two but not all the Reference Banks provide the Calculation Agent with such quotations, the Rate of Distribution for the relevant Distribution Period shall be determined in accordance with (B) above on the basis of the quotations of those Reference Banks providing such quotations; and

(D) if on any Distribution Determination Date, one only or none of the Reference Banks provides the Calculation Agent with such quotations, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any) or if on such Distribution Determination Date one only or none of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Perpetual Securities which are Swap Rate Perpetual Securities:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00hrs London Time" and under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period and as adjusted by the Spread (if any);

(B) if on any Distribution Determination Date, no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Calculation Agent will determine the Rate of Distribution for such Distribution Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to four decimal places)) for a period equal to the duration of such Distribution Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as the Calculation Agent may select; and

(C) if on any Distribution Determination Date the Calculation Agent is otherwise unable to determine the Rate of Distribution under paragraphs (b)(ii)(2)(A) and (b)(ii)(2)(B) above, the Rate of Distribution shall be determined by the Calculation Agent to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Calculation Agent at or about the Relevant Time on such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Calculation Agent with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to four decimal places) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Distribution Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Perpetual Securities which are LIBOR Perpetual Securities:

(A) the Calculation Agent will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period as being the offered rate for deposits in US dollars for a period equal to the duration of such Distribution Period which appears on the Bloomberg ICE LIBOR Page under the caption headed "London-Interbank Offered Rate — ICE Benchmark Administration Fixing for US Dollar" (or such replacement page thereof for the purpose of displaying LIBOR) and as adjusted by the Spread (if any);

(B) if no such rate appears on the Bloomberg Screen ICE LIBOR Page (or such other replacement page as aforesaid) or if the Bloomberg ICE LIBOR Page (or such other replacement page as aforesaid) is unavailable for any reason, such Calculation Agent shall, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Interest for such Distribution Period as being the offered rate for deposits in US dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen LIBOR1 Page under the caption "ICE BENCHMARK ADMINISTRATION INTEREST SETTLEMENT RATES — RATES AT 11:00 LONDON TIME" and under the column headed "USD" (or such replacement page thereof for the purpose of displaying the LIBOR or such other Screen Page as may be provided hereon) and if any such rate is below zero, LIBOR will be deemed to be zero and as adjusted by the Spread (if any);

(C) if on any Distribution Determination Date, no such rate appears on the Reuters Screen LIBOR1 Page under the column headed "USD" (or such other replacement page thereof or if no rate appears on such other Screen Page as may be provided hereon) or if the Reuters Screen LIBOR1 Page (or such other replacement page thereof or such other Screen Page as may be provided hereon) is unavailable for any reason, the Calculation Agent will:

(aa) request the principal London offices of each of the Reference Banks in the London interbank market to provide the Calculation Agent with a quotation of the rate at which deposits in US dollars are offered by it in the London interbank market at approximately the Relevant Time on the Distribution Determination Date to prime banks in the London interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to four decimal places) of such offered quotations and as adjusted by the Spread (if any), as determined by the Calculation Agent; and (bb) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded up, if necessary, as aforesaid) of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately the Relevant Time on such Distribution Determination Date for loans in US dollars to leading banks for a period equal to or comparable to the relevant Interest Period and in an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period plus the Spread (if any), as determined by the Calculation Agent; and

(3) in the case of Floating Rate Perpetual Securities which are not SIBOR Perpetual Securities or Swap Rate Perpetual Securities, LIBOR Perpetual Securities or which are denominated in a currency other than Singapore dollars, the Calculation Agent will determine the Rate of Distribution in respect of any Distribution Period at or about the Relevant Time on the Distribution Determination Date in respect of such Distribution Period as follows:

(A) if the Primary Source (as defined below) for the Floating Rate Perpetual Securities is a Screen Page (as defined below), subject as provided below, the Rate of Distribution in respect of such Distribution Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Distribution Determination Date,

and as adjusted by the Spread (if any);

(B) if the Primary Source for the Floating Rate Perpetual Securities is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Distribution Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Distribution Determination Date, subject as provided below, the Rate of Distribution shall be the rate per annum which the Calculation Agent determines to be the arithmetic mean (rounded up, if necessary, to four decimal places) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Distribution Determination Date and as adjusted by the Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Distribution shall be the Rate of Distribution determined on the previous Distribution Determination Date.

(iii) On the last day of each Distribution Period, the Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Rate of Distribution for such Distribution Period.

(iv) For the avoidance of doubt, in the event that the Rate of Distribution in relation to any Distribution Period is less than zero, the Rate of Distribution in relation to such Distribution Period shall be equal to zero.

(c) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means, in respect of each Perpetual Security, (i) a day (other than a Saturday, Sunday or gazetted public holiday) on which Euroclear, Clearstream, Luxembourg and the Depository, as applicable, are operating, (ii) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in the country of the Principal Paying Agent's or, as the case may be, the Non-CDP Paying Agent's specified office and (iii) (if a payment is to be made on that day) (1) (in the case of Perpetual Securities denominated in Singapore dollars) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore, (2) (in the case of Perpetual Securities denominated in Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which the TARGET System is open for settlement in Euros and (3) (in the case of Perpetual Securities denominated in a currency other than Singapore dollars and Euros) a day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks and foreign exchange markets settle payments generally in Singapore and the principal financial centre for that currency;

"**Calculation Agent**" means, in relation to any Series of Perpetual Securities, the person appointed as the calculation agent pursuant to the terms of the Agency Agreement or, as the case may be, the Calculation Agency Agreement as specified in the applicable Pricing Supplement;

"**Calculation Amount**" means the amount specified as such on the face of any Perpetual Security or, if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

"**Day Count Fraction**" means, in respect of the calculation of an amount of distribution in accordance with Condition 5:

(i) if "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period divided by 365 (or, if any portion of that Fixed Rate Distribution Period or, as the case may be, Distribution Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a leap year divided by 366 and (2) the actual number of days in that portion of the Fixed Rate Distribution Period or, as the case may be, Distribution Period falling in a non-leap year divided by 365);

(ii) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 360; and

(iii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in (in the case of Fixed Rate Perpetual Securities) the Fixed Rate Distribution Period or (in the case of Floating Rate Perpetual Securities) the Distribution Period in respect of which payment is being made divided by 365;

“**Distribution Commencement Date**” means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

“**Distribution Determination Date**” means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

“**Euro**” means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

“**Issue Date**” means the date specified as such in the applicable Pricing Supplement;

“**Primary Source**” means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service (“**Reuters**”)) agreed to by the Calculation Agent;

“**Reference Banks**” means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Calculation Agent (in consultation with the Issuer) in the interbank market that is most closely connected with the Benchmark;

“**Relevant Currency**” means the currency in which the Perpetual Securities are denominated;

“**Relevant Financial Centre**” means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

“**Relevant Rate**” means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Distribution Period;

“**Relevant Time**” means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET 2) System which was launched on 19 November 2007 or any successor thereto.

(III) Calculations

(a) Determination of Rate of Distribution and Calculation of Distribution Amounts

The Calculation Agent will, as soon as practicable after the Relevant Time on each Distribution Determination Date determine the Rate of Distribution and calculate the amount of distribution payable (the "**Distribution Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Floating Rate Perpetual Security shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent for the purpose of Condition 5(II) shall (in the absence of manifest error) be final and binding on the Issuer, the Principal Paying Agent, the Registrar, the Transfer Agent and the Perpetual Securityholders.

(b) Notification

The Calculation Agent will cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Principal Paying Agent, the Registrar, the Transfer Agent, the Trustee and the Issuer as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, the Calculation Agent will, at the request and expense of the Issuer, also cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to Perpetual Securityholders in accordance with Condition 15 as soon as possible after their determination. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event (as defined below) occurs in relation to the Floating Rate Perpetual Securities, the Rate of Distribution and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Distribution and Distribution Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Calculation Agent does not at any material time determine or calculate the Rate of Distribution for a Distribution Period or any Distribution Amount, the Trustee shall do so or otherwise procure the determination or calculation of the Rate of Distribution for such Distribution Period or Distribution Amount. In doing so, the Trustee shall apply the provisions of this Condition, with any necessary consequential amendments, to the extent that, in its sole opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(d) Calculation Agent and Reference Banks

The Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Distribution for any Distribution Period or to calculate the Distribution Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Calculation Agent may not resign from its duties without a successor having been appointed as aforesaid.

(IV) Distribution Discretion

(a) Optional Payment

If Optional Payment is set out hereon, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an "**Optional Payment Notice**") to the Trustee, the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 15) not more than 15 nor less than five business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is set out hereon, the Issuer may not elect to defer any distribution if during the Reference Period (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following (each such event, a "**Compulsory Distribution Payment Event**") have occurred:

(i) a dividend, distribution or other payment has been declared or paid on or in respect of any of its Junior Obligations or (except on a *pro rata* basis) any of its Specified Parity Obligations; or

(ii) any of the Issuer's Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or (except on a *pro rata* basis) any of its Specified Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of the Issuer's Specified Parity Obligations for the Issuer's Junior Obligations and/or as otherwise specified in the applicable Pricing Supplement.

In these Conditions:

(A) "**Junior Obligations**" means any ordinary shares of the Issuer and any class of the Issuer's share capital and any other instruments or securities (including without limitation any preference shares, preferred units or subordinated perpetual securities) issued, entered into or guaranteed by the Issuer that ranks or is expressed to rank, whether by its terms or by operation of law, junior to the Perpetual Securities; and

(B) "**Specified Parity Obligations**" means any instrument or security (including without limitation any preference shares) issued, entered into or guaranteed by the Issuer (aa) which ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the Perpetual Securities and (bb) the terms of which provide that the making of payments thereon or distributions in respect thereof are fully at the discretion of the Issuer and/or, in the case of an instrument or security guaranteed by the Issuer, the issuer thereof.

Each Optional Payment Notice shall be accompanied, in the case of the notice to the Trustee and the Principal Paying Agent, by a certificate signed by two Directors of the Issuer confirming that no Compulsory Distribution Payment Event has occurred during the relevant Reference Period. Any such certificate shall be conclusive evidence that no Compulsory Distribution Payment Event has occurred during the relevant Reference Period and the Trustee and the Principal Paying Agent shall be entitled to rely without any obligation to verify the same and without liability to any Perpetual Securityholder or any other person on any Optional Payment Notice or any certificate as aforementioned. Each Optional Payment Notice shall be conclusive and binding on the Perpetual Securityholders.

(b) No Obligation to Pay

If Optional Payment is set out hereon and subject to Conditions 5(IV)(c) and 5(IV)(d), the Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the Issuer in respect of the Perpetual Securities.

(c) Non-Cumulative Deferral and Cumulative Deferral

(i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 5(IV) is non-cumulative and will not accrue interest. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid ("**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 5(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to this Condition 5(IV).

Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a *pro rata* basis.

(ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 5(IV) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 5(IV)(a)) further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 5(IV) except that this Condition 5(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 5 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the foregoing provisions of this Condition 5. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) Restrictions in the case of Non-Payment

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of this Condition 5(IV), the Issuer shall not and shall procure that none of its subsidiaries shall:

(i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on, any of its Junior Obligations or, (except on a *pro rata* basis) any of its Specified Parity Obligations; or

(ii) redeem, reduce, cancel, buy-back or acquire for any consideration, and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of its Junior Obligations or, (except on a *pro rata* basis) any of its Specified Parity Obligations,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of the Issuer's Specified Parity Obligations for the Issuer's Junior Obligations, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The Issuer:

(i) may, at its sole discretion, satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee, and the Principal Paying Agent and the Perpetual Securityholders (in accordance with Condition 15) not more than 20 nor less than 10 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice); and

(ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of:

(1) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 6 (as applicable);

(2) the next Distribution Payment Date following the occurrence of a breach of Condition 5(IV)(d) or following the occurrence of a Compulsory Distribution Payment Event; and

(3) the date such amount becomes due under Condition 10 or on a winding-up of the Issuer.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro rata* basis.

(f) No Default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 5(IV) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 10) on the part of the Issuer under the Perpetual Securities.

6. Redemption and Purchase

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 5 and without prejudice to Condition 10) only have the right (but not the obligation) to redeem or purchase them in accordance with the following provisions of this Condition 6.

(b) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) (if any) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Perpetual Securities, the notice to Perpetual Securityholders shall also contain the certificate numbers of the Bearer Perpetual Securities or, in the case of Registered Perpetual Securities, shall specify the principal amount of Registered Perpetual Securities drawn and the holder(s) of such Registered Perpetual Securities, to be redeemed, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Perpetual Securities are listed on any Stock Exchange (as defined in the Trust Deed), the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

(i) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that:

(1) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**") and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(2) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption on interest for "qualifying debt securities" under the ITA; or

(ii) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and

(2) such obligations cannot be avoided by the Issuer taking reasonable measures available to it (which shall not require the Issuer to incur unreasonable costs), provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee and the Principal Paying Agent:

(A) a certificate signed by a director or duly authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and

(B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

The Trustee and the Principal Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent to the right of the Issuer so to redeem, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(c), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 6(c).

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to Singapore Financial Reporting Standards issued by the Singapore Accounting Standards Council, as amended from time to time (the "**SFRS**") or any other accounting standards that may replace SFRS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee and the Principal Paying Agent:

(i) a certificate, signed by a director or duly authorised signatory of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(ii) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

The Trustee and the Principal Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(d), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 6(d).

(e) **Redemption for Tax Deductibility**

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption), if:

(i) if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

(1) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;

(2) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or

(3) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is issued or announced before the Issue Date,

the distributions (including any Arrears of Distribution and any Additional Distribution Amount) by the Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA; or

(ii) the Issuer receives a ruling by the Comptroller of Income Tax in Singapore (or other relevant authority) which confirms that the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA.

Prior to the publication of any notice of redemption pursuant to this Condition 6(e), the Issuer shall deliver or procure that there is delivered to the Trustee and the Principal Paying Agent:

(A) a certificate, signed by a director or duly authorised signatory of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and

(B) an opinion of the Issuer's independent tax or legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the tax regime is due to take effect.

The Trustee and the Principal Paying Agent shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances above, in which event it shall be conclusive and binding on the Perpetual Securityholders.

Upon the expiry of any such notice as is referred to in this Condition 6(e), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 6(e).

(f) Redemption upon a Change of Control

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving no less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Change of Control.

For the purposes of this Condition 6(f):

(i) "**Affiliate**" means, with respect to any Person, any other Person:

(1) who is directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person;

(2) who is a director or officer of such Person or any subsidiary of such Person or of any Person referred to in paragraph (i)(1) above; or

(3) who is a spouse or any person cohabiting as a spouse, child or stepchild, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in paragraph (i)(1) or (i)(2) above.

For the purposes of this definition, "**control**" (including, with correlative meanings, the terms "**controlling**", "**controlled by**" and "**under common control with**"), as applied to any Person, means the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of a Person (directly or through one or more subsidiaries) or the right to appoint and/or remove all or the majority of the members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;

(ii) a "**Change of Control**" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Issuer with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Issuer, or the sale or transfer of all or substantially all the assets of the Issuer to another Person;

(2) the Permitted Holders are the beneficial owners of less than 50.1 per cent. of the total voting power of the Voting Stock of the Issuer;

(3) any Person (or Persons acting in concert) is or becomes the beneficial owner, directly or indirectly, of total voting power of the Voting Stock of the Issuer greater than the total voting power of the Voting Stock of the Issuer held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date (as defined in Condition 4) constituted the board of directors of the Issuer, together with any new directors whose nomination or election was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Issuer then in office; or

(5) the adoption of a plan relating to the liquidation or dissolution of the Issuer;

(iii) "**Permitted Holders**" means any or all of the following:

(1) CITIC Limited;

(2) any Affiliate (other than an Affiliate as defined in paragraph (i)(2) or (i)(3) above) of CITIC Limited; and

(3) any Person both the Capital Stock (as defined in Condition 4) and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are at least 80 per cent. owned by CITIC Limited and/or any Affiliate of CITIC Limited (as specified in paragraph (iii)(2) above); and

(iv) "**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

Upon the expiry of any such notice as is referred to in this Condition 6(f), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 6(f).

(g) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued (if any) to (but excluding) the date fixed for redemption) if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 20 per cent. of the aggregate principal amount originally issued.

Upon the expiry of any such notice as is referred to in this Condition 6(g), the Issuer shall be bound to redeem all the Perpetual Securities in accordance with this Condition 6(g).

(h) Purchases

The Issuer and/or any of its subsidiaries may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Perpetual Securities purchased by the Issuer and/or any of its subsidiaries may be surrendered by the purchaser through the Issuer to, in the case of Bearer Perpetual Securities, the Principal Paying Agent and, in the case of Registered Perpetual Securities, the Registrar for cancellation or may at the option of the Issuer or relevant subsidiary be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(i) Cancellation

All Perpetual Securities purchased by or on behalf of the Issuer and/or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Perpetual Securities, by surrendering each such Perpetual Security together with all unmatured Coupons and all unexchanged Talons to the Principal Paying Agent at its specified office and, in the case of Registered Perpetual Securities, by surrendering the Certificate representing such Perpetual Securities to the Registrar and, in each case, if so surrendered, shall, together with all Perpetual Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Perpetual Securities or Certificates so surrendered for cancellation may not be reissued or resold.

7. Payments

(a) Principal and Distribution in respect of Bearer Perpetual Securities

Payments of principal and distribution in respect of Bearer Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be, at the specified office of any Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the holder in that currency with a bank in the principal financial centre for that currency.

(b) Principal and Distribution in respect of Registered Perpetual Securities

(i) Payments of principal in respect of Registered Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Distribution on Registered Perpetual Securities shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of distribution on each Registered Perpetual Security shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Perpetual Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of distribution may be made by transfer to an account maintained by the holder in that currency with, a bank in the principal financial centre for that currency.

(c) Payments Subject to Law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Principal Paying Agent, the Non-CDP Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar and the Non-CDP Registrar initially appointed by the Issuer and their specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent, the Non-CDP Paying Agent, any other Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, any other Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Calculation Agent and to appoint additional or other Paying Agents, Transfer Agents and Calculation Agents, provided that it will at all times maintain (i) a Principal Paying Agent having a specified office in Singapore and (in the case of Non-CDP Perpetual Securities) a Non-CDP Paying Agent, as the case may be, (ii) a Transfer Agent in relation to Registered Perpetual Securities, (iii) a Registrar in relation to Registered Perpetual Securities and (iv) a Calculation Agent where the Conditions so require.

Notice of any such change or any change of any specified office will be given by the Issuer to the Perpetual Securityholders in accordance with Condition 15 within the period specified in the Agency Agreement.

The Agency Agreement may be amended by the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee, without the consent of any Perpetual Securityholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein or in any manner which the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee may mutually deem necessary or desirable and which, in the reasonable opinion of the Issuer, the Principal Paying Agent, the Non-CDP Paying Agent, the CDP Transfer Agent, the Non-CDP Transfer Agent, the CDP Registrar, the Non-CDP Registrar and the Trustee, is not materially prejudicial to the interests of the holders of the Perpetual Securities or the Coupons.

(e) Unmatured Coupons and Unexchanged Talons

(i) Bearer Perpetual Securities which comprise Fixed Rate Perpetual Securities should be surrendered for payment together with all unmatured Coupons (if any) relating to such Perpetual Securities, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of five years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Bearer Perpetual Security comprising a Floating Rate Perpetual Security, unmatured Coupons relating to such Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Perpetual Security, any unexchanged Talon relating to such Perpetual Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Perpetual Security comprising a Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons, and where any Bearer Perpetual Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Perpetual Security or Certificate.

(f) Talons

On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Perpetual Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the holder shall not be entitled to payment until the following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

8. Taxation

All payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required, except that no such additional amounts shall be payable in respect of any Perpetual Security or Coupon presented (or in respect of which the Certificate representing it is presented) for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges by reason of his being connected with Singapore otherwise than by reason only of the holding of such Perpetual Security or Coupon or the receipt of any sums due in respect of such Perpetual Security or Coupon (including, without limitation, the holder being a resident of, or a permanent establishment in, Singapore);

(b) by, or on behalf of, a holder who would be able to lawfully avoid (but has not so avoided) such deduction or withholding by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence, but fails to do so; or

(c) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, "**Relevant Date**" in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 15 that, upon further presentation of the Perpetual Security (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, "**distribution**" shall be deemed to include all Distribution Amounts and all other amounts payable pursuant to Condition 5 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**distribution**" shall be deemed to include any additional amounts which may be payable under these Conditions.

9. Prescription

Claims against the Issuer for payment in respect of the Perpetual Securities and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within five years from the appropriate Relevant Date for payment.

10. Non-payment

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 10, the right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 5(IV). In addition, nothing in this Condition 10, including any restriction on commencing proceedings, shall in any way restrict or limit the rights of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Perpetual Securities or the Trust Deed.

(b) Proceedings for Winding-Up

If (i) a final and effective order is made or an effective resolution is passed for the bankruptcy, winding-up, liquidation, receivership or similar proceedings of the Issuer or (ii) the Issuer fails to make payment in respect of the Perpetual Securities when due and such failure continues for a period of more than three business days (in the case of distribution) or one business day (in the case of principal) (each, an "**Enforcement Event**"), the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 10(d), institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

(c) Enforcement

Without prejudice to Condition 10(b) but subject to the provisions of Condition 10(d), the Trustee may, at its discretion and without further notice to the Issuer, institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Perpetual Securities or the Trust Deed (other than any payment obligation of the Issuer under or arising from the Perpetual Securities, including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any damages awarded for breach of any obligations)) and in no event shall the Issuer, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

(d) Entitlement of Trustee

The Trustee shall not and shall not be obliged to take any of the actions referred to in Condition 10(b) or Condition 10(c) against the Issuer to enforce the terms of the Trust Deed or the Perpetual Securities unless (i) it shall have been so directed by an Extraordinary Resolution of the Perpetual Securityholders or so requested in writing by Perpetual Securityholders holding not less than 25 per cent. in principal amount of the Perpetual Securities outstanding and (ii) it shall have been indemnified and/or secured and/or pre-funded or provided with security by the Perpetual Securityholders to its satisfaction.

(e) Right of Perpetual Securityholders or Couponholder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails or neglects to do so within a reasonable period and such failure or neglect is continuing, in which case the Perpetual Securityholder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise as set out in this Condition 10.

(f) Extent of Perpetual Securityholders' remedy

No remedy against the Issuer, other than as referred to in this Condition 10, shall be available to the Trustee or the Perpetual Securityholders or Couponholders, whether for the recovery of amounts owing in respect of the Trust Deed, the Perpetual Securities or in respect of any breach by the Issuer of any of its other obligations under or in respect of the Trust Deed or the Perpetual Securities (as applicable).

11. Meeting of Perpetual Securityholders and Modifications

The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed.

The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than 10 per cent. of the principal amount of the Perpetual Securities of any Series for the time being outstanding, and after being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses shall, convene a meeting of the Perpetual Securityholders of that Series. An

Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (a) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (b) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Perpetual Securities, (c) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (d) to vary any method of, or basis for, calculating the Redemption Amount, (e) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (f) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (g) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass the Extraordinary Resolution, will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

The Trustee may (but is not obliged to) agree (and it is entitled to rely on, at the expense of the Issuer and after consultation with the Issuer (provided that no consultation is required after an Enforcement Event has occurred), an external legal, financial or professional adviser or opinion for this purpose), without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any of the other Issue Documents which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or the Depository and/or any other clearing system in which the Perpetual Securities may be held and (ii) any other modification (except as mentioned in the Trust Deed) to the Trust Deed and any of the other Issue Documents, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Issue Documents, which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, authorisation or waiver shall be binding on the Perpetual Securityholders and the Couponholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified by the Issuer to the Perpetual Securityholders as soon as practicable.

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution) the Trustee shall have regard to the interests of the Perpetual Securityholders as a class and shall not have regard to the consequences of such exercise for individual Perpetual Securityholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

12. Replacement of Perpetual Securities, Certificates, Coupons and Talons

If a Perpetual Security, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, regulations and stock exchange requirements or other relevant authority regulations, at the specified office of the Principal Paying Agent (in the case of Bearer Perpetual Securities, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 15, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, undertaking security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Perpetual Security, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Perpetual Security, Certificate, Coupon or Talon) and otherwise as the Issuer may require. Mutilated or defaced Perpetual Securities, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities in all respects (or in all respects except for the first payment of distribution or Distribution Amount) and so that such further issue shall be consolidated and form a single series with the outstanding Perpetual Securities of any series or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Perpetual Securities include (unless the context requires otherwise) any other perpetual securities issued pursuant to this Condition 13 and forming a single series with the Perpetual Securities. Any further Perpetual Securities forming a single series with the outstanding Perpetual Securities of any series constituted by the Trust Deed or any deed supplemental to it shall be constituted by the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Perpetual Securityholders and the holders of Perpetual Securities of other series where the Trustee so decides.

14. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment and from taking action to convene meetings unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee or any corporation related to it to enter into business transactions with the Issuer or any of its related corporations without accounting to the Perpetual Securityholders or Couponholders for any profit resulting from such transactions.

Each Perpetual Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder shall not rely on the Trustee in respect thereof.

The Trustee may rely without liability to the Perpetual Securityholders on any report, confirmation or certificate or any advice of any accountants, financial advisers, legal advisers, financial institutions or any other expert, whether or not addressed to it and whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise.

15. Notices

Notices to the holders of Registered Perpetual Securities shall be in the English language or, if not in the English language, accompanied by a certified translation into the English language, shall be valid if mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a

Saturday or a Sunday) after the date of mailing. Notwithstanding the foregoing, notices to the holders of Perpetual Securities will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Series of Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Perpetual Securities in accordance with this Condition 15.

So long as the Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system, there may be substituted for such publication in such newspapers the delivery of the relevant notice to Euroclear, Clearstream, Luxembourg and/or (subject to the agreement of the Depository) the Depository and/or any other clearing system for communication by it to the Perpetual Securityholders, except that if the Perpetual Securities are listed on the SGX-ST and the rules of such exchange so require or permit, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the seventh day after the day on which the said notice was given to Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relevant Perpetual Security or Perpetual Securities, with the Principal Paying Agent (in the case of Bearer Perpetual Securities) or the Registrar (in the case of Certificates). Whilst the Perpetual Securities are represented by a Global Security or a Global Certificate, such notice may be given by any Perpetual Securityholder to the Principal Paying Agent or, as the case may be, the Registrar through Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system in such manner as the Principal Paying Agent or, as the case may be, the Registrar and Euroclear, Clearstream, Luxembourg and/or the Depository and/or any other clearing system may approve for this purpose.

Notwithstanding the other provisions of this Condition 15, in any case where the identities and addresses of all the Perpetual Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and will be deemed to have been given two days from the date of despatch to the Perpetual Securityholders.

16. Contracts (Rights of Third Parties) Act

No person shall have any right to enforce any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

17. Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Perpetual Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have non-exclusive jurisdiction to settle any disputes ("**Disputes**") that may arise out of or in connection with the Trust Deed, any Perpetual Securities, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Perpetual Securities, Coupons or Talons may be brought in such courts. The Issuer has in the Trust Deed irrevocably submitted to the jurisdiction of such courts. Nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders or Couponholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

Principal Paying Agent, CDP Registrar and CDP Transfer Agent
Deutsche Bank AG, Singapore Branch
One Raffles Quay
#16-00 South Tower
Singapore 048583

Non-CDP Paying Agent and Non-CDP Transfer Agent
Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Non-CDP Registrar
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

FORM OF PRICING SUPPLEMENT IN RELATION TO PERPETUAL SECURITIES

Pricing Supplement

[LOGO, if document is printed]

CITIC ENVIROTECH LTD.

US$1,500,000,000

Multicurrency Perpetual Securities Issuance Programme

SERIES NO: [●]

TRANCHE NO: [●]

[Brief Description and Amount of Perpetual Securities]

Issue Price: [●] per cent.

[Publicity Name(s) of Dealer(s)]

[Principal Paying Agent
Deutsche Bank AG, Singapore Branch
One Raffles Quay, #16-00, South Tower, Singapore 048583 /

Non-CDP Paying Agent
Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong]*

[CDP Transfer Agent and CDP Registrar
Deutsche Bank AG, Singapore Branch
One Raffles Quay, #16-00, South Tower, Singapore 048583 /

Non-CDP Transfer Agent
Deutsche Bank AG, Hong Kong Branch
Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Non-CDP Registrar
Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg]*

The date of this Pricing Supplement is [●].
* Delete as appropriate.

This Pricing Supplement relates to the Tranche of Perpetual Securities referred to above.

This Pricing Supplement, under which the Perpetual Securities described herein (the "**Perpetual Securities**") are issued, is supplemental to, and should be read in conjunction with, the Information Memorandum (as revised, supplemented, amended, updated or replaced from time to time, the "**Information Memorandum**") dated 3 October 2017 issued in relation to the US$1,500,000,000 Multicurrency Perpetual Securities Issuance Programme (the "**Programme**") of CITIC Envirotech Ltd. Terms defined in the Information Memorandum have the same meaning in this Pricing Supplement. The Perpetual Securities will be issued on the terms of this Pricing Supplement read together with the Information Memorandum. In the event of any inconsistency between the Information Memorandum and the Pricing Supplement, the Pricing Supplement shall prevail. The Issuer accepts responsibility for the information contained in this Pricing Supplement.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Perpetual Securities or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

[An advance tax ruling will be requested from the Inland Revenue Authority of Singapore ("**IRAS**") to confirm, amongst other things, whether the IRAS would regard the Perpetual Securities as "debt securities" for the purposes of the Income Tax Act, Chapter 134 of Singapore ("**ITA**") and the distributions (including Arrears of Distribution and any Additional Distribution Amounts) made under the Perpetual Securities as interest payable on indebtedness such that holders of the Perpetual Securities may enjoy the tax concessions and exemptions available for qualifying debt securities under the qualifying debt securities scheme, as set out in the section "Singapore Taxation" of the Information Memorandum provided that the relevant conditions are met.

There is no guarantee that a favourable ruling will be obtained from the IRAS. In addition, no assurance is given that the Issuer can provide all information or documents requested by IRAS for the purpose of the ruling request, and a ruling may not therefore be issued.

If the Perpetual Securities are not regarded as "debt securities" for the purposes of the ITA and/or holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ.

No assurance, warranty or guarantee is given on the tax treatment to holders of the Perpetual Securities in respect of the distributions payable to them (including Arrears of Distribution and Additional Distribution Amounts). Investors should therefore consult their own accounting and tax advisers regarding the Singapore income tax consequence of their acquisition, holding and disposal of the Perpetual Securities.]*

Where interest, discount income, prepayment fee, redemption premium or break cost is derived from any of the Perpetual Securities by any person who (i) is not resident in Singapore and (ii) carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions and if applicable) under the ITA shall not apply if such person acquires such Perpetual Securities using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Perpetual Securities is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

For and on behalf of
CITIC ENVIROTECH LTD.

Signed: ______________________________
Director/Authorised Signatory

* To be inserted where a tax ruling is requested.

** **N.B.** If any such change is disclosed in the Pricing Supplement, it will require approval by any stock exchange(s) on which the Programme is listed. Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Information Memorandum rather than in a Pricing Supplement.

The terms of the Perpetual Securities and additional provisions relating to their issue are as follows:

[Include whichever of the following apply]

1.	Series No.:	[●]
2.	Tranche No.:	[●]
3.	Currency:	[●]
4.	Principal Amount of Series:	[●]
5.	Principal Amount of Tranche:	[●]
6.	Denomination Amount:	[●]
7.	Calculation Amount (if different from Denomination Amount):	**[●]**
8.	Issue Date:	[●]
9.	Redemption Amount (including early redemption):	[Denomination Amount/[others]] [Specify early redemption amount if different from final redemption amount or if different from that set out in the Conditions]
10.	Status of the Perpetual Securities:	[Senior Perpetual Securities / Subordinated Perpetual Securities]
11.	Distribution Basis:	[Fixed Rate/Floating Rate]
12.	Distribution Commencement Date:	[●]
13.	**Fixed Rate Perpetual Security**	
	(a) Day Count Fraction:	[●] [If not provided in the Conditions, to insert 2000 or 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.]
	(b) Distribution Payment Date(s):	[●]
	(c) Initial Broken Amount:	[●]
	(d) Distribution Rate:	[●] per cent. per annum
	(e) First Reset Date:	[●]
	(f) Reset Date:	[●]
	(g) Step-Up Margin:	[●]
	(h) Step-Up Date:	[●]
	(i) Initial Spread:	[●]

	(j)	Relevant Rate:	[Specify benchmark]
	(k)	Reset Period:	[●]
	(l)	Reference Banks:	[Specify three]
	(m)	Comparable Period:	[●]
14.	**Floating Rate Perpetual Security**		
	(a)	Distribution Determination Date:	**[●]** business days prior to the first day of each Distribution Period
	(b)	Day Count Fraction:	[●] [If not provided in the Conditions, to insert 2000 or 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.]
	(c)	Specified Number of Months (Distribution Period):	[●]
	(d)	Specified Distribution Payment Dates:	[●]
	(e)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
	(f)	Benchmark:	[SIBOR, Swap Rate or other benchmark]
	(g)	Primary Source:	[Specify relevant screen page or "Reference Banks"]
	(h)	Reference Banks:	[Specify three]
	(i)	Relevant Time:	[●]
	(j)	Relevant Financial Centre:	[The financial centre most closely connected to the Benchmark — specify if not Singapore]
	(k)	Spread:	[+/-] [●] per cent. per annum
	(l)	Fall back provisions, rounding provisions and any other terms relating to the method of calculating distribution on Floating Rate Perpetual Securities, if different from those set out in the Conditions:	**[●]**
15.	Optional Payment:		[●]
16.	Dividend Pusher and Reference Period:		**[●]** months

17.	Dividend Stopper:	[●]
18.	Non-Cumulative Deferral:	[●]
19.	Cumulative Deferral:	[●]
20.	Additional Distribution:	[●]
21.	Issuer's Redemption Option Issuer's Redemption Option Period (Condition 6(b)):	[Yes/No] [Specify maximum and minimum number of days for notice period, which shall be a minimum of five business days in the case of Perpetual Securities cleared through Euroclear and/or Clearstream, Luxembourg] [Specify Dates]
22.	Redemption for Taxation Reasons: (Condition 6(c)):	[Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]
23.	Redemption for Accounting Reasons: (Condition 6(d)):	[Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]
24.	Redemption for Tax Deductibility: (Condition 6(e)):	[Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]
25.	Redemption upon a Change of Control (Condition 6(f)):	[Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]
26.	Redemption in the case of Minimal Outstanding Amount (Condition 6(g)):	[Yes/No] [Specify maximum and minimum number of days for notice period] [Specify Dates]
27.	Form of Perpetual Securities:	[Bearer/Registered] [Temporary Global Security exchangeable for Definitive Securities/Temporary Global Security exchangeable for Permanent Global Security/Permanent Global Security/Global Certificate]
28.	Talons for future Coupons to be attached to Definitive Perpetual Securities:	[Yes/No. If yes, give details.]
29.	Applicable TEFRA exemption:	[C Rules/D Rules/Not Applicable]
30.	Listing:	[●]
31.	ISIN Code:	[●]
32.	Common Code:	[●]

33.	Clearing System(s):	[Not Applicable/Euroclear/ Clearstream, Luxembourg/The Central Depository (Pte) Limited] [other clearing information]
34.	Depository:	[Common depositary for Euroclear /Clearstream, Luxembourg/The Central Depository (Pte) Limited/others]
35.	Delivery:	Delivery [against/free of] payment
36.	Method of issue of Perpetual Securities:	[Individual Dealer/ Syndicated Issue]
37.	The following Dealer(s) [is/are] subscribing for the Perpetual Securities:	[Insert legal name(s) of Dealer(s)]
38.	Paying Agent:	[Principal Paying Agent/Non-CDP Paying Agent]
39.	Calculation Agent:	[●]
40.	Date of Calculation Agency Agreement:	[●]
41.	The aggregate principal amount of Perpetual Securities issued has been translated in United States dollars at the rate of [●] producing a sum of (for Perpetual Securities not denominated in United States dollars):	US$[●]
42.	Use of Proceeds:	[●]
43.	Other terms:	

Details of any additions or variations to the terms and conditions of the Perpetual Securities as set out in the Information Memorandum:

Any additions or variations to the selling restrictions:

DESCRIPTION OF THE GROUP

Overview

Introduction

The Issuer is a leading environmental solutions provider focusing on water and wastewater treatment and reclamation in the PRC, through the application of advanced membrane-based technologies.

The Issuer is a holding company incorporated in Singapore and has been listed on the Mainboard of the SGX-ST since April 2004. The Issuer was founded by Dr. Lin Yucheng (presently, the Executive Director and Group Chief Executive Officer of the Issuer) in 2003. Under his leadership, the Group has become one of the PRC's leading membrane-based water and wastewater treatment solution and recycling solutions providers with businesses mainly in the PRC's chemical, petrochemical and industrial park sectors. The principal activities of the Group include design, fabrication, installation and commissioning of water and wastewater systems using its proprietary advanced membrane technologies such as MBR technology. The Group has designed and built some of the largest industrial wastewater treatment plants in Asia using MBR technology. The Group considers itself to be a leader in MBR solutions for industrial wastewater treatment in Asia. The Group's membrane systems have also been used successfully in pharmaceutical, food and beverage, and textile and dye stuff industries.

On 30 July 2015, the Issuer changed its name from "United Envirotech Ltd." to "CITIC Envirotech Ltd." after CITIC Limited became the single largest shareholder of the Issuer following the completion of the voluntary offer made by CKM, so as to better reflect the Group's ties to CITIC Limited and to more accurately reflect the Issuer's corporate profile and future business direction. Furthermore, the change of name further serves to allow the public and the Issuer's business partners to better identify with the Issuer under the new name.

Shareholding

As at the Latest Practicable Date, CITIC Limited is the Issuer's largest shareholder with an effective shareholding interest of approximately 54.5%, followed by CRF Envirotech Co., Ltd ("**CRF**") as the second largest shareholder with an effective shareholding interest of approximately 23.7%.

CITIC Limited is the largest conglomerate in China and a constituent of the Hang Seng Index. Among its diverse businesses, CITIC Limited focuses primarily on financial services, resources and energy, manufacturing, engineering contracting and real estate. As at 30 June 2017, CITIC Limited had total assets of approximately HKD 7.16 trillion. In 2016, the CITIC Group was ranked 156th in the Fortune 500 list. The Issuer is the flagship platform for CITIC Limited to develop and strengthen its water and environmental businesses. The Issuer's business benefits from synergy with other affiliate companies within the Group, such as China CITIC Bank, CITIC Securities, CITIC Construction Co. and CITIC Heavy Industries Co. The Issuer can leverage on CITIC Limited's extensive global business network and local resources in the PRC to support its business development strategy and growth plans. It can also leverage on CITIC Group's network to forge new partnerships with other state-owned enterprises and to participate in large scale public-private-partnership ("**PPP**") projects.

CRF is a joint venture between CRF Envirotech Fund L.P. and China Reform Soochow Overseas Fund I L.P., which are in turn affiliated with China Reform Holdings Corporation Ltd. China Reform Holdings Corporation Ltd., an investment company beneficially owned by SASAC, plays a unique and crucial role in the PRC's state-owned assets management and restructuring process. CRF is a strategic investor in new emerging industries, such as environmental protection and advanced manufacturing. The Issuer can leverage on CRF's expertise for strategic advice, guidance and oversight while having access to its investor base.

As at the Latest Practicable Date, the Issuer had a market capitalisation of SGD 1.67 billion.

Principal Business Activities and Technologies

The Group has three primary business divisions: (a) EPC division, (b) water investment division and (c) membrane business division. Recently, it also strategically expanded into three new business areas: (a) river restoration, (b) circular economy and (c) hazardous waste treatment.

(a) ***EPC division***

Through its EPC division, the Group provides engineering services which involve the design, fabrication, installation and commissioning of membrane-based water and wastewater treatment systems. Through its water investment division, the Group develops, owns and operates water and wastewater treatment plants in the PRC, with stable, long term off-take arrangements. Through its membrane business division, the Group manufactures and supplies membrane products. For FY2016, the EPC division, the water investment division and the membrane business division contributed approximately 59%, 30% and 11% of the Group's total revenue, respectively. For the six months ended 30 June 2017, the EPC division, the water investment division and the membrane business division contributed approximately 57%, 34%, and 9% of the Group's total revenue, respectively.

In the EPC division, the Group undertakes turnkey projects in the capacity of an EPC contractor or as a membrane system specialist. As an EPC contractor, the Group has served major industrial clients such as petrochemical companies including Sinopec, CNPC, CNOOC and Sembcorp Utilities. The Issuer also provided EPC solutions to industrial parks such as those in Guangdong (Daya Bay Huizhou, Nansha), Jiangsu (Dafeng, Taixing, Siyang, Qidong), Sichuan (Guangan), Fujian (Yangli), Shandong (Changyi, Weifang) and Tianjin (TEDA) and to local and municipal authorities in the PRC.

(b) ***Water investment division***

The Group invests in Investment Projects under BOT, TOT and BOO arrangements. A portion of these Investment Projects are municipal plants backed by off-take agreements from the PRC Government. The Group has invested in more than 60 water plants across 11 provinces, including Liaoning, Shandong, Jiangsu, Hebei and Guangdong. In addition, the Group also invests in industrial park wastewater projects, providing wastewater treatment solutions to the industrial end-users. These include the wastewater treatment plants in Nansha, Dafeng, Changyi and Gaoyang.

The Group also provides O&M services to clients who wish to outsource their water and wastewater treatment operations. The O&M services provided by the Group are integrated into the Group's water investment division and do not provide a major source of revenue as a standalone business segment.

(c) ***Membrane business division***

The Issuer added the membrane business division to the Group's businesses when it completed the Memstar Acquisition in 2014. The Memstar Group is principally engaged in the business of manufacturing and supplying of membrane, membrane products and integrated membrane system, and operation of water plants. The Memstar Group is one of the leading manufacturers and suppliers of PVDF hollow fibre membrane products with global presence. MTL has been listed on the SGX-ST since 2007 and the Memstar Group is equipped with strong R&D capabilities and has manufacturing facilities located in both Singapore and the PRC. With the support of the Economic Development Board of Singapore, the R&D centre in Singapore houses advanced research facilities and is staffed with a strong R&D team. The intellectual property rights of the Memstar Group also include a number of patents, manufacturing know-how and production design in the relevant field. Membrane products and technology are critical aspects of the Group's water and wastewater treatment plants projects and the Memstar Acquisition has transformed the Group into a vertically integrated water solutions provider with the ability to offer one-stop solutions to the Group's customers and will give the Group a competitive edge in the industry. The incorporation of Memstar USA Inc in the United States in December 2016 marked a significant development for the Group. Memstar USA Inc will undertake the new business of manufacturing and selling RO membrane and nanofiltration membrane ("**NF membrane**"). This entity will also act as a key driver towards accelerating sales of MF membrane and UF membrane products currently manufactured by Memstar.

Being one of its key core competencies, the Group seeks to apply its membrane technology in its EPC projects and its Investment Projects to the extent possible. Among the membrane technologies, the Group's principal treatment technology is MBR, which is typically applied in the treatment of various types of wastewater. The Group has an extensive track record of applying MBR technology successfully in wastewater treatment, and particularly in the treatment of industrial, chemical and petrochemical wastewater. The Issuer has built up a track record with more than 100 MBR references in various parts of the PRC and in Southeast Asia. Examples include the 25,000 m^3/day plant at Huizhou Daya Bay Petrochemical Hub and the 10,000 m^3/day plant at Guangzhou Nansha Chemical Industrial Park. In the 70,000 m^3/day Taixing treatment plant, the Group's EPC division built one of the largest industrial MBR plants in Asia. The Issuer's largest MBR project in the chemical and petrochemical sector, in terms of capacity completed to date, is the 15,000 m^3/day oil refinery wastewater treatment system for CNOOC's first onshore refinery at Huizhou, Guangdong. In September 2010, the Issuer completed a 100,000 m^3/ day municipal MBR plant at Jingxi, Guangzhou and at the time of completion of the plant, it was one of the largest MBR plants in the world and the first and largest underground MBR plant in Asia. In the third quarter in 2015, the Group completed the construction of a landmark 100,000 m^3/day drinking water plant in Yantai City, Shandong Province, PRC; this is currently one of the largest membrane-based drinking water plants in the PRC. Also in the third quarter of 2015, the Issuer completed the construction of a 200,000 m^3/day municipal wastewater treatment plant in Fuzhou City, Fujian Province, PRC; this plant is one of the largest wastewater treatment plants in the PRC using MBR technology. In 2016, the Group completed the upgrading and expansion of four wastewater treatment plants with a total capacity of 750,000 m^3/day in Chengdu Province, using the Group's proprietary MBR Technology to meet Grade 4 surface-water discharge standard (as set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (GB18918-2002)) without additional land use and work stoppage. In addition, the Group also completed the upgrading and expansion of the Gaoyang industrial wastewater treatment plant with the capacity of 200,000 m^3/day in Hebei Province to meet the higher discharge standard with Chemical Oxygen Demand < 40 mg/litre.

MBR technology has become particularly relevant under the PRC Government's new wastewater discharge standards as set out in the Thirteenth Five-Year Plan, as MBR technology is proven to be able to meet the Thirteenth Five-Year Plan's more stringent discharge standards. As the PRC Government continues to impose stricter requirements to ensure a higher proportion of wastewater, and in particular, industrial wastewater is treated before discharge, the Group believes the demand for the application of MBR treatment is likely to increase accordingly.

Other than MBR technology, the Group also applies two other membrane-based technologies: CMF technology and RO technology. While MBR is typically applied in the treatment of wastewater to meet the relevant discharge standards, CMF and RO are primarily used for water purification and wastewater reclamation purposes. The Group's CMF and RO systems are used mainly in wastewater recycling (NEWater application), especially in the area of industrial wastewater recycling. Specifically, the application of CMF is principally in the production of drinking water, pre-treatment of water prior to RO and wastewater reclamation. The application of RO is principally in water purification and deionisation, as well as seawater desalination and wastewater reclamation. Depending on the requirement, the technologies are applied either individually or in different combinations to achieve the desired output quality. For instance, the Group applied a combination of CMF and RO technologies in the 3,200 m^3/day wastewater reclamation plant for CNPC in Harbin and the 7,200 m^3/day wastewater reclamation plant for the Sinopec Group in Guangzhou. In a 5,000 m^3/day effluent recovery plant for Sembcorp Utilities in Singapore, the Group applied a combination of CMF, RO and ion exchange technology.

(d) ***River restoration***

The Group also provides solutions in river restoration by working with municipalities and regional governments to bring together expertise and stakeholders in master planning, water and wastewater treatment technology and management, ecology, hydrology, geology, financing and property development to provide holistic solutions. On 9 January 2017, the Issuer announced that the Group secured its first river restoration project in Yixing, Jiangsu, PRC, worth RMB 650 million.

(e) ***Circular economy***

Circular economy is another area into which the Group ventured into recently and has yielded positive results. Circular economy involves collaboration with industrial parks and industrial zones to provide water and wastewater management, waste management, steam and power solutions. Essentially, in circular economy, the Group seeks to provide one-stop solutions in the abovementioned areas to create an efficient and self-sustaining industrial economy. In December 2016, the Group achieved breakthrough in this new business area after it secured its first circular economy PPP project in Shantou Chaonan, Guangdong Province, PRC, valued at RMB 3.2 billion.

(f) ***Hazardous waste treatment***

The Group partners with other companies to take advantage of the expanding hazardous waste treatment market and demonstrate the Group's capability and technologies in the waste management industry. In light of the more stringent environmental regulations and the pressing need to strengthen management and standardisation of hazardous waste industry in the PRC, transforming "waste to energy" and "waste to resources" will become a trend in the future, all the more so given the favourable policies in PRC regarding hazardous waste treatment. On 9 December 2016, the Issuer announced that it secured its first BOO hazardous waste treatment project in Rizhao City, Shandong Province, PRC, with a total investment of RMB 240 million.

The Group operates its three primary business divisions on an integrated basis, bringing synergistic value to its customers. While delivering an EPC capacity, the Group, as an experienced plant owner and operator, is able to identify potential issues which may arise during the plant's operational period and would be able to consider countering measures in the plant design. For its water investment projects, the Group would typically undertake the EPC scope as a main contractor, ensuring a seamless project execution. By providing its own EPC expertise, profit and margins are maintained within the Group and the risks associated with external providers of goods and services are reduced. The Group is an active user of membranes in its EPC projects and its water and waste water treatment plants. These projects require membranes when they are first built and will need membrane replacements periodically. Further, the Group focuses on industrial application in industries such as petrochemical, chemical and textile and dye stuff industries, which typically require high level membrane expertise and technology as compared to municipal water and wastewater treatment projects. By having a membrane business division, the Group will be able to continually improve and adapt the membrane for various diverse applications and respond to its customers' needs within a shorter response time.

History and Key Milestones

The Issuer was incorporated in 2003 and listed on the Mainboard of the SGX-ST in 2004.

In 2010, the Issuer's Taiwan Depository Receipts ("**TDRs**") were listed on the main board of the Taiwan Stock Exchange.

In August 2011, KKR (through KKRCW) became a strategic investor of the Issuer after injecting an investment of USD 113.8 million in the form of the KKRCW Convertible Bonds, which were used for investment in water plants. In the same month, the Group acquired a 40.0% stake in Maxrise Envirogroup Ltd for RMB 100 million. Through this acquisition, the Group held equity interest in four water treatment plants with up to 170,000 m^3/day of aggregate capacity.

In September 2011, the Group exercised a call option and acquired the entire equity stake in Tongji Environmental (China) Pte Ltd, now known as UEWRPL, which owns and operates a 50,000 m^3/day wastewater treatment plant in Xinmin City, Liaoning Province, PRC, for RMB 34.0 million.

In January 2012, the Group acquired Anhui Water Star Treatment and Operation Co Ltd, a company specialising in providing O&M services to wastewater treatment plants, for a consideration of RMB 5.0 million. Through the acquisition, the Group added a team of over 40 experts in various disciplines of the water sector which has significantly strengthened the Group's technical and manpower base in managing its water plants.

In January 2013, KKR invested an additional USD 40 million into the Issuer by way of a subscription of 98,536,000 new Shares, which was used for working capital and for acquisitions, construction and the upgrading of water and wastewater treatment plants.

On 18 December 2013, the Issuer announced that its TDRs would be delisted from the Taiwan Stock Exchange with effect from 28 January 2014.

A significant milestone in April 2014 was the completion of the Memstar Acquisition which marked the transformation of the Group into a vertically integrated water solutions provider with the ability to offer one-stop solutions to its customers. Please see the above section "Overview — Principal Business Activities and Technologies" for an elaboration on the Memstar Acquisition.

In April 2015, CITIC Limited (through CITIC Environment) joined KKR as a strategic investor of the Issuer and became its largest shareholder following the completion of the joint voluntary offer with KKR. Following the completion of the joint voluntary offer, CITIC Limited became the Issuer's largest shareholder.

On 29 May 2015, the Issuer incorporated a subsidiary in Nantong, Jiangsu Province, PRC, known as Jiangsu Memstar Membrane Material Technology Co., Ltd ("**Jiangsu Memstar**"), with a registered capital of USD 18 million. The main activities of Jiangsu Memstar are to produce and sell hollow fibre membrane.

On 23 October 2015, the Issuer announced that its wholly-owned subsidiary, UEWRPL, has incorporated a subsidiary in Jakarta, Indonesia. The subsidiary, known as PT CITIC Envirotech Indonesia and with an initial paid up capital of USD 600,000, is 70% owned by the Issuer and will be the main vehicle for the Issuer's water business in Indonesia.

On 28 March 2016, the Issuer announced that it had completed the transaction with Fujian Li Yang Environmental Protection Co Ltd to acquire two municipal wastewater treatment plants in Fuqing and Shaxian, Fujian Province, PRC. The purchase consideration was RMB 132 million (approximately SGD 28 million). The acquisition consists of two municipal wastewater treatment plants with treatment capacities of 120,000 m^3/day in Fuqing and 30,000 m^3/day in Shaxian respectively. Both plants are currently operating at full capacity and will be upgraded to Grade 1A discharge standard (as set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (GB18918-2002)). The Issuer had also completed (in August 2015) an EPC project for the construction of a 200,000 m^3/day municipal wastewater treatment plant in Fuzhou City, Fujian Province, PRC. It is one of the largest wastewater treatment plants using MBR technology in the PRC which occupies approximately 20% of the land size of a traditional plant. The plant meets Grade 1A discharge standard. With the acquisition of Fuqing and Shaxian plants, the Issuer is poised to further increase its presence in Fujian Province.

On 16 November 2016, KKRCW completed the sale of its 269,024,005 Shares to China Reform Puissance Overseas GP L.P. and thereafter ceased to be a substantial shareholder of the Issuer. China Reform Puissance Overseas GP L.P. continues to have a deemed interest in the share capital of the Issuer through the direct shareholding of CRF.

Projects and Joint Ventures

In 2003, the Group completed the Sinopec Group's first double membrane industrial "NEWater" project (a wastewater reclamation project). In that year, the Group was also awarded a MBR project from Sinopec which was the first MBR project in the Chinese petrochemical industry and the largest petrochemical wastewater MBR plant in the PRC upon its completion.

In 2004, it was awarded a MBR project at Huizhou Daya Bay Petrochemical Hub. The following year in 2005, the Group acquired a 200,000 m^3/day wastewater treatment plant in Liaoyang which was a milestone TOT investment project in municipal wastewater treatment plant for the Group.

In 2006, the Group won its first BOT investment project in industrial wastewater treatment plant in Guangzhou Nansha and set up its Malaysian operation, a wholly-owned subsidiary outside of the PRC.

In 2007, the Group won an EPC contract to upgrade an industrial wastewater treatment plant with a treatment capacity of 30,000 + 40,000 m^3/day into a MBR plant in Taixing, Jiangsu.

In 2008, the Issuer formed a joint-venture company to acquire the industrial park wastewater treatment plant in Dafeng, Jiangsu, PRC and in 2009, the Group won an EPC contract to build the Guangzhou Jingxi wastewater treatment plant, which was completed within nine months. The resulting 100,000 m^3/ day underground MBR plant was at the time of completion the largest MBR plant of its kind in the world and also has the smallest ground area per capacity unit in the PRC.

In August 2011, the Group won a BOT contract in Dafeng City, PRC, to construct a 50,000 m^3/day MBR industrial wastewater treatment plant for a local industrial park.

On 18 April 2012, the Group was awarded a landmark RMB 216 million EPC project to construct a 100,000 m^3/day drinking water plant in Yantai City, Shandong Province, PRC. The construction of the plant was completed in the third quarter of 2015 and it is currently one of the largest membrane-based drinking water plants in the PRC.

On 13 March 2013, the Issuer signed an agreement with the local government of Siyang County, Jiangsu Province, PRC, for TOT and BOT projects in textile industrial wastewater treatment, recycling and water supply valued at RMB 200 million (approximately SGD 40 million). Under the terms of the TOT agreement, the Issuer will acquire the 30-year concession rights to operate a textile and mixed industrial wastewater treatment plant with capacities 40,000 m^3/day (Phase 1) + 80,000 m^3/day (Phase 2) for a total consideration of RMB 70 million (approximately SGD 14 million). The BOT project uses the Group's MBR technology to treat and recycle 60,000 m^3/day of textile industrial wastewater. The Group will also construct and operate a 40,000 m^3/day industrial water supply plant. The total investment for Phase I of the project at capacities 30,000 m^3/day and 20,000 m^3/day respectively for the two plants is approximately RMB 130 million (approximately SGD 26 million). On 19 August 2013, UEWRPL was awarded a 25-year BOT contract from the local government of Yantai City for a municipal wastewater treatment project in Shandong Province, PRC. The capacity of the treatment plant is 30,000 m^3/day for Phase 1 and it will reach 80,000 m^3/day upon completion of Phase 2. The total investment for Phase 1 is approximately RMB 100 million (approximately SGD 20 million). Shortly after, on 28 August 2013, the Issuer was awarded a RMB 90 million (approximately SGD 19 million) EPC project to upgrade a 100,000 m^3/day industrial wastewater treatment plant in Nantong City, Jiangsu Province, PRC.

On 10 September 2013, the Issuer signed a RMB 286 million (approximately SGD 59 million) 30-year TOT cum BOT agreement with the municipal government of Hong Wei District, Liaoyang City, Liaoning Province, PRC. Under the terms of the agreement, the Issuer would acquire the existing 15,000 m^3/day treatment plant for a consideration of RMB 25.0 million and would upgrade the plant using its advanced MBR technology. The upgrading work was completed in end-2016 to meet higher discharge standards.

On 21 October 2013, UEWRPL signed the concession agreement with the local government of Qixia City for the Transfer – Expand – Operate – Transfer of a municipal wastewater treatment project in Yantai, Shandong Province, PRC. Under the terms of the agreement, the Issuer will acquire the existing 20,000 m^3/day treatment plant at Qixia City, PRC, and expand it to 40,000 m^3/day using the Group's MBR technology. The total investment for the project is approximately RMB 105 million (approximately SGD 21 million). The project was funded (i) by the proceeds from KKRCW's subscription of the KKRCW Convertible Bonds and the share placement to KKR, and (ii) through bank financing.

On 26 November 2013, the Issuer announced the termination of its TOT project in Shangzhi, Harbin City, Heilongjiang Province, PRC. Due to delays in construction and commissioning, the plant had not become operational and was therefore not able to be handed over to the Issuer. After several rounds of negotiation with the party transferring the project, it was resolved that the transaction be terminated with the consent of both parties. The Issuer has been compensated with a 15 per cent. per annum return on the initial deposit made by the Issuer in relation to the project.

On 13 January 2014, the Issuer signed an agreement with Guangan Municipal Government and West Guangan Jean City Investment Management Co. Ltd ("**WGIM**") to provide industrial water supply, wastewater treatment and wastewater recycling to West Guangan Jeans and Textile Commerce and Technology Park in Guangan City, Sichuan Province, PRC. The Issuer owns a 90% stake in a joint venture with WGIM to undertake the following BOT projects:

- Wastewater treatment using the Group's advanced membrane technology – 20,000 m^3/day (Phase 1) comprising 10,000 m^3/day each of industrial and municipal wastewater. The long term capacity is expected to be 150,000 m^3/day with industrial and municipal wastewater at 100,000 m^3/day and 50,000 m^3/day respectively.

- Industrial water supply – 20,000 m^3/day (Phase 1), for which long term capacity is expected to be 100,000 m^3/day; and

- Wastewater recycling – 20,000 m^3/day (Phase 1), for which long term capacity is expected to be 80,000 m^3/day.

In February 2014, the Issuer was awarded an EPC contract valued at RMB 580 million from Fujian Haixia Environmental Protection Co. Ltd (Fujian Haixia) to construct a 200,000 m^3/day municipal wastewater treatment plant in Fuzhou City, Fujian Province, PRC. The construction of the plant was completed in the third quarter of 2015 and it is currently one of the largest wastewater treatment plant in the PRC using MBR technology.

In the same month, the Issuer signed an agreement with Jiangsu Qidong Economic Development Zone Binjiang Fine Chemical Industrial Park Management Committee ("**Binjiang MC**") to acquire, upgrade and expand the industrial park wastewater treatment plant in Qidong, Jiangsu Province, PRC. The Issuer has since set up a 70:30 joint venture with Binjiang MC to acquire the 15,000 m^3/day wastewater treatment plant serving the Binjiang Fine Chemical Industrial Park (Binjiang) and the Issuer will upgrade the plant and expand the capacity to 30,000 m^3/day using the Group's MBR technology.

On 27 March 2014, UEWRPL incorporated the joint venture company in Qidong, Jiangsu Province, PRC, named United Envirotech Water (Qidong) Co Ltd, which has a total paid up capital of USD 12 million.

On 23 June 2014, the Issuer announced that its wholly-owned subsidiary in Malaysia, Dataran Tenaga (M) Sdn Bhd ("**Dataran**"), was awarded an MYR 45 million (approximately SGD 17.5 million) EPC project in Johor Bahru, Johor, Malaysia. This contract was awarded for the construction of sewer network including sewage pumping station, an approximately three kilometres of sewer pipeline and a sewage treatment plant located in the southern area of Johor Bahru. This contract represents the first module of a three module project to provide a sewer network and treatment system with capacity of 250,000 population equivalent. This completed sewer network will serve the high end residential and commercial developments which are being carried out along the southern coast of Johor Bahru.

On 9 October 2014, the Issuer signed a framework agreement with Chengdu Xingrong to set up a 49:51 joint venture company with a paid-up capital of RMB 50 million (approximately SGD 10 million), in Sichuan, PRC, which owns approximately five million m^3/day of the water treatment concessions. Chengdu Xingrong is a SOE listed on the A-share of the Shenzhen Stock Exchange and is a prominent water company in the PRC. The new joint venture company will provide EPC services using the Group's membrane technologies and membrane products as well as undertake investments in water treatment projects in the western part of the PRC. The first block of projects to be undertaken by the joint venture company is the expansion and upgrading of wastewater treatment plants and recycling of treated water with combined capacity of one million m^3/day using the Group's proprietary MBR and CMF Technology. The total value of the first block of projects is estimated to exceed RMB 1.5 billion (approximately SGD 300 million). The value of the Group's membrane products to be used for the first block of projects is estimated to be RMB 300 million (approximately SGD 60 million). The first block of projects was completed in mid-2016. On 30 October 2015, the Issuer announced the incorporation of the joint venture company known as Chengdu Xingrong Environment Co. Ltd.

On 24 November 2014, the Issuer signed an agreement with Beijing Drainage Equipment Co. Ltd, a wholly owned subsidiary of Beijing Drainage to set up a 49:51 joint venture company (the "**JV Co**") with a total paid up capital of RMB 48 million (approximately SGD 9.6 million) in Beijing. Beijing Drainage is a SOE established 40 years ago with the approval from Beijing Municipal Government and is a leading industry player in Beijing. The JV Co will invest RMB 120 million (approximately SGD 24 million) to set up a new state of the art manufacturing facility with an initial capacity of assembling two million square meters of membrane fibres into membrane modules. Memstar will sell membrane fibres produced in its Singapore plant to the JV Co. On 8 October 2015, the Issuer announced the incorporation of the JV Co, known as Beijing Beipai Membrane Technology Co. Ltd.

On 25 March 2015, the Issuer signed an investment agreement with Luntai Industrial Park Management Committee to design, build and operate for 30 years an industrial wastewater treatment plant in Luntai County, Xinjiang, PRC. The wastewater treatment plant will serve a petrochemical park in Luntai County, a county in the Xinjiang Uyghur Autonomous Region, PRC. The 72-square kilometre industrial park is a major petrochemical hub located at the start of the 4,000 kilometre "West-East Gas Pipeline", a project that transports natural gas from Xinjiang in the western part of the PRC to Shanghai in the eastern part of the PRC. The total investment for the construction of the 50,000 m^3/day (Phase 1) wastewater treatment plant and the associated piping network is estimated to be approximately RMB 300 million (approximately SGD 66.7 million). The wastewater treatment plant will use the Issuer's MBR technology. This will be the Issuer's first project in the Xinjiang region and when completed, the plant will be the first petrochemical MBR plant in Xinjiang. The total capacity of the treatment plant is 100,000 m^3/day and is divided into two phases of 50,000 m^3/day each.

On 26 March 2015, the Issuer signed a framework agreement with CNOOC to set up a 49:51 joint venture company in the PRC. The main businesses of the proposed joint venture company is to provide comprehensive services including investment, consultation, design, construction and operation of wastewater treatment, consultation, design, construction and operation of wastewater treatment, recycling and desalination facilities to meet the water treatment needs arising from the CNOOC group of companies' existing and upcoming RMB 40 billion new petrochemical complex at Huizhou City in the PRC's Guangdong Province. The CNOOC group of companies is one of the largest producers of offshore crude oil and natural gas in the PRC and is one of the largest independent oil and gas exploration and production companies in the world. There are more than 19 direct and associated CNOOC companies located in the complex. The joint venture is expected to invest RMB 1.0 billion to construct a new wastewater treatment facility for the new complex and to acquire and integrate some existing treatment facilities. In 2007, the Issuer was awarded an EPC contract to construct the wastewater treatment plant for the first phase of CNOOC Huizhou's petrochemical complex. The wastewater treatment plant was based on the Group's advanced MBR technology and has been treating refinery wastewater from CNOOC's refinery located on the complex. The Issuer has been providing O&M services for the plant since 2009.

On 8 April 2015, the Issuer announced that it has entered into a share transfer agreement with the shareholders of Gaoyang Bishui Lantian Co. Ltd ("**BSLT**") in relation to the acquisition of the total issued share capital in BSLT (the "**BSLT Acquisition**") for RMB 500 million (approximately SGD 111.1 million). Based on the audited financial statements of BSLT for the 12 months ended 31 December 2014, BSLT's net tangible assets were approximately

RMB 434.2 million (approximately SGD 96.5 million) and BSLT's net profits were approximately RMB 21.5 million (approximately SGD 4.8 million). At the time of acquisition, BSLT owned a wastewater treatment plant with a capacity of 200,000 m^3/day (Phase 1 capacity is 80,000 m^3/day and Phase 2 capacity is 120,000 m^3/day, and a recycling plant with a capacity of 20,000 m^3/day (to be expanded to 40,000 m^3/day + 40,000 m^3/day). BSLT had also received approval and had acquired the land for a new 60,000 m^3/day wastewater treatment plant (Phase 3). The Issuer undertook the BSLT Acquisition for the following reasons:

- the BSLT Acquisition will allow the Issuer to own the existing Phase 1 and Phase 2 wastewater treatment plant, the recycling plant and the TOT project as well as to secure the right to develop the Phase 3 wastewater treatment plant and undertake the expansion of the recycling plant and the BOT project;

- the acquisition of BSLT will add 200,000 m^3/day of industrial wastewater treatment capacity and 20,000 m^3/day of recycled water to the Issuer's existing plant portfolio, which constitutes a significant increase;

- the Phase 1 and Phase 2 wastewater treatment plants are currently operating at nearly full capacity;

- the BSLT Acquisition will give the Group the right to develop Phase 3 wastewater treatment plant, which involves the construction of a 60,000 m^3/day wastewater treatment plant using the Group's MBR technology and the construction of a 40,000 m^3/day recycling plant using the Group's double membrane technology of CMF and RO technologies. The total investment for the BOT project is estimated to be RMB 300 million; and

- BSLT is located in Gaoyang County, Hebei Province, PRC, a major textile centre of the northern part of the PRC. The Issuer intends to use this project as a springboard to penetrate the wastewater treatment market in Hebei Province and any growth in demand for the wastewater treatment services and supply of recycled water.

BSLT has since been struck off the register of companies and United Envirotech Water Resource (Gaoyang) Co., Ltd. was incorporated on 12 January 2016 to assume the existing business, concessions, assets and liabilities of BSLT.

On 22 April 2015, the Issuer signed an agreement with the Haimen City Linjiang New District Management Committee ("**Haimen MC**") to invest USD 30 million (approximately SGD 41 million) for a BOO project of an industrial wastewater treatment plant in Haimen City, Jiangsu Province, PRC. Haimen MC owns a 20,000 m^3/day industrial wastewater treatment plant (Phase 1) which serves a chemical and textile industrial park in Haimen City. Under the terms of the agreement, the Issuer was awarded the Phase 2 project to build and operate a wastewater treatment plant with a capacity of 20,000 m^3/day using the Group's MBR technology. The total investment for Phase 2 is approximately USD 30 million. Upon the completion of the Phase 2 plant, the Issuer will acquire the Phase 1 plant from Haimen MC. The project was completed in June 2016. The Issuer will build and operate the Phase 2 plant through its 100% owned subsidiary, United Envirotech Water (Haimen) Co., Ltds (now known as CITIC Envirotech Water (Haimen) Co., Ltd., incorporated in Haimen City, Jiangsu Province, PRC.

On 20 August 2015, the Issuer announced that it had secured three wastewater treatment and water supply projects with a total contract value of RMB 263 million (approximately SGD 58 million) in the PRC, as follows:

- the Issuer had acquired 82.5% of the total issued share capital in Changan Co. Ltd., a company which was awarded a 20-year BOT project to treat wastewater and supply industrial water to a textile industrial park in Nantong City, Jiangsu Province, PRC. The BOT project involves the construction and operation of a 40,000 m^3/day industrial wastewater treatment plant, a 30,000 m^3/ day industrial water supply plant and a 10,000 m^3/day wastewater recycling plant. The project is implemented in two phases of equal capacities and Phase I was completed in end-2015. The consideration for the acquisition is RMB 100 million;

- the Issuer won a bid from the local government to upgrade and expand a municipal wastewater treatment plant in Xinmin City, Liaoning Province, PRC, which plant was acquired by the Issuer in 2010. The Issuer will upgrade the plant using its advanced MBR technology to meet the higher Grade 1A standard and to expand the plant treatment capacity from 50,000 m^3/day to 80,000 m^3/ day. The total investment is approximately RMB 120 million. Upon the completion of the upgrading of the plant, the Issuer will enjoy an upward revision of water tariff; and

- the Issuer secured a 50,000 m^3/day BOT water supply project in Weishan Country, Shandong Province, PRC. Phase 1 of the project involves the construction of a 30,000 m^3/day water treatment plant and is expected to start supplying water by the first quarter of 2016. The total investment for Phase 1 of the project is approximately RMB 43 million.

On 20 October 2015, the Issuer was awarded a RMB 400 million (approximately SGD 88 million) EPC contract to construct a 80,000 m^3/day wastewater treatment plant in Tianshui City, Gansu Province, PRC. Tianshui City is the second largest city in the Gansu Province, with a population of approximately 3.5 million. The wastewater treatment plant will use the Group's MBR technology to treat municipal wastewater. When completed, it is expected to be the first large scale underground MBR plant in the western part of the PRC. The project has commenced and is expected to be completed in March 2018. As this will be an underground plant, the Group is able to leverage on its experience as one of the pioneers in the application of MBR technology underground.

On 23 November 2015, the Issuer announced that it was awarded a PPP project in Liaoyang City, Liaoning Province, PRC on 20 November 2015, worth approximately RMB 549 million (approximately SGD 122 million). The project involves the Issuer's investment of approximately RMB 549 million into four wastewater treatment plants and/or its associate pipe network in Liaoyang City. In return, the Issuer is expected to enjoy a mutually agreed rate of return on the capital invested and will be granted concessions for the O&M of the four plants. The total waste treatment capacity of the four plants is approximately 285,000 m^3/day and the concession periods for the O&M vary between 15 to 20 years. The project in Liaoyang City is the Issuer's first PPP project in the PRC.

On 25 November 2015, the Issuer announced that the Issuer and certain of its subsidiaries were awarded four further projects on 23 and 24 November 2015 with a collective value of approximately RMB 617 million (approximately SGD 137 million), namely:

- BOT project at Haining City, Zhejiang Province, PRC, valued at RMB 182 million (approximately SGD 40 million) (the "**Haining BOT Project**");

- BOT project at Gaoyang County, Hebei Province, PRC, valued at RMB 200 million (approximately SGD 44 million) (the "**Gaoyang BOT Project**");

- BOT water supply project in Medan City, Indonesia, with a total investment of SGD 35 million (approximately RMB 159 million) (the "**Medan BOT Project**"); and

- Supply, installation and commissioning of an MBR system in Jiaxing, Zhejiang Province, PRC with a contract value of RMB 76 million (approximately SGD 17 million) (the "**Jiaxing Project**").

The Haining BOT Project is a 25-year BOT project involving the construction and operation of a 25,000 m^3/day MBR industrial wastewater treatment plant, a 15,000 m^3/day industrial water recycling plant and a 15,000 m^3/day industrial water supply plant in Jing Bian Industrial Park in Haining City. Jing Bian Industrial Park is the largest manufacturer of warp knitting textiles in the PRC.

The Gaoyang BOT Project involves the construction and operation of a 60,000 m^3/day textile wastewater MBR plant. Upon completion of the construction, the Issuer will have the concession to operate the MBR plant for 25 years.

The Medan BOT Project involves the Issuer's subsidiary, PT CITIC Envirotech Indonesia, securing a BOT water supply project through the acquisition of 100.0% of the issued share capital of the relevant project company, which in turn had been awarded a 25-year concession to build and operate river water treatment plants with total capacity of 81,000 m^3/day and to supply clean water to the local water authority in Medan City. The Medan BOT Project is the Issuer's first water supply project in Indonesia. Construction work is expected to be completed by June 2018.

The Jiaxing Project involves the supply, installation and commissioning of an MBR system associated with the upgrading of a 110,000 m^3/day wastewater treatment plant using MBR technology. The Jiaxing Project was completed in February 2017.

On 10 March 2016, the Issuer announced that it had been awarded a project by the local government of Gaoyang County, Hebei Province, PRC, to upgrade an existing 200,000 m^3/day industrial wastewater treatment plant (the "**Gaoyang WWTP**") for RMB 198 million (approximately SGD 42 million). Gaoyang WWTP had been acquired by the Issuer in April 2015 and the plant is presently operating at full capacity. The upgrading project is necessary as the discharge standard applicable has been raised; the Issuer's proprietary MBR technology will be used for the upgrading project. The project is expected to be completed by the end of 2017. On completion of this project, the Issuer will enjoy an upward revision in water tariff for the plant. Gaoyang WWTP serves the textile and dye companies located in the largest print and dye industrial park in the PRC, which provides more than 70% of the PRC's print and dye supplies.

On 17 March 2016, the Issuer announced that it had secured two wastewater treatment projects with a total investment of RMB 147 million (approximately SGD 32 million). The first project involved the Issuer signing an agreement with Xiaochang Philip Water Co., Ltd to set up a joint venture company with a total paid-up capital of RMB 40 million in Xiaochang County, Hubei Province, PRC. The joint venture will be held in 95:5 shares. The joint venture company will invest RMB 64 million for the acquisition of a 40,000 m^3/day municipal wastewater treatment plant with a concession period of 27 years. The second project involves (a) under the first phase, the Issuer's acquisition of a 10,000 m^3/day industrial wastewater treatment plant and (b) under the second phase, the Issuer's building of another 10,000 m^3/day industrial wastewater treatment plant in the Baiyi Industrial Park in Zao Zhuang City, Shandong Province, PRC. The total investment involved for the project is RMB 83 million and has a concession period of 30 years. The first phrase was upgraded using MBR technology by September 2016.

On 13 April 2016, the Issuer announced that it secured its first BOT sludge treatment project in Weifang City, Shandong Province, PRC, with a total investment of RMB 220 million (approximately SGD 48 million). The project, which has a concession period of 30 years, involves the design, construction and operation of a 700 tonnes/day sludge treatment plant to treat sludge generated from six municipal wastewater treatment plants in Weifang City. The treated sludge is expected to meet the standard of soil conditioner and fertiliser for landscaping. The project is the Issuer's first project in sludge treatment and will be the largest sludge treatment plant in Shandong province, based on number of tonnes of sludge to be treated. It was completed in May 2017.

On 7 December 2016, the Issuer announced that a consortium comprising the Issuer, Guangdong Keying Zhiran Environmental Co., Ltd ("**Guangdong KZ**") and Zhongsheng Technology (Jiangsu) Co., Ltd ("**Zhongsheng**") was awarded its first circular economy PPP project in Shantou Chaonan, Guangdong Province, PRC, valued at RMB 3.2 billion. In relation to this project, a three-party joint venture company, CITIC Envirotech (Shantou) Integrated Dyestuff Enviromental Development Co., Ltd ("**CEL Shantou**") with a total registered capital of RMB 600 million has been set up with the Issuer, Guangdong KZ and Chaonan District Dyeing Park Management Company holding shareholding interests of 51%, 24% and 25% respectively. CEL Shantou, Zhongsheng and Guangdong KZ have in turn entered into an agreement to set up a new joint venture company with a total registered capital of RMB 260 million. CEL Shantou will own 10% of the shareholding in the new joint venture company, while Zhongsheng and Guangdong KZ will own 51% and 39% of the shareholdings respectively. The new joint venture company will undertake the investment, design, building and operation of the cogeneration plant under the project in Shantou City. The total project value of the cogeneration plant is estimated to be up to RMB 1.6 billion to be built in two phases. Phase 1 of the PPP project involves the designing and building of a 40,000 m^3/day industrial wastewater treatment plant and a 30,000 m^3/day recycling plant as well as a cogeneration plant and related ancillary assets. The investment in Phase 1 is estimated to be approximately RMB 700 million and the building of the cogeneration plant has commenced and is expected to be completed by the first half of 2018.

On 8 December 2016, the Issuer announced that CITIC Envirotech (Rudong) Co., Ltd, a wholly-owned subsidiary with a registered capital of RMB 137 million, has been set up to undertake the proposed acquisition and upgrading of a 20,000 m^3/day industrial wastewater treatment plant (the "**WWTP**") and the construction of a 40,000 m^3/day deep-sea discharge tunnel for a total estimated sum of USD 50 million.

On 9 December 2016, the Issuer announced that it secured its first BOO hazardous waste treatment project in Rizhao City, Shandong Province, PRC, with a total investment of RMB 240 million. The project involves the design, construction and operation of a 95,000 tonnes/year hazardous waste treatment facility which consists of a 25,000 tonnes/year incineration plant, a 30,000 tonnes/year physical-chemical treatment plant and a 40,000 tonnes/year landfill. The project has commenced and is expected to complete within 12 months of commencement. A subsidiary of the Issuer, Rizhao United Envirotech Co., Ltd, with a paid-up capital of RMB 82 million has been set up to undertake this project. The subsidiary is 70% owned by the Group and the remaining 30% by a local partner, Shandong Zhengtian Environmental Protection Technology Co. Ltd. When completed, the hazardous waste treatment facility will service the industries in Rizhao City, Weifang City, Linyi City as well as northern Jiangsu Province, including Lianyungang, Yancheng, Xuzhou and other regions. Disposal and treatment of hazardous waste has become a great challenge for the PRC Government with pressing need to tackle authorised hazardous waste disposal as well as strengthen the management and standardisation of the hazardous waste industry. Given the more stringent environmental regulations and favourable policy trend towards hazardous waste treatment in the PRC, the hazardous waste treatment market in the PRC is poised to expand and this project presents an excellent opportunity for the Group to demonstrate its capability and technologies in the waste management industry.

On 9 January 2017, the Issuer announced that the Group secured its first river restoration project in Yixing, Jiangsu, PRC, worth RMB 650 million. The Issuer, together with the Yixing Industrial Park for Environmental Science and Technology Management Committee ("**YIMC**"), set up a 90:10 joint venture company, CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd, to undertake the project via a Build-Lease-Transfer scheme of arrangement. Under such arrangement, the duration of the project is 10 years and consists of two years of construction and eight years of lease. Yixing Industrial Park for Environmental Science and Technology ("**Yixing Park**") is located in the Yangtze River Delta and is co-managed by YIMC and supported by the PRC's Ministry of Science and Technology and Ministry of Environment Protection. The park houses more than 1,500 environment protection companies. Within Yixing Park, a proposed Sino-Singapore International Innovation Park ("**SSIIP**") has been established to focus on water technologies, strengthening bilateral cooperation in R&D and the transformation and industrialisation of technological achievements in the water industry. The Group's river restoration project will be the first project under the proposed SSIIP PPP project.

On 16 March 2017, the Issuer announced that it has won the bid for a BOT project in the Xiaochang Economic Development Zone in Xiaochang County, Hunei Province, PRC. The total investment value of the 10,000 m^3/day BOT industrial wastewater treatment project, which includes related piping works, is RMB 62.15 million. The project is 90% owned by the Group and 10% by the local county government. Construction of the project has commenced and is expected to be completed by September 2017. The project comes with 100% minimum offtake from the local county government.

On 28 March 2017, the Issuer announced the incorporation of its subsidiary, Baiyi Environment Investment Jiangsu Co., Ltd ("**Baiyi Environment**") as well as the acquisition by Baiyi Environment of 70% of a 15,000 m^3/day TOT wastewater plant, Zhoubei Co., Ltd ("**Zhoubei**") in Zhouzhuang Town. Baiyi Environment is a joint venture between the Group, Hui Sheng Equity Investment Fund Management and Hui Yu Equity Investment Fund Management Partnership, with shareholdings of 49.9%, 49.9% and 0.02% respectively. Baiyi Environment was set up to undertake projects as well as explore investment opportunities in water-related projects in Jiangsu Province. The total acquisition cost of the TOT wastewater plant is RMB 36 million. The Group's investment for the acquisition is RMB 12.6 million, being the proportion of its interest in Baiyi Environment. The remaining 30% interest in Zhoubei is held by Jiangsu Nijiaxiang Group Co., Ltd ("**NJX Group**"), which was the owner of Zhoubei prior to the acquisition. NJX Group is one of the PRC's top 500 manufacturing enterprises and has businesses in fine wool textile, polyester staple fibre, polystyrene, combed cotton yarn and cotton cloth printing and dyeing.

On 24 April 2017, the Issuer announced that it was awarded the following contracts:

- a PPP project in Xinji City, Hebei Province. The project involves an investment of RMB 204 million in a 100,000 m^3/day TOT cum BOT wastewater treatment plant. Construction of the BOT project will commence in the early of 2018 and is expected to be completed by the end of 2018. The project comes with minimum offtake from the local government and a service concession of 30 years. CITIC Environment Water (Xinji) Co., Ltd, with a paid-up capital of RMB 80.0 million, has been set up to undertake this project. This entity is a 90:10 joint investment between the Group and the local country government respectively; and

- a RMB 230 million BOT water recycling project in Changyi City, Shandong Province. The 90,000 m^3/day BOT water recycling plant will recycle treated wastewater generated from the Changyi North wastewater treatment plants and supply recycled water to two chemical and textile industrial parks, namely Liu Tuan Industrial Park and Long Chi Industrial Park. Phase 1 of the construction of the 30,000 m^3/day recycling plant has commenced and is expected to be completed by October 2017. The recycled water will be treated to a higher water quality using the Group's membrane technology. The project has a concession period of 30 years. CITIC Environment Water Recycling (Changyi) Co., Ltd, with a paid-up capital of RMB 34.5 million has been set up to undertake this project.

The Group has since made good headway and established a strong foothold in Changyi City, having invested in three wastewater plants with a total capacity of 120,000 m^3/day, a water supply plant with a design capacity of 40,000 m^3/day and a sludge treatment plant with a design capacity of 700 tonnes/day. The addition of the 90,000 m^3/day water recycling plant will further propel the Group to capture more market share in the region.

On 18 May 2017, the Issuer announced that it has secured a Build-Transfer project in Feng Hua District, Ningbo City, worth RMB 3.0 billion (approximately SGD 610 million). The project involves the investment, design, construction, procurement and commissioning to restore the rivers and its surrounding environment in Feng Hua District. Phase 1 of the project, valued at approximately RMB 1.4 billion (approximately SGD 280 million), has commenced and involves river restoration works on 25 rivers and its surrounding landscape. The project is undertaken by a project company, in which the Issuer, 中信綠洲環境治理有限公司 (CITIC Oasis) and the local government will have respective interests of 60%, 35% and 5.0%. Each joint venture partner will contribute to the total investment value in proportion to its equity interest in the project company. Accordingly, the Issuer's proportionate total investment in the project company is approximately SGD 366 million.

On 31 May 2017, the Issuer announced that the Group was awarded a RMB 54 million Phase 2 wastewater treatment expansion project with a design capacity of 25,000 m^3/day in Mengzhou City, Henan Province. The Group has been operating Phase 1 of the 25,000 m^3/day wastewater treatment plant in Mengzhou since 2008 through its wholly-owned subsidiary CITIC Envirotech Water Resource (Mengzhou) Co,. Ltd. Following the completion of Phase 2, the total design capacity for the two phases will be 50,000 m^3/day. Construction has commenced and the project is expected to be completed within one year. The project comes with a service concession of 25 years and a minimum offtake guaranteed by the local government as follows:

Minimum Offtake:	**Year 1**	**Year 2**	**Year 3 onwards**
Water Volume	15,000 m^3/day	20,000 m^3/day	25,000 m^3/day

On 6 June 2017, the Issuer announced that the Group has secured a TOT cum BOT wastewater treatment project with a total design capacity of 20,000 m^3/day in Tao Yuan Town, Suzhou City, Jiangsu Province. Tao Yuan has a highly industrialised economy and is well known for its textile industry. The project involves the upgrading and modification of an existing plant as well as construction of an additional wastewater treatment plant using MBR technology to meet the higher discharge standard. The total investment value of the project is RMB 100 million. The project has commenced and is expected to be completed by end-2018. The project comes with a service concession of 30 years and a minimum offtake guaranteed by the local government as follows:

Minimum Offtake:	**Year 2019**	**Year 2020 onwards**
Water Volume	15,000 m^3/day	20,000 m^3/day

On 20 July 2017, the Issuer announced its investment in the following two TOT projects in Zhouzhuang Town, Jiangsu Province, PRC, through its subsidiary, Baiyi Environment:

- 100% of Jiangyin Zhounan Wastewater Treatment Co., Ltd ("**Zhounan**"), which owns a 10,000 m^3/day industrial TOT wastewater treatment plant with a concession of 15 years in Zhouzhuang Town. The total investment cost of Zhounan is RMB 29 million (including RMB 2.0 million for upgrading of the wastewater treatment plant). The Group will invest RMB 14.47 million for the acquisition, being the proportion of its effective shareholding of 49.9% in the investment; and

- 70% of Jiangyin Huahong Wastewater Treatment Co., Ltd ("**Huahong**"), which owns a 10,000 m^3/day industrial cum municipal TOT wastewater treatment plant and has a concession of 15 years in Zhouzhuang Town. The total investment cost of Huahong is RMB 30.5 million (including RMB 1.0 million for upgrading of the wastewater treatment plant). The Group will invest RMB 10.65 million for the acquisition, being the proportion of its effective shareholding of 34.93% in the investment. The remaining 30% shareholding interest in Huahong is held by the then owner of Huahong, Jiangsu Huahong Industry Co., Ltd, which has business in chemical fibre, automobile, copper trading and technology-related industries.

On 4 September 2017, the Issuer announced that the Group secured a RMB 315 million hazardous waste treatment project in Binzhou City, Shandong Province, PRC. The project involves the acquisition of 100% shareholding of Shandong Yunshui Jili Environment Protection Co., Ltd ("**Yunshui**"), which owns the licenses and land required for a hazardous waste treatment facility in Binzhou City. The consideration for the acquisition is RMB 55 million and the Issuer will invest an additional RMB 260 million for the construction and the completion of the facility. The design capacity of the hazardous waste treatment facility will be 60,000 tonnes/year, which consists of an incineration plant, a physical-chemical treatment plant and a landfill, with treatment capacities of 20,000 tonnes/year for each plant. The project is targeted to be completed within 12 months.

On 6 September 2017, the Issuer announced that the Group has invested in a fully-integrated environmental and utility company, namely CITIC Environment (Qingyuan) Technology Development Co., Ltd ("**CITIC Qingyuan**") in Qingyuan City, Guangdong Province, PRC. The Group will acquire 60% of CITIC Qingyuan for RMB 378 million while the current owner of CITIC Qingyuan, who is an individual shareholder, holds the remainder 40% shareholding. CITIC Qingyuan undertakes the supply of industrial water, steam and electricity and provides wastewater treatment and recycling services to the textile industrial park. The existing treatment capacities for the wastewater treatment and water supply is 22,000 m^3/day each, while electricity supply is 300,000 kWh/day, steam supply 1,400 tonnes/day and heating oil 3,500 GJ/day. Due to the rapidly expanding industrial park, it is expected that CITIC Qingyuan will immediately undertake Phase 2 of the project to expand its environmental facilities to meet the increasing demand.

On 11 September 2017, the Issuer announced that the Group has invested a total amount of RMB 365 million in two hazardous waste treatment facilities in Huizhou City, Guangdong Province, PRC. The investment consists of the acquisition of 51% stake in two companies, namely Lixing Environmental Protection Co., Ltd ("**Lixing EP**") and Huilv Environmental Protection Co., Ltd ("**Huilv EP**"), for RMB 160 million and an additional RMB 205 million for the expansion of the treatment facility of Lixing EP. Lixing EP's treatment facility is located at the Huiyang District of Huizhou City. It has a designed capacity of 72,000 tonnes/year and is licensed to treat 10 types of hazardous wastes. The treatment facility of Lixing EP will be expanded to 149,000 tonnes/year from 72,000 tonnes/year for an additional investment of approximately RMB 400 million (or RMB 205 million for the Group's 51% shareholding). Huilv EP's treatment facility is located at the Daya Bay District of Huizhou City. It specializes in the treatment of electronic waste and hazardous waste containing precious and heavy metals. The facility has a treatment capacity of 12,500 tonnes/year. Both Lixing EP and Huilv EP have over 10 years of experience in providing services on hazardous waste treatment.

The chart below sets out the Group's recent key projects as at the date of this Information Memorandum:

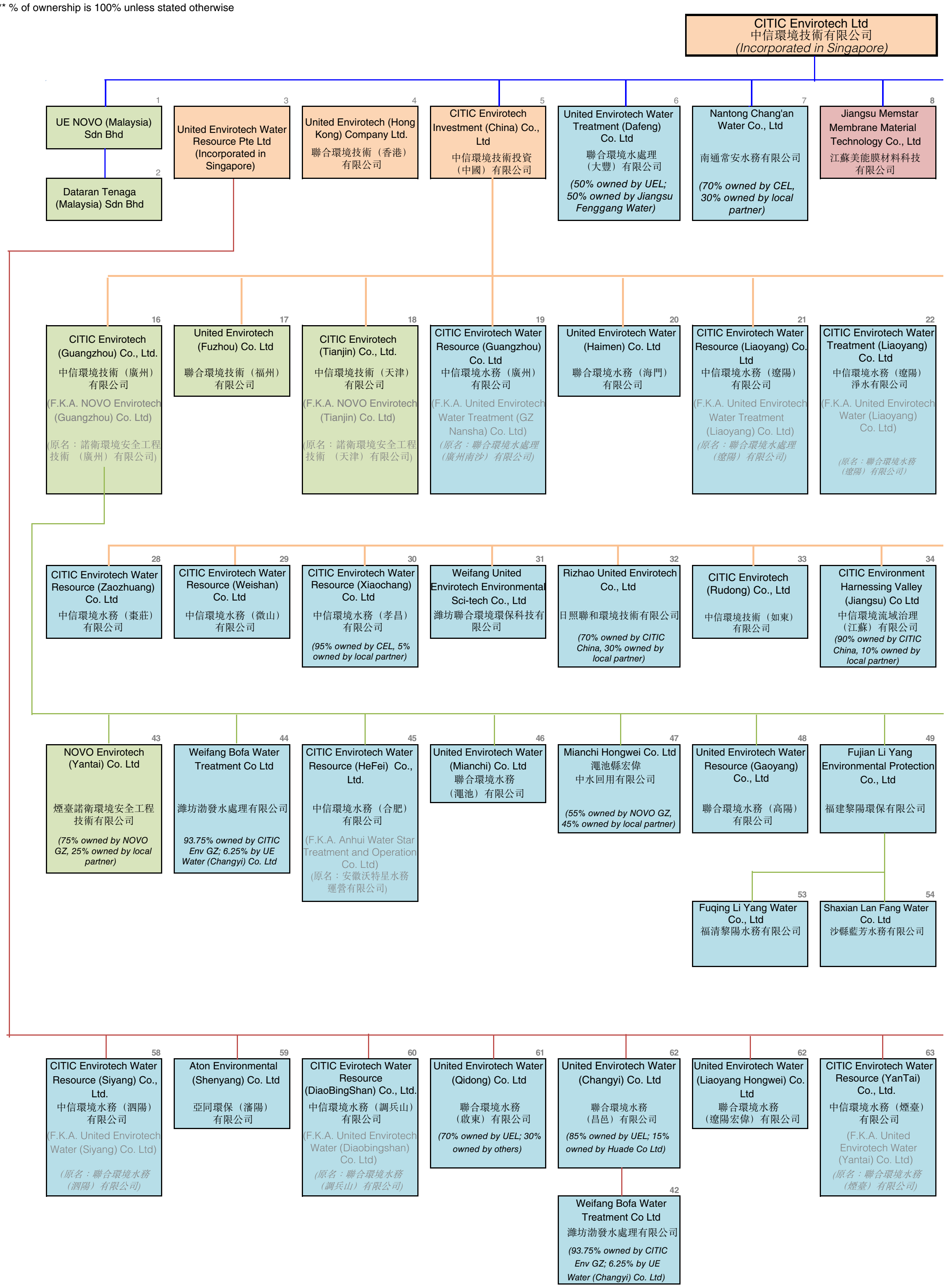
Date	Location	Capacity (m^3/day)	Value (RMB mil)	Project/Plant Type
11 Sep 2017	Huizhou City, Guangdong Province	149,000 tonnes/year + 12,500 tonnes/year	365	The investment consists of the acquisition of 51% stake in two companies, namely Lixing Environmental Protection Co., Ltd and Huilv Environmental Protection Co., Ltd for RMB 160 million and an additional RMB 205 million for the expansion of the hazardous waste treatment facility of Lixing EP.
6 Sep 2017	Qingyuan City, Guangdong Province	22,000 + 22,000	378	CEL will acquire 60% of CITIC Qingyuan for RMB 378 million. The existing treatment capacities for the wastewater treatment and water supply is 22,000 m^3/day each, while electricity supply is 300,000 kwh/day, steam supply 1,400 tonnes/day and heating oil 3,500 GJ/day.
4 Sep 2017	Binzhou City, Shandong Province	60,000 tonnes/year	315	The project involves the acquisition of 100% shareholding of Shandong Yunshui Jili Environment Protection Co., Ltd. The design capacity of the hazardous waste treatment facility will be 60,000 tonnes/year, which consists of an incineration plant, a physical-chemical treatment plant and a landfill, with treatment capacities of 20,000 tonnes/year for each plant.
20 Jun 2017	Zhouzhuang Town, Jiangsu Province	20,000	59.5	Investments in two TOT projects in Zhouzhuang Town: one is Zhounan project with capacity of 10,000 m^3/day and total investment cost of RMB 29 million; the other one is Huahong project with capacity of 10,000 m^3/day and total investment cost of RMB 30.5 million.
6 Jun 2017	Suzhou City, Jiangsu Province	20,000	100	TOT cum BOT project involving the upgrading and modification of an existing plant as well as construction of an additional wastewater treatment plant using MBR technology to meet the higher discharge standard.
18 May 2017	Ningbo City, Zhejiang Province	—	3,000	BT project involves the investment, design, construction, procurement and commissioning to restore the rivers and its surrounding environment in Feng Hua District through a JV set up by CEL, CITIC Oasis and local government.
24 Apr 2017	Xinji City, Hebei Province	100,000	204	PPP project involves an investment of RMB 204 million into a 100,000 m^3/day TOT cum BOT wastewater treatment plant.
24 Apr 2017	Changyi City, Shandong Province	90,000	230	90,000 m^3/day BOT water recycling project
9 Jan 2017	Yixing City, Jiangsu Province	—	650	First river restoration PPP project: 90:10 joint venture with the Yixing Industrial Park for Environmental Science and Technology Management Committee to undertake the project using BLT business model.
9 Dec 2016	Rizhao City, Shandong Province	95,000 tonnes/year	240	First BOO hazardous waste treatment project: total treatment facility of 95,000 tonnes/year, including a 25,000 tonnes/year incineration plant, a 30,000 tonnes/year physical-chemical treatment plant and a 40,000 tonnes/year landfill.
8 Dec 2016	Rudong County, Nantong, Jiangsu Province	20,000 + 40,000	USD 50	Acquisition and upgrading of a 20,000 m^3/day WWTP and BOT of a 40,000 m^3/day deep-sea water discharge tunnel.
7 Dec 2016	Shantou City, Guangdong Province	40,000 + 30,000	3,200	Phase I of PPP project: 40,000 m^3/day industrial wastewater treatment plant, 30,000 m^3/day recycling plant as well as cogeneration plant and related ancillary assets.

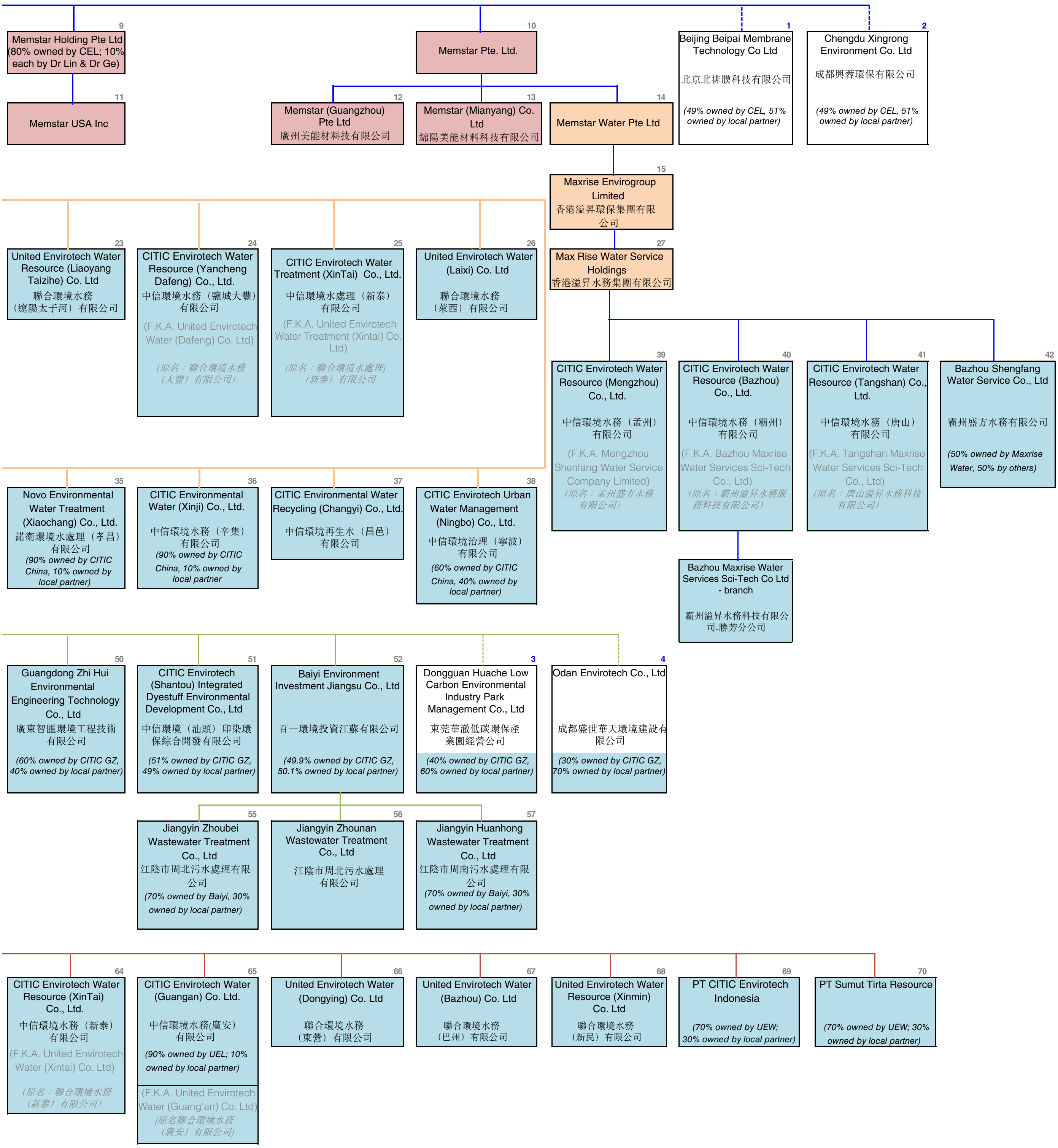
Group Structure

The chart below sets out the Group's corporate structure as at the date of this Information Memorandum:

Group Structure - CITIC Envirotech Ltd and its subsidiairies

** % of ownership is 100% unless stated otherwise




9
Memstar Holding Pte Ltd (80% owned by CEL; 10% each by Dr Lin & Dr Ge)
10
Memstar Pte. Ltd.
1
Beijing Beipai Membrane Technology Co Ltd
北京北排膜科技有限公司
(49% owned by CEL, 51% owned by local partner)
2
Chengdu Xingrong Environment Co. Ltd
成都興蓉環保有限公司
(49% owned by CEL, 51% owned by local partner)
11
Memstar USA Inc
12
Memstar (Guangzhou) Pte Ltd
廣州美能材料科技有限公司
13
Memstar (Mianyang) Co. Ltd
綿陽美能材料科技有限公司
14
Memstar Water Pte Ltd
15
Maxrise Envirogroup Limited
香港溢昇環保集團有限公司
27
Max Rise Water Service Holdings
香港溢昇水務集團有限公司
23
United Envirotech Water Resource (Liaoyang Taizihe) Co. Ltd
聯合環境水務（遼陽太子河）有限公司
24
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd.
中信環境水務（鹽城大豐）有限公司
(F.K.A. United Envirotech Water (Dafeng) Co. Ltd)
（原名：聯合環境水務（大豐）有限公司）
25
CITIC Envirotech Water Treatment (XinTai) Co., Ltd.
中信環境水處理（新泰）有限公司
(F.K.A. United Envirotech Water Treatment (Xintai) Co. Ltd)
（原名：聯合環境水處理）（新泰）有限公司
26
United Envirotech Water (Laixi) Co. Ltd
聯合環境水務（萊西）有限公司
39
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd.
中信環境水務（孟州）有限公司
(F.K.A. Mengzhou Shenfang Water Service Company Limited)
（原名：孟州盛方水務有限公司）
40
CITIC Envirotech Water Resource (Bazhou) Co., Ltd.
中信環境水務（霸州）有限公司
(F.K.A. Bazhou Maxrise Water Services Sci-Tech Co., Ltd)
（原名：霸州溢昇水務服務科技有限公司）
41
CITIC Envirotech Water Resource (Tangshan) Co., Ltd.
中信環境水務（唐山）有限公司
(F.K.A. Tangshan Maxrise Water Services Sci-Tech Co., Ltd)
（原名：唐山溢昇水務科技有限公司）
42
Bazhou Shengfang Water Service Co., Ltd
霸州盛方水務有限公司
(50% owned by Maxrise Water, 50% by others)
Bazhou Maxrise Water Services Sci-Tech Co Ltd - branch
霸州溢昇水務科技有限公司-勝芳分公司
35
Novo Environmental Water Treatment (Xiaochang) Co., Ltd.
諾衛環境水處理（孝昌）有限公司
(90% owned by CITIC China, 10% owned by local partner)
36
CITIC Environmental Water (Xinji) Co., Ltd.
中信環境水務（辛集）有限公司
(90% owned by CITIC China, 10% owned by local partner
37
CITIC Environmental Water Recycling (Changyi) Co., Ltd.
中信環境再生水（昌邑）有限公司
38
CITIC Envirotech Urban Water Management (Ningbo) Co., Ltd.
中信環境治理（寧波）有限公司
(60% owned by CITIC China, 40% owned by local partner)
50
Guangdong Zhi Hui Environmental Engineering Technology Co., Ltd
廣東智匯環境工程技術有限公司
(60% owned by CITIC GZ, 40% owned by local partner)
51
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd
中信環境（汕頭）印染環保綜合開發有限公司
(51% owned by CITIC GZ, 49% owned by local partner)
52
Baiyi Environment Investment Jiangsu Co., Ltd
百一環境投資江蘇有限公司
(49.9% owned by CITIC GZ, 50.1% owned by local partner)
3
Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd
東莞華澈低碳環保產業園經營公司
(40% owned by CITIC GZ, 60% owned by local partner)
4
Odan Envirotech Co., Ltd
成都盛世華天環境建設有限公司
(30% owned by CITIC GZ, 70% owned by local partner)
55
Jiangyin Zhoubei Wastewater Treatment Co., Ltd
江陰市周北污水處理有限公司
(70% owned by Baiyi, 30% owned by local partner)
56
Jiangyin Zhounan Wastewater Treatment Co., Ltd
江陰市周北污水處理有限公司
57
Jiangyin Huanhong Wastewater Treatment Co., Ltd
江陰市周南污水處理有限公司
(70% owned by Baiyi, 30% owned by local partner)
64
CITIC Envirotech Water Resource (XinTai) Co., Ltd.
中信環境水務（新泰）有限公司
(F.K.A. United Envirotech Water (Xintai) Co. Ltd)
（原名：聯合環境水務（新泰）有限公司）
65
CITIC Envirotech Water (Guangan) Co. Ltd.
中信環境水務(廣安)有限公司
(90% owned by UEL; 10% owned by local partner)
(F.K.A. United Envirotech Water (Guang'an) Co. Ltd)
（原名聯合環境水務（廣安）有限公司）
66
United Envirotech Water (Dongying) Co. Ltd
聯合環境水務（東營）有限公司
67
United Envirotech Water (Bazhou) Co. Ltd
聯合環境水務（巴州）有限公司
68
United Envirotech Water Resource (Xinmin) Co. Ltd
聯合環境水務（新民）有限公司
69
PT CITIC Envirotech Indonesia
(70% owned by UEW; 30% owned by local partner)
70
PT Sumut Tirta Resource
(70% owned by UEW; 30% owned by local partner)

Competitive Strengths

Pioneer in the application of membrane-based wastewater treatment technology in Asia with a proven track record, and a vertically integrated business model to provide holistic water treatment services

The Group is one of the leading membrane-based water and wastewater treatment and recycling solutions providers in the PRC's chemical, petrochemical and municipal sectors. It is also one of the leading providers of MBR wastewater treatment technology in Asia and has a track record of more than 10 years of successful execution of MBR projects in the PRC, including designing and building some of the largest wastewater treatment plants in the PRC using MBR technology.

The Group's membrane-based water and wastewater treatment systems have gained recognition as one of the most efficient solution for wastewater treatment. This operational excellence has been validated by repeat business from local and municipal authorities in the PRC, SOEs and industrial parks clients. The Guangzhou Jingxi MBR plant in particular can be a model for other wastewater infrastructure upgrades as the plant takes up approximately one-tenth the size of a wastewater treatment plant constructed based on traditional technology. The Group was also selected by CNOOC to treat wastewater from CNOOC's first RMB 28 billion refinery plant at Huizhou Daya Bay.

In addition, the Group possesses an integrated business model with engineering, procurement, design, construction and operational capabilities for water and wastewater treatment projects. The Group's in-house engineering, procurement and construction capabilities benefit its Investment Projects in plant construction and upgrading activities by ensuring consistent quality, timely delivery of projects, and guaranteeing access to technology and expertise, all of which enhances returns on projects. The Group's extensive project capabilities enable it to capture the entire value chain from project concept and design stages through construction and operation.

Through the Memstar Acquisition in 2014, the Issuer has not only acquired leading technologies in the manufacture of PVDF hollow fibre membrane and membrane products, but has also become one of the few companies with vertically integrated water and wastewater treatment and reclamation solution expertise, with businesses spanning from fibre membrane production to EPC projects and water treatment plant investments. With the ability to offer one-stop solutions to the Group's customers as well as in-house R&D capabilities to ensure the membranes suit the Group's customers' needs and the ability to provide technical advice and after sales services to its customers, the Group has a competitive edge when bidding for projects.

Well positioned to capitalise on significant growth opportunity in the MBR market in the PRC

The Group, as a market leader in the water and wastewater treatment industry in the PRC, is well positioned to benefit from favourable industry dynamics and supportive policies implemented by the PRC Government.

According to World Bank statistics, renewable internal freshwater resources per capita of the PRC is about 2,072 m^3, which is only about one-third of the world per capita value (6,013 m^3). The United Nations lists the PRC as one of 13 countries facing serious water scarcity, where the PRC has about one-fifth of the world's population but only 6.0% of the world's freshwater. Water has become a priority for the PRC Government, and it has indicated that it is prepared to spend RMB 4,000 billion on water infrastructure over the next 10 year period from 2011. This includes dam construction, reservoir management and water treatment systems.

With environmental protection remaining a priority for the PRC Government in the Thirteenth Five-Year Plan, the Group expects stricter environmental protection and water quality standards to be promulgated and implemented. The PRC's updated Environmental Protection Law, which imposes tougher penalties and larger fines on companies and individuals, took effect on 1 January 2015. The Water Pollution Prevention and Control Action Plan (the "**Water Pollution Prevention Plan**") has also been approved by the State Council and was implemented on 16 April 2015. The Water Pollution Prevention Plan is regarded as one of the most stringent water regulation to be implemented in the PRC, which covers both industrial and municipal wastewater treatment, pollution prevention and control. The Issuer believes there will be strong growth opportunities arising from the following requirements stipulated by the Water Pollution Prevention Plan. Firstly, all industrial parks will be required to install proper wastewater treatment facilities in accordance with stricter discharge standards. This would benefit the Group as its strength lies in advanced wastewater treatment technology. Secondly, wastewater treatment coverage is set to reach approximately 95% of the cities and approximately 85% of the countryside in the PRC by 2020 (according to the Thirteenth Five-Year Plan for environmental protection (2016 — 2020)), which will generate new market demands and boost water treatment volumes of the Group. The Water Pollution Prevention Plan also urges reform of the water-pricing mechanism and it is expected that water tariffs will rise rapidly in light of the reform.

Further, since 2014, public-private-partnership arrangements have been widely promoted. Such arrangement presents an innovative solution that combines financing, management and governance covering a range of urban infrastructure and public services. In April 2015, the Ministry of Finance and the Ministry of Environmental Protection in the PRC jointly issued Opinions of Promoting the Collaboration of Government and Social Capital in the Field of Water Pollution Prevention and Control (《關於推進水污染防治領域政府和社會資本合作的實施意見》), which proposes a more vigorous push for the wider implementation of public-private-partnerships in the wastewater treatment industry, which would help to alleviate the financial burden of local governments in wastewater treatment. The Group's advanced membrane technologies, particularly MBR, gives it a competitive edge in treating wastewater to the higher standards imposed by these stricter discharge limits. In light of the promotion of public-private-partnerships in the PRC, the Group has secured three projects through joint ventures with SOEs. These included a joint venture with Chengdu Xingrong, the largest water plant operator in the western part of the PRC, to carry out EPC upgrading for all of Chengdu Xingrong's water plants. The joint venture with Chengdu Xingrong serves as a gateway for further penetration into the market for wastewater treatment in the western part of the PRC and just the initial block of upgrading works generated approximately SGD 300 million in revenue by mid-2016. Another joint venture is with Beijing Drainage to set up a manufacturing facility with an initial capacity of assembling two million square meters of membrane fibres into modules. The third joint venture is with CNOOC to provide comprehensive services for its new RMB 1.0 billion petrochemical complex in Huizhou City, PRC. In November 2015, the Issuer was also awarded its first PPP project in the PRC, being a project in Liaoning City, Liaoning Province, involving an investment of approximately RMB 549 million into four wastewater treatment plants and/or its associate pipe network in Liaoyang City. The Group has since secured further PPP projects in Shantou Chaonan in Guangdong Province, Yixing in Jiangsu Province and Xinji City in Hebei Province. Please refer to the section "Overview — History" for more details on these PPP projects.

The Group believes that the industrial wastewater treatment segment has high growth potential, especially with the application of MBR as well as the fact that the usage of MBR technology in the PRC (the Group's main market) is lower compared to some Asian countries such as Singapore and Korea. The Group is focused on developing its industrial water and wastewater plant portfolio. To this end, the Group is actively seeking investment opportunities in the industrial water and wastewater sector where it has a technological advantage. In light of the more stringent discharge standards, the Group believes that there are many opportunities in the municipal and industrial wastewater treatment segment that require upgrading through the application of MBR technology. In addition, MBR wastewater treatment plants typically require only 20-50% of the space occupied by conventional wastewater treatment plants, making MBR technology an efficient alternative to conventional wastewater treatment technology. The Issuer believes that MBR technology will become more widely adopted across the PRC given its higher value to land-use efficiency. Furthermore, the Issuer has an established track record in using MBR technology to treat wastewater from chemical, petrochemical, refinery, textile and pharmaceutical industries, making it a valued partner to industrial park owners in the PRC to meet their wastewater treatment needs. In the Jiangsu Province, PRC, the Issuer currently owns and operates industrial park wastewater treatment plants located in cities such as Dafeng, Siyang and Qidong and it has also successfully built and upgraded industrial park wastewater treatment plants in Taixing and Nantong City. With its stellar track record and strength in membrane-based technology, the Issuer is well-positioned to secure new and upgrading projects, both in EPC and investments.

Strong support from CITIC Limited and CRF, the Group's strategic partners

As at the Latest Practicable Date, CITIC Limited is the Issuer's largest shareholder with an effective shareholding interest of approximately 54.5%, followed by CRF as the second largest shareholder with an effective shareholding interest of approximately 23.7%.

The Issuer believes that CITIC Limited, affiliated with one of the largest central SOEs in the PRC, will be an invaluable partner in the future growth of the Issuer. This is particularly important given that the industry is both capital intensive as well as increasingly dominated by large players. The advantages that CITIC Limited will offer include:

(a) an extensive business network in the PRC, together with the opportunity to tap on CITIC Environment's expertise and excellent track record, in order to support the Issuer's business development strategy and growth plans;

(b) the opportunity to leverage on the relationship with CITIC Limited to forge new partnerships with other SOEs;

(c) the ability to obtain lower financing costs as a subsidiary of CITIC Limited; and

(d) the opportunity to participate in large-scale PPP projects.

The Issuer is the flagship for CITIC Limited in the water and wastewater treatment business and in view of CITIC Limited's plan to develop its business in the environmental protection sector, its investment in the Issuer will provide a unique opportunity for CITIC Limited to invest in a leading membrane-based water and wastewater treatment and reclamation solution provider in the PRC's chemical, petrochemical and industrial park sector.

In addition, the Issuer believes that it will be able to leverage on both CITIC Limited and CRF's relationships with financial institutions in the PRC and overseas in order to expand the Issuer's capabilities in the water treatment sector. The Issuer further believes that it will also be able to leverage on CRF's expertise for strategic advice, guidance and oversight as well as gain access to CRF's investor base.

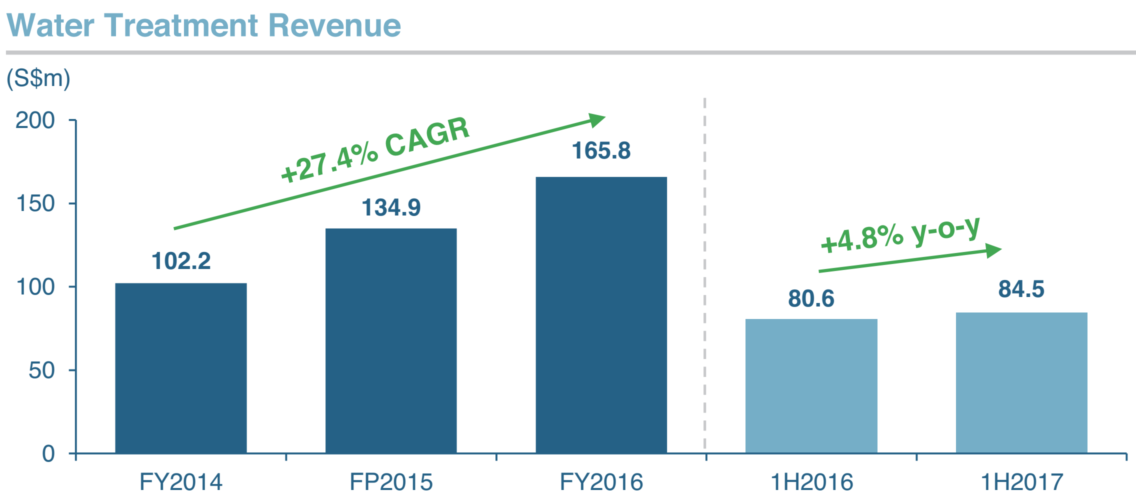
Attractive financial profile underpinned by strong balance sheet and recurring revenue base

In FY2016, the Issuer registered its highest revenue and net profit to-date. The Group's revenue in FY2016 showed a significant 62.1% rise to SGD 544.6 million compared to

SGD 336 million in FY2015. The increase was mainly due to the engineering business, which rose from SGD 124.6 million to SGD 318.8 million, representing an increase of SGD 194.2 million or 155.9%. The Group generated a net profit of SGD 102 million in FY2016, compared to SGD 51.5 million in FY2015, representing an increase of SGD 50.5 million or 98.1%.

As at 30 June 2017, the Issuer had a net gearing ratio* of approximately 18.1% and a net debt** to EBITDA ratio of 1.3 times. The Group benefits from a strong balance sheet complemented by a recurring revenue base underpinned by the Investment Projects' long-term concession agreements. The contracts into which the Group typically enters are characterised by a degree of cost pass-through, allowing for margin stability, which further complements the Group's strong financial profile and solid fundamentals. The Issuer generated an EBITDA margin of 34.3% for the six-month period ended 30 June 2017.

The Issuer has been increasing the amount of revenue from the water investments division each year. This revenue is recurring and typically backed by off-take agreements from local and municipal authorities and industrial clients. The revenue from Investment Projects and O&M services generally provide higher margins than that derived from EPC projects. The Issuer's portfolio currently comprises more than 60 plants with a total of more than 6 million m^3/day design capacity***. Overall, the Group's robust financial position is expected to allow it the financial flexibility to capitalise on the market growth opportunities arising in the industry in which the Group operates.



Highly experienced management team

The Group's management team has extensive experience in the water industry with a focused management team on the ground in the PRC. The Group is led by a seasoned management team with recognised market expertise in industrial MBR in Asia and a successful track record of delivering profitable growth.

The majority of the Group's senior management team has been working together since the establishment of the Issuer and has provided the guidance and execution leadership that has seen the Group move from strength to strength since 2003 when the Issuer was founded by Dr. Lin Yucheng. Dr. Lin continues to lead the Group as Chief Executive Officer. The Group's core team benefits significantly from the accumulated expertise and hands-on experience of its dedicated senior management team, allowing it to build a solid and loyal customer base.

* Equity excludes non-controlling interest.

** The aggregate amount of indebtedness of the Issuer and its subsidiaries less cash and cash equivalents held by the Issuer and its subsidiaries.

*** Industrial water is translated to municipal water capacity based on tariff of RMB1/m^3.

The Group believes that the management team, with its focus on time spent on the ground in the PRC markets in which it operates, will enable it to continue to improve the efficiency of its operations, the quality of its product offerings and its ability to satisfy its customers' requirements. The Group believes that its strong management and execution capacity is evidenced by its excellent reputation in the market and prominent clients such as local and municipal authorities in the PRC and major industrial parks clients and its revenue and profit growth over the past decade.

Strategies

Focus on the significant growth potential in the MBR market in the PRC

The PRC faces an increasingly severe water pollution problem which has a direct impact on the availability of potable water for its large population. The Thirteenth Five-Year Plan mandates that over 70% of PRC's surface water supply must be equal or better than Grade III water, the level at which water is deemed fit for human consumption, by 2020. The plan similarly decrees that no more than five % of the country's surface water supply can be Grade V, or industrial grade, water. PRC has already set up water quality monitoring stations, and plans to increase the number of monitoring stations throughout the five-year period. The plan also sets sewage treatment targets of 95% in cities and 85% in counties. In light of such regulatory policies, the Group expects that the demand for membrane-based wastewater treatment process, such as MBR, will remain robust.

The Group, as a market leader in the water and wastewater treatment industry in the PRC, is well positioned to benefit from such favourable industry dynamics and supportive policies implemented by the PRC Government, and intends to capitalise on its strong position to further increase revenue growth. To this end, the Memstar Acquisition in 2014 will enable the Group to benefit from the growth of MTL's strong membrane technologies and R&D capabilities.

The Group also sees strong demands in river restoration projects as well as sludge and hazardous waste treatment. The Group has made breakthroughs in these new growth areas when it secured its first river restoration project in Yixing, Jiangsu Province, its first BOT sludge treatment project in Weifang City, Shandong Province and its first BOO hazardous waste treatment project in Rizhao City, Shandong Province.

Expand proportion of recurring revenue from the water investment business

The Group is committed to building its recurring income base while having the ability to sustain growth over the long term. To achieve this objective, the Group is actively seeking investment opportunities in municipal and industrial plants requiring upgrading and industrial wastewater plants where it has a technological advantage.

Expand into new provinces with a focus on industrial wastewater treatment plants

The Group executes projects for a range of clients, including local and municipal authorities in the PRC and industrial park clients. The Group intends to increase its focus on working with industrial clients. In the Group's experience, the Group's clients from the industrial sector, including SOEs, provide the Group with an increased margin from the services provided in both the EPC and the Investment Projects sectors. The Group delivers projects for local and municipal authorities in the PRC in relation to its Investment Projects but benefits, in general, from a wider profit margin from its non-municipal clients. The Group will continue to focus on this higher-margin business.

In addition, the Group has identified several major provinces in the PRC which hold opportunities for the Group to acquire and/or upgrade wastewater treatment plants, thereby extending the Group's footprint in such areas. These provinces include Jiangsu, Shandong, Zhejiang and Guangdong where the provincial governments still own much of the city's industrial water treatment assets.

Increasing the Group's focus on TOT projects

Several of the Group's Investment Projects are TOT projects, and the Group is committed to strengthening its focus on this type of project to develop its business. The advantage of TOT projects over BOT or BOO projects is in the receipt of cash-flow from tariff payments from the point of transition, as there is no construction period at the beginning of the project during which there is no receipt of tariff payment. In addition, in the absence of a construction phase of the project, capital expenditure on constructing water and wastewater treatment plants is not required, so the Group can benefit from incoming tariffs rather than outgoing construction costs at the beginning of the project.

In addition to the cash flow advantages, TOT projects bear a reduced project execution risk, as the construction phase, with its various budgeting and timing issues, is not involved. Although the Group's integrated business model reduces the expense and the risk of project execution overruns, the Group's preference is to take on existing plants and apply its technology to upgrade existing facilities. BOT projects inevitably carry a certain execution risk, and some of the work required in the construction phase will be subcontracted to third parties. The risk of reliance on the performance of third parties is mitigated in the instance of TOT projects, with a reduced reliance on subcontractors and other third party providers.

Continue to form strategic partnerships through joint ventures

The Group has embarked on a new growth model through the formation of strategic partnerships. The Group has had a track record in forming successful partnerships with strategic clients such as CNOOC, CNPC, Sinopec, Beijing Drainage and Chengdu Xingrong. Such strategic partnerships allow the Group to introduce its membrane technology into its partners' plants and network. The Group in turns benefits from gaining exposure and access into new as well as larger markets. The Group's track record partnering SOEs will also enable it to replicate a similar partnership model in the future with other SOEs. The Group intends to continue to pursue future opportunities with such partners as well as to identify strategic new partners.

Explore new growth opportunities through tie-ups with the CITIC Group

The Issuer believes that its partnership with CITIC Limited presents it with synergistic opportunities to explore new growth areas through tie-ups with the CITIC Group.

For instance, where feasible, the Issuer will explore tie-ups with the real estate arm of the CITIC Group to construct more underground water treatment plants in the PRC. The Issuer believes this will be a viable area for future business growth as increased urbanisation and rising land cost in the PRC make it more cost-effective to free up existing prime land that is currently being occupied by water treatment plants.

The CITIC Group launched its RMB 700 billion investment and financing support for the PRC Government's "One Belt, One Road" initiative on 24 June 2015. This involves investment support for public-private partnerships and mergers and acquisitions, and in areas such as infrastructure and energy. As and when the opportunity arises, the Issuer will consider partnering the CITIC Group to expand the Group's geographical footprint into new markets. These include markets such as Kazakhstan, Pakistan and Indonesia.

Continue pursuit of opportunities in the drinking water segment

In addition to the Group's existing expertise and presence in the water and wastewater treatment industry, the Group also plans to take advantage of growth in the drinking water segment. The water shortage issue caused by severe pollution to the water supply which has arisen in PRC provides huge opportunities for the Group, as the demand for services to treat water to a drinkable standard is expected to grow substantially. As the demand for municipal and industrial wastewater treatment and wastewater recycling in the PRC grows, the Group is well placed to make use of its existing expertise in water treatment to expand into new business segments.

Expanding into new business areas and taking advantage of growing markets

In addition to the Group's existing expertise and presence in its three primary business areas, the Group has identified new business areas to expand into. These areas are identified to enjoy strong consumer demand and are backed by favourable governmental policies. In 2016, the Group witnessed a year of dynamic growth and expansion where key milestones were achieved when the Group secured new projects in river restoration, sludge and hazardous waste treatment. The Group also made good headway when it secured its first circular economy PPP project in Shantou Chaonan, Guangdong Province in the PRC to provide a fully integrated development project. The Group will continue to strategically identify and expand into new business areas to capitalise on favourable market and policy conditions.

Business Operations

EPC

Within the EPC segment, the Group designs and implements integrated water treatment systems for industrial clients and its own Investment Projects division based mainly on its membrane technology to address the specific needs of its customers. Please refer to the section "Overview — History" for details of the EPC projects awarded to the Group.

Project selection

The Group considers its ability to choose the right projects to be a cornerstone of its operational success and profitability. The Group adopts a commercially-driven approach to the selection of its projects, conducting a thorough analysis of a potential project's prospective profitability before submitting a tender.

The Group actively tracks and sources potential projects throughout the PRC. The Group monitors information from local government authorities through local news, monitors the latest development in the local water and wastewater industry and utilises local connections to identify new business opportunities. The Group's profile in the water and wastewater treatment industry in the PRC and extensive track record of successfully completed projects also results in referrals from its existing or previous customers and invitations from local and municipal governments, SOEs and other industrial enterprises to bid for projects.

In evaluating opportunities, the Group takes into account a variety of factors depending on the project, including the following:

- the prospective profitability of the project;
- the credit-worthiness of the potential customer and the customer's source of funding for the project;
- the composition of wastewater and the resulting technical demands of the project;

- the specific requirements of the customer;
- the competition for the project and the identity of its competitors in the bidding process; and
- the projected cost of building the facilities.

The Group maintains a list of projects which it reviews on a regular basis to monitor their status and development. In reviewing such projects, the Group considers the profitability, economic and fiscal conditions of the relevant local government and water supply and demand in the relevant region.

Tender process

The Group has extensive experience in project pricing in the water and wastewater treatment industry. By having a specialised team of technicians and sales staff focused on the tender process, the Group is able to increase the consistency and efficiency of its tender process, thereby increasing the Group's competitiveness.

Design

The Group considers that the expertise and experience of its in-house design team has been a key factor in its success. When the Group prepares a tender, its technical department, which includes a design team, prepares a project plan that outlines the proposed treatment process, taking into account the relevant customer's specifications and the relevant laws and regulations. The Group develops innovative designs adapted to the specific project constraints after the Group investigates and researches the background of each project. After securing the project, the Group's technical department, together with an engineering project team, will prepare a detailed design plan for the construction of the treatment facilities based on the project plan.

Procurement and subcontractors

The Group is typically responsible for the overall project management and equipment procurement portion of its projects. The Group engages subcontractors to carry out the civil engineering work for the treatment facilities and the installation of equipment. The Group may also require subcontractors to supply basic construction raw materials such as steel and cement.

Construction and installation

The Group subcontracts its construction and installation work to its subcontractors. During construction and installation, the Group's on-site project management team will monitor the progress of its subcontractors to ensure that its subcontractors comply with its quality control standards. For each project, the Group has an on-site project management team consisting of administrative and technical representatives from various operations departments. The team can draw on the resources of each of the Group's operations departments during any stage of a project, giving it full access to the extensive knowledge and experience of its various departments.

Testing

Upon the completion of the construction of the water or wastewater treatment facilities and the installation of equipment, the Group's project management team and the relevant local government carry out a site inspection to ensure the facilities conform to the layout plans and conduct trial operations of the facilities to examine their operational efficiency, capacity and water quality to ensure that the treated wastewater and water quality standards meet the customer's specifications specified in the relevant contract. If the test results are satisfactory, the Group's project management team will then submit the completion report to the relevant local government and/or its supervisory team for approval.

Project handover/after sales services

Once the relevant customer has confirmed that the facilities are in working order and comply with the relevant specifications and has confirmed the contract price thereafter, the Group will hand over the treatment facility to the relevant customer for its operation.

The Group provides the relevant customer's staff with training on the operation of the facilities. The Group also provides a detailed operation manual to the relevant customer at handover.

Upon handover, the defects liability period (which is usually 12 months) commences and during this period the Group will attend to fix any defects in the equipment or systems for which the Group is responsible at its own cost. Upon the expiry of the Group's defects liability period, the Group may continue to provide such maintenance services to the relevant customer for a fee but is not otherwise responsible for carrying out such maintenance or any repairs.

Water Investment Projects

This segment includes investment in or design, construction, installation and operation of water or wastewater treatment facilities that are either backed by off-take agreements from local and municipal authorities or industrial clients. Investment Projects are run and maintained for the Group's own portfolio of existing projects and water assets.

TOT, BOT and BOO

TOT, BOT and BOO projects all involve the Group maintaining and running water projects, making use of the Group's integrated business model to provide its own engineering, procurement and (in the case of BOT and BOO projects) construction to ensure that the Group's projects are executed and maintained. In TOT projects, the Group will take on an existing project and apply its technology to improve the existing project. For BOT projects, the Group will build a water or wastewater plant itself, before keeping the project as part of its own portfolio for the length of the concession (as with TOT projects). For both TOT and BOT projects, these projects will ultimately be ceded to the Group's customers, such as local and municipal authorities in the PRC at the end of the concession. For BOO projects, the Group will apply its construction expertise to build a water or wastewater plant, which it may choose to maintain as part of its portfolio.

Several of the Group's Investment Projects operate under TOT agreements, a project format in which the proprietor transfers the rights to operate a water or wastewater treatment facility to an enterprise for a consideration pursuant to the concession agreement, and in return, the enterprise can charge users a fee during the concession period, and, upon expiration of the concession period, the relevant facilities will be transferred back to the proprietor.

The Group's preference is to run TOT projects, and several of the Group's Investment Projects are TOT projects, as the Group receives a tariff payment earlier than it would for a BOT project, where no tariff is paid during the construction phase. The Group favours this from a cash flow perspective, and it also cuts out the risk of a failure or delay in project execution.

The Group has entered into a number of service concession arrangements with local and municipal authorities in the PRC, on the terms of TOT agreements in respect of its water and wastewater treatment projects. These service concession arrangements generally involve the Group as an operator paying a specific amount for those arrangements on a TOT basis; and operating and maintaining the water and wastewater treatment 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**"). The Group will be paid for its services over the relevant Service Concession Periods at prices stipulated through a pricing mechanism. The service concession arrangements may provide for a contractually guaranteed minimum volume of wastewater to be treated by the Group and the Group is entitled to receive payment for such minimum volume even if the volume of water actually treated by it is lower than the minimum. The guaranteed minimum treatment volume is intended to provide a minimum rate of return on the Group's investment and its treatment facilities' capacity is designed with reference to such guaranteed minimum treatment volume to mitigate risks of under-utilisation. In addition to the minimum guaranteed amount, the Group may also receive an additional amount based on the quantity of wastewater treated by its treatment plants above the minimum guaranteed treatment volume and the relevant tariff. The Group receives regular payments from local and municipal authorities in the PRC and industrial clients based on a contractually agreed tariff in accordance with a pricing formula based on key cost indices such as the consumer price index and the volume of water treated (or the contractually guaranteed minimum volume, if any). The Group is also responsible for all of the costs of repair and maintenance of the treatment facilities during the term of the concession.

The Group is generally entitled to use all the property, plant and equipment related to the project, however, the relevant local and municipal authorities in the PRC, as grantors will control and regulate the scope of services that the Group must provide with the Investment Projects, and retain the beneficial entitlement to any residual interest in the plants at the end of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements are entered into between the Group and the relevant local and municipal authorities 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 water and wastewater treatment plants to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

The Group has entered into a number of service concession agreements on a BOT basis in respect of its water and wastewater treatment business. For the Group's BOT projects, the Group invests in the design and construction of water and wastewater treatment facilities which the Group operates for a contractually agreed period of up to 20 to 30 years following completion. The Group bears all relevant design, construction and operating costs of the treatment facilities and does not typically receive payments from its customers during the construction stage of the projects. Upon commencement of the operation of the facilities, the Group receives regular payments from local and municipal authorities in the PRC and industrial clients based on a contractually agreed tariff in accordance with a pricing formula based on key cost indices such as the consumer price index and the volume of water treated (or the contractually guaranteed minimum volume, if any). The Group is also responsible for all of the costs of repair and maintenance of the treatment facilities during the term of the concession. At the end of the agreed concession period, the Group will be required to transfer the treatment facilities to the relevant local government for no consideration, but the Group may be reappointed to continue to operate the facilities at the end of the concession.

The Group has also entered into a number of service concession agreements on a BOO basis. For the Group's BOO projects, the Group invests in the design and construction of water and wastewater treatment facilities which the Group owns and operates following completion. Upon commencement of the operation of the facilities, the Group is able to levy a service charge and, in some cases, any associated operational fees on its customers. The Group is responsible for all of the costs of repair and maintenance of the treatment facilities during the physical life of the project. At the end of the agreed concession period, the Group may choose to continue to operate the treatment facilities.

Membrane Products

The Group, via the Memstar Acquisition, now offers membrane products. The Group's range of membrane product offerings includes the pressurised and submerged membrane modules, skids and integrated membrane systems. These are used in industrial, municipal and commercial applications which include water supply, wastewater treatment, water reclamation, seawater desalination, bio-separation and other separations.

The Group's pressurised membrane modules are made of high performance PVDF hollow fibre ultrafiltration membranes, characterised by high performance, ease of cleaning, high flux and lower energy consumption. The modules are designed mainly for the processes of membrane bio-reactor and membrane chemical reactors, and are widely used for treatment of drinking water, industrial water, municipal/industrial wastewater and desalination of seawater, as well as special separations in various industries such as food beverage, biopharmaceutical, petroleum, chemical, electronics, environmental and power generation. In the membrane chemical reactors process, the membrane modules can be used for the production of tap water and industrial water by removing suspended solids/flocculants from raw water, such as, surface water and plant wastewater.

Following the Memstar Acquisition, the Group now has the capability to produce ultrafiltration and micro-filtration membrane fibres with different pore sizes using both non-solvent induced phase separation and thermally induced phase separation ("**TIPS**") processes. The Memstar Group holds the patent to produce 3rd generation TIPS ("**3G-TIPS**") technology which has unique polymeric science and fabrication know-how to unique surface characteristic, uniform diameter distribution and high precision and small pore size to achieve (a) permanent hydrophilic, (b) high mechanical strength, (c) excellent chlorine tolerance, (d) stronger alkalinity resistance, (e) wider adaptability to feed water, (f) improved membrane permeability, and (g) stronger oxidation resistance. In July 2016, the Memstar Group officially opened its SGD 25,000,000 membrane production facility and innovation centre, doubling its patented 3G-TIPS annual production capacity to 10 million square meters. The 5,100 square-meter facility is equipped with efficient and highly automated TIPS membrane spinning lines, testing and R&D facilities.

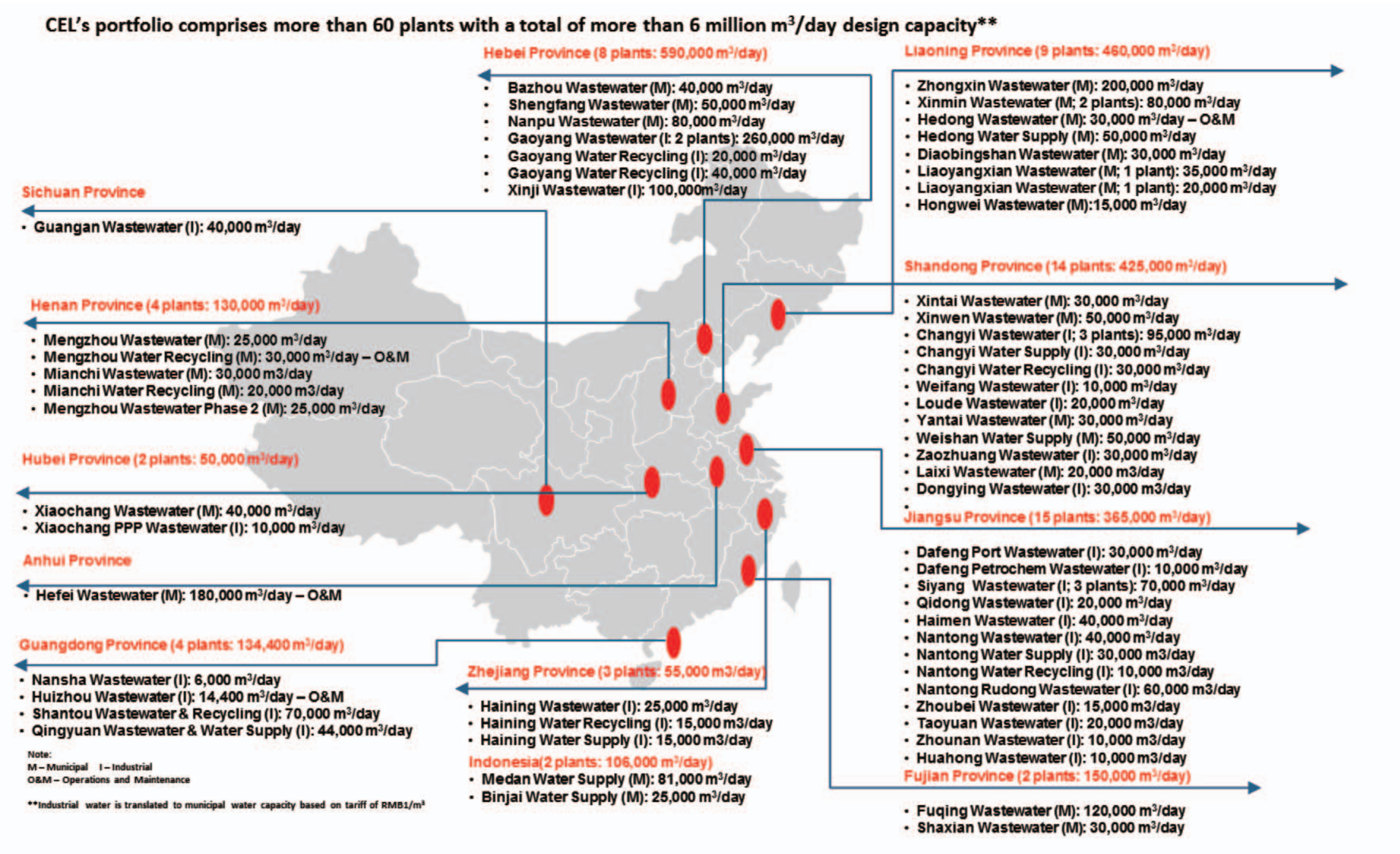
The Group also now owns the proprietary rights to the "no backwash" process for pressurized membrane applications which boost recovery and save backwash equipment with a wide range of references in both industrial and municipal applications. The Memstar Group's industrial modules are widely applied for water treatment in various industries, such as petroleum, chemical, power generation, metallurgy, biochemistry, food and beverage, pharmaceutical and mineral processing, as well as treatments for municipal potable water and wastewater.

The Memstar Group's hollow fibre membranes are characterised by unique surface properties that offer high flux, high strength, antifouling, ease of cleaning and long service life. The superior quality of the membrane products is recognised by international customers from Asia, Middle East, Europe and the United States. In particular, MTL's products have received recognition by international customers from Asia and the United States. As a testimony to its product quality, it has been manufacturing and supplying membrane products for Hydranautics Nitto Group Company since 2012. Hydranautics Nitto Group Company is a wholly-owned subsidiary of Nitto Denko Corporation and is a global leader in the manufacturing and supply of RO and ultrafiltration membranes for desalination, wastewater treatment and water reuse. The Issuer expects the sales of membrane to increase, as it will be able to cross-sell the membrane products through its sales network and extensive customer base both in the PRC and globally.

The Group is also an active user of membranes in EPC projects and its water and wastewater treatment plants, which it operates on a BOT/TOT Basis. These projects require membranes when they are first built and will need membrane replacement periodically. In the financial year prior to the Memstar Acquisition, approximately 85.0% of the Group's EPC sales had been derived from such membrane-based projects. The Issuer expects in-house demand and the recurring demand for membranes to increase from (a) its upcoming EPC projects, (b) replacement membranes to the Group's water and wastewater treatment plants, as well as those water and wastewater treatment plants previously constructed for its customers, and (c) the continued acquisition of water and wastewater treatment plants which may require membranes to operate.

Portfolio of Water Assets

Set out below are the details of the Group's portfolio of wastewater treatment plants as at 31 August 2017:



Set out below is a breakdown of the Group's TOT projects, BOT projects, BOO projects and O&M as at 31 August 2017:

TOT Projects

Type	Plants	Status	Treatment Capacity (m^3/day)**
Municipal	9	In Operation Under Construction / In transition	535,000
Industrial	7	In Operation Under Construction / In transition	857,700

BOT Projects

Type	Plants	Status	Treatment Capacity (m^3/day)**
Municipal	11	In Operation	555,000
	1	Under Construction / In transition	106,000
Industrial	12	In Operation	1,757,700
	9	Under Construction / In transition	1,762,000

BOO Projects

Type	Plants	Status	Treatment Capacity (m^3/day)**
Municipal	1	In Operation Under Construction / In transition	40,000
Industrial	3	In Operation Under Construction / In transition	302,800

O&M

Type	Plants	Status	Treatment Capacity (m^3/day)**
Municipal	9	In Operation Under Construction / In transition	580,000
Industrial	1	In Operation Under Construction / In transition	14,400
TOTAL	62		6,268,600

** Translated to municipal water capacity based on tariff of RMB 1/m^3

The Group's Key Treatment Technologies

The Group applies three membrane-based water and wastewater treatment technologies — MBR, CMF and RO.

The application of MBR technology is typically for biological wastewater treatment, wastewater recycling and in the instance of the upgrade of a wastewater treatment plant, where the Group will expand the capacity of the existing plant and upgrade its facilities to meet more stringent discharge limits.

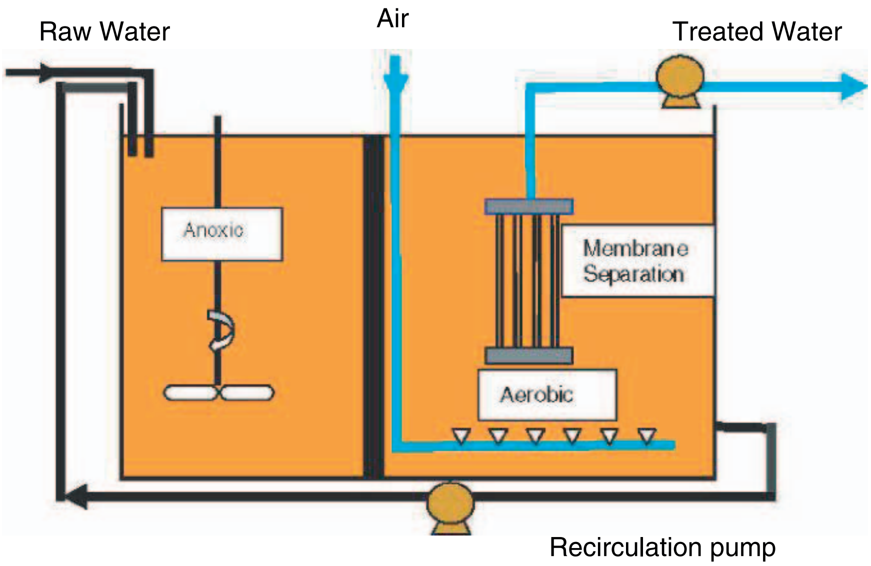
The application of CMF is principally in the production of drinking water, pretreatment of water prior to RO treatment, and wastewater recycling.

The application of RO technology is principally in relation to water purification and deionisation, as well as desalination of seawater as well as wastewater recycling.

CMF and RO technologies are also applied together in relation to seawater desalination, wastewater recycling (NEWater application) and the production of deionised water to create drinkable water.

Membrane Bioreactor Technology

MBR is a biological wastewater treatment technology which combines membrane separation with biological wastewater treatment, as illustrated by the diagram below:-



A typical MBR biological treatment system is made up of three parts, (a) an anoxic tank (where there is no or a very low concentration of oxygen), (b) an aerobic tank (where oxygen is present) and (c) a membrane separation. Wastewater is pumped into the anoxic tank and is re-circulated between the anoxic and aerobic tanks. Different types of microbes grow under the anoxic and aerobic conditions which are responsible for breaking down various contaminants present in the wastewater.

Treated wastewater is drawn from the membrane module, which is made up of sheets of hollow fibre microfiltration PVDF membranes submerged in the aerobic tank. With a pore size of 0.2 micron, the PVDF membrane completely filters out the activated sludge, containing bacteria and other microbes from the treated water. The treated water is virtually free of bacteria, microbes and other suspended solids and can be directly reused or further purified using RO, without requiring other pre-treatment.

This process has two key features. First, there is a high concentration of bacteria and microbes when compared to conventional bio-treatment systems as the bacteria and microbes cannot pass through the membrane and are left behind in the tank. A higher concentration of bacteria and microbes shortens the amount of time required to treat the wastewater. As a result of the shorter reaction time and the elimination of further pre-treatments, the Group estimates that the MBR occupies approximately 20% of the space required by a traditional biological treatment plant. Furthermore, there is more resilience to shock loading (which is a sudden increase in contaminant concentration during a wastewater purification process) and variation in raw water quality, delivering reliable and good treatment performance.

Second, the Group uses PVDF membranes, which are more resistant to membrane fouling, have a higher flux rate and a longer life span.

MBR is also applied in engineering solutions involving biological wastewater treatment and wastewater recycling. As the space requirement is drastically reduced, it allows the Group's customers to expand their water treatment capacity without allocating new space. MBR technology results in high water output quality suitable for highly polluted water and recycling.

Continuous Membrane Filtration

CMF is a water treatment technology that utilises microfiltration/ultrafiltration membrane to achieve removal of submicron contaminants in water. CMF is able to remove contaminants of 0.1 micron and 0.01 micron in size.

This technology replaces the traditional coagulation, flocculation, sedimentation and multimedia filtration processes which are used to remove suspended solids and colloidal particles in water. When compared to the traditional filtration process, CMF simplifies the operation, reduces operating cost and space, and produces better and more reliable water quality. As bacteria and water borne pathogens are also removed, CMF is used to produce drinking water from river water, ground water and surface water.

CMF is also used to reclaim wastewater for reuse and as a pre-treatment to RO which is used to produce drinkable pure water.

Reverse Osmosis

RO is a process that reverses (by application of pressure) the flow of water in the natural process of osmosis so that it passes from the more concentrated solution to the more diluted solution.

The pore size of the RO membrane is less than one nanometre. As such, almost all the contaminants will not be able to pass through RO. RO is often used to remove salt and other dissolved contaminants to produce very pure water.

Major Customers

The Group serves a range of customers across its two major segments. In EPC, the Group serves major petrochemicals companies, industrial parks and municipal governments, as well as provides EPC services for the Group's Investment Projects. The Group's Investment Projects are run for local and municipal authorities in the PRC as well as for industrial parks. As the Group's business is conducted on a project basis, contracts from its major customers may vary from year to year depending on the budget of its customers in respect of, amongst other things, production expansion or technology upgrades. As such, the Group's major customers may differ from time to time and revenue from each of its major customers may vary from year to year. The Group does not believe there is any customer concentration risk.

Competition

One of the Group's key revenue drivers is its involvement in Investment Projects. The Group perceives that its major competitors with respect to such investment projects include China

Everbright International Limited (中國光大國際有限公司), Beijing Enterprises Water Group Limited (北控水務集團有限公司), and Beijing Capital Co., Ltd (北京首創股份有限公司). In addition, the Group's major competitors with respect to MBR EPC projects include Beijing OriginWater Technology Co., Ltd. (北京碧水源科技股份有限公司).

Intellectual Property

The Group owns/licences the following patents as at the Latest Practicable Date:

Patent	Place of Registration	Patent Number	Protection Period	Status (owned/ licensed to use)
A Filter, Using the Activated Alumina Electrostatic Bacteria Removal Technology, for Sewage Treatment, and its Application	PRC	200410072220.1	2004-09-28 to 2024-09-27	owned
A Technique of Shortcut Nitrifying Membrane Bioreactor and Its Treatment Facilities	PRC	201010114483.X	2010-02-10 to 2030-02-09	owned
A Variable Displacement Purging Membrane Bioreactor	PRC	201020119786.6	2010-02-10 to 2020-02-09	owned
A Pulse Superposition Purging Membrane Bioreactor	PRC	201020119790.2	2010-02-10 to 2020-02-09	owned
A Sewage Treatment System for Offshore Platform or Ship	PRC	201020130348.X	2010-03-10 to 2020-03-09	owned
A Multistage Return-flow Membrane Bioreactor	PRC	201020130363.4	2010-03-10 to 2020-03- 09	owned
A Compound Membrane Bioreactor	PRC	201020130372.3	2010-03-10 to 2020-03-09	owned
An Assembled Ultra-filtration Host	PRC	201020119811.0	2010-02-10 to 2020-02-09	owned
Heterogeneous Composition Membrane Bioreactor	PRC	200720095273.4	2007-02-13 to 2017-02-12	owned
Multi-purpose Rotary-kiln Two-stage Incinerator	PRC	200820073897.0	2008-02-22 to 2018-02-21	owned

Patent	Place of Registration	Patent Number	Protection Period	Status (owned/ licensed to use)
Pipeline type ultrafiltering water purifier	PRC	200720050253.5	2007-04-12 to 2017-04-11	owned
External pressure pipe type hollow fibre filtering device	PRC	200720050334.5	2007-04-13 to 2017-04-12	owned
Hollowfibre ultrafiltering filter element	PRC	200720050335.X	2007-04-13 to 2017-04-12	owned
Conduit type hollow fibre film spinneret	PRC	200720050781.0	2007-04-25 to 2027-04-24	owned
Door-shape immersing type hollow fibre film biological reactor	PRC	200620055072.7	2006-02-17 to 2026-02-16	owned
Process for preparing composite hollow fibre membrane	PRC	200610035536.2	2006-05-19 to 2026-05-18	owned
Mechanical cleaning device of ultra- filtration water purifier	PRC	200920055660.4	2009-04-29 to 2019-04-28	owned
External membrane bioreactor system for sewage treatment and method thereof	PRC	200710064736.5	2007-03-23 to 2027-03-22	owned
Drinking water softening treatment system	PRC	201020100500.X	2010-01-22 to 2020-01-21	owned
Gas-water mixing cleaning device for an immersion type hollow fibre membrane module	PRC	200920056125.0	2009-05-07 to 2019-05-06	owned
Pressure pipe type hollow fibre ultrafiltering design	PRC	200930071720.7	2009-03-30 to 2019-03-29	owned
Automatic cleaning device of water purifier and cleaning method	PRC	201010100406.9	2010-01-22 to 2030-01-21	owned
Drinking water softener and softening method and equipment thereof	PRC	200910140114.5	2009-07-01 to 2029-06-30	owned

Patent	Place of Registration	Patent Number	Protection Period	Status (owned/ licensed to use)
Antibacterial macromolecular ultra- filtration membrane and preparation method thereof	PRC	201010139844.6	2010-03-30 to 2030-03-29	owned
Polyvinylidene fluoride-polyether sulfone blended hollow fibre membrane and thermally induced phase separation preparation method	PRC	201010150961.2	2010-04-13 to 2030-04-12	owned
Polyvinylidene fluoride hollow fibre film and preparation method thereof	PRC	200810028326.X	2008-05-27 to 2028-05-26	owned
Method for preparing composite multilayer porous hollow membrane and device and product thereof	PRC	200910213612.8	2009-12-07 to 2029-12-06	owned
Method for preparing composite multilayer porous hollow membrane and product thereof	USA	US 8,967,391B2	2011-12-13 to 2031-12-12	owned
Strengthened Hollow fibre membranes and methods for fabricating the same	Singapore	P-No. 132546	2005-12-01 to 2025-11-30	owned
Hollow fibre membrane module	Singapore	P-No. 132547	2005-12-01 to 2025-11-30	owned
Hollow fibre membrane the method of producing the same	Singapore	P-No. 142190	2006-10-27 to 2026-10-26	owned
Polyether sulfone hollow fibre filter membrane and its preparation method	PRC	201010278592.5	2010-09-08 to 2030-09-07	owned

Patent	Place of Registration	Patent Number	Protection Period	Status (owned/ licensed to use)
Polyether sulfone hollow fibre ultrafiltration membrane and preparation method thereof	PRC	201010278600.6	2010-09-08 to 2030-09-07	owned
Protective fibre membrane component	PRC	201220473718.9	2012-09-17 to 2022-09-16	owned
Membrane Bioreactor	PRC	201420438495.1	2014-08-05 to 2024-08-04	owned
MBR Pulse Aeration Device without Additional Dynamic and Aeration System equipped with such Device	PRC	201420438202.X	2014-08-05 to 2024-08-04	owned
UCT-MBR Combination Wastewater Treatment Reactor	PRC	201420438248.1	2014-08-05 to 2024-08-04	owned
Removal of Fluoride and Calcium Ion in Coal Chemical Industry Wastewater Treatment Equipment	PRC	201310301636.5	2013-7-16 to 2033-7-15	Jointly-owned with third parties
Membrane Bioreactor	PRC	201410381703.3	2014-08-05 to 2034-08-04	owned
Protective fibre membrane component	PRC	201220473718.9	2012-09-17 to 2032-09-16	owned
Adjustable Pulsed Gas Agitator	USA	US 9,566,554B2	2013-07-31 to 2033-07-30	owned
Cutting device for curtain formula hollow fibre membrane	PRC	201621212968.1	2016-11-10 to 2036-11-09	owned

Risk Management

The Issuer regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Issuer reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board.

Interest rate risk

The Group is also 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, the management monitors the Group's interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

Foreign exchange risk

The principal entities in the Group transact a significant amount of its business in Renminbi, which is also the functional currency of its principal entities and therefore its exposure to foreign currency risk is mainly in relation to United States dollars, Malaysian Ringgit, Hong Kong dollars and Singapore dollars. The management monitors the Group's foreign exchange exposure and will consider any hedging should the need arise.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The management monitors risks associated with changes in foreign currency exchanges rates and interest rates, and will consider appropriate measures should the need arises.

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to owners of the Issuer, comprising paid up capital, reserves and accumulated profits. The Group is required by loan covenants imposed by banks to maintain a minimum current ratio, interest coverage ratio, debt service ratio and maximum gearing ratio.

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

Credit risk

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. The Group relies on information 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 the management.

There is no revenue from major customers which accounts for 10% or more of the Group's revenue for the year ended 31 December 2016. As such, there is no significant concentration of credit risk attributable to any single customer or group of customers.

The Group's credit risk primarily relates to the Group's trade and other receivables, trade prepayments and pledged bank deposits. The 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 is made for irrecoverable amounts. In this manner, the management of the Group considers that the credit risk associated with the Group's trade receivable and trade prepayments can be significantly reduced.

The Group's top five raw material suppliers did not account for any of the carrying amount of trade prepayments as at the end of the six-month period ended 30 June 2017. In order to minimise its credit risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group.

The credit risk in relation to the Group's pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC and Singapore. The credit risk associated with cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Liquidity risk

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

Government Regulation

Due to the nature of the Group's business activities, the Group must comply with a wide range of government regulations. The scope of the key regulations to which the Group is subject is set out below.

Foreign Investment

According to the Industries for Foreign Investment Guidance Catalogue (2017 Revision) promulgated by the Ministry of Commerce of the PRC Government and the National Development and Reform Commission of the PRC, the construction and operation of wastewater treatment plants and water supply plants fall within the category of industries in which foreign investment is encouraged. Foreign investors may participate in the construction and operation of wastewater treatment plants, water supply plants within the PRC by means of establishment of foreign-funded enterprises.

Concession in Wastewater Treatment Projects

Grant of Concession

According to the Measures for the Administration on the Concession of Municipal Public Utilities promulgated by the Ministry of Construction and the Opinion of Ministry of Construction on Strengthening the Supervision of Municipal Public Utilities promulgated and implemented by the Ministry of Construction, the relevant regulations governing the grant of concession rights for municipal public utilities projects are applicable to wastewater treatment industry. Under these regulations government authorities are required to select investors or operators of wastewater treatment projects through public bidding, and to enter into concession agreements to grant concession rights for municipal public utilities projects.

Terms of the Concession Right and Pricing

According to the Measures for the Administration on the Concession of Municipal Public Utilities, the term of the concession rights for municipal wastewater treatment projects should not exceed 30 years. After the expiration of the term, the PRC Government authorities are required to re-select the concessionaire through a bidding process. The wastewater treatment service fee is to be determined and supervised by the government authorities.

Water Quality

The discharge of the pollutant of effluent flowing from municipal wastewater treatment plants are required to comply with the standards set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants (GB18918-2002) and its amendments. According to the Law of the PRC on the Prevention and Control of Water Pollution (2017 Revision), entities operating centralised treatment facilities for municipal wastewater are responsible for the water quality of the effluent from such facilities.

Water Supply

The Regulations on Urban Water Supply, which was promulgated by the State Council provide that urban water suppliers and enterprises using self-built facilities to supply water shall be examined and verified in terms of their qualifications and be registered with the Industrial and Commercial Administration before starting the facilities' operation.

The Decision of the State Council on the Enactment of Administrative Licensing for the Confessedly Reserved Items Subject to Administrative Examination and Approval issued by the State Council and Measures for the Supervision and Administration of the Sanitation of Domestic Drinking Water issued by Ministry of Housing and Urban-Rural Development provides that water supply enterprises that supply potable water are required to obtain Hygiene Permits from the hygiene authorities at or above the county level.

Further, according to the Water Law of the PRC adopted by the National People's Congress Standing Committee of the PRC and Measures for Administration of Water Drawing Permit issued by the Ministry of Water Resources, if a water supply enterprise needs to take water or use water resources directly from a river, lake or from the underground, or directly take or use water subsided or drained off by another water drawing entity, then the enterprise is required to obtain a Water Drawing Permit from the competent water administration authorities and to pay any associated water resources fees.

Qualifications for Construction Enterprises

According to the Construction Law of the PRC adopted by the National People's Congress Standing Committee of the PRC, construction engineering enterprises, prospecting enterprises, design enterprises and project supervisory enterprises are divided into different classes according to their registered capital, specialisation and technical skill, technical equipment and performance record of completed construction projects, etc. Only after these enterprises have passed qualification examinations and obtained appropriate qualification certificates may they engage in construction activities within the scope of their qualification class.

The Administrative Rules of the Qualifications of Construction Enterprises promulgated by the Ministry of Construction further provide that the qualifications for construction enterprises shall be divided into three categories, namely general contractor, specialised contractor and labor sub-contractor.

Qualifications for Engineering Design Enterprises

According to the Regulations on Administration of Construction Engineering Survey and Design implemented by the State Council, the designing units of construction projects are required to contract for the designing of construction projects within the approved scope of their respective qualifications and shall be prohibited from contracting for the designing of construction projects beyond the approved scope of their respective qualifications or in the name of other designing units.

The Provisions on Administration of Qualification for Engineering Survey and Design promulgated by the Ministry of Construction and the Standards for Engineering Design Qualification promulgated by the Ministry of Construction and relevant other regulations set forth, among other things, the categories and levels of the designing qualifications. The engineering design qualification is classified into four categories, namely the integrated engineering design qualification, industrial engineering design qualification, professional engineering design qualification and special engineering design qualification. Except for the integrated engineering design qualification, the other engineering design qualifications are divided into Class A and Class B, and some may have Class C or even Class D qualifications based on the types of engineering works and techniques they undertake and utilise.

Bidding and Tender

According to the Construction Law of the PRC and the Bidding and Tendering Law of the PRC, large-scale infrastructure and public utilities projects relating to social and public welfare and safety within the PRC, including surveying and prospecting, designing, engineering and supervising of such projects, as well as the procurement of major equipment and materials regarding engineering and construction, shall be subject to the bidding process.

The Measures for the Administration on the Concession of Municipal Public Utilities set forth the requirements on the procedures for the selection of the investor/operator of the municipal public facilities.

The Provisions on Standards for the Scope and Size of Construction Projects Requiring Tender issued and implemented by the State Development Planning Commission and the Administrative Measures of Tender and Bidding for Construction Project of Buildings and Public Infrastructures issued and implemented by the Ministry of Construction further provide the specific requirements for bidding and tendering.

To specify the requirements and procedures for bidding and tendering, the Provisions on Tender and Bidding of Exploration and Design Work for Engineering Projects, the Provisions on Tender and Bidding of Construction Projects and relevant specific provisions were promulgated, respectively.

Environmental Protection

According to the Law of the PRC on the Prevention and Control of Water Pollution, any enterprise operating centralised treatment facilities of urban sewage are required to obtain a Pollutants Discharge Permit.

According to the Environmental Protection Law of the PRC, enterprises, public institutions, and other businesses that discharge pollutants shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated in their production, construction, and other activities. Pollution prevention and control facilities in construction projects shall be designed, built and put into operation simultaneously with the main part of the project, and such facilities shall satisfy the requirements of the approved environmental impact assessment document, and may not be dismantled or left unused without permission. Construction projects cannot be put into operation if the construction employer fails to submit the environmental impact assessment documents for its construction project according to the law, or before the environmental impact assessment documents have been approved. Enterprises and institutions discharging pollutants shall establish an environmental protection accountability system, specifying the responsibilities of the person in-charge and the relevant personnel.

According to the Law of the PRC on Appraising of Environment Impact (2016 Revision), the PRC Government has set up a system to appraise the environmental impact of construction projects, and classify and administer the environmental impact appraisals in accordance with the degree of environmental impact. If a construction project may result in a material impact on the environment, an environmental impact report is required, which thoroughly appraises the potential environmental impact. If the construction project may result in a slight impact on the environment, an environmental impact report of analysing or appraising the specific potential environmental impact is required; and if the construction project may result in very little impact on the environment, an environmental impact appraisal is not required but an environmental impact form shall be filed. The environmental impact appraisal documents shall be reviewed and approved by the relevant PRC authorities before construction commences.

Taxation

Value Added Tax

According to the Notice on Issuing the Catalogue of Preferential Value-added Tax Policies for Products Made through and Labor Services for Comprehensive Utilization of Resources promulgated by the Ministry of Finance and the State Administration of Taxation, a taxpayer, such as a wastewater treatment plant or garbage treatment plant, which sells products, such as recycled water made by itself through comprehensive utilisation of resources shall be entitled to the policy of VAT refund upon collection MIMPOPWAX, with a tax rate of 50%, on condition that all relevant raw materials of the products are resources that are listed on such catalogue and such products satisfies the technical requirements set out in the Quality Standard of Recycled Water (SL368-2006). Similarly, a taxpayer which provides labour services for comprehensive utilisation of resources is entitled to refund 70% of the VAT upon collection on condition that the water released after the wastewater treatment process satisfies the technical requirements set out in the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) or the direct discharge limit of the water pollutant discharge standard set out by relevant national or local authorities.

Enterprise Income Tax

The Issuer may be subject to the EIT Law. According to the EIT Law and the Implementation Rules on the EIT Law, the income incurred from the projects of environmental protection, energy and water saving, which meet the relevant requirements, shall be exempted from the enterprise income tax for the first three years as of the tax year the first revenue arising from production or operation is attributable to, and shall be taxed at the reduced half rate for the fourth to the sixth years. The specific conditions and scope of projects shall be set down by the competent departments of finance and taxation of the State Council in collaboration with other relevant departments of the State Council and shall be publicised and implemented after being approved by the State Council.

Employees

As at 30 June 2017, the Issuer had approximately 2,000 employees.

DIRECTORS AND MANAGEMENT

Current Board of Directors

As at the date of this Information Memorandum, the Directors of the Issuer are set forth below:

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

Mr. Hao Weibao
Executive Chairman

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

Dr. Lin Yucheng
Group Chief Executive Officer and Executive Director

Dr. Lin is the founder of the Issuer and has held the position of Chief Executive Officer and Chairman of the Issuer for over 11 years since the Issuer's listing on the Mainboard of the SGX-ST in 2004. He was re-designated as the Group Chief Executive Officer and Executive Director after the completion of the voluntary offer of shares in the Issuer by a consortium led by CITIC Limited and KKR in 2015. Under Dr. Lin's leadership, the Group has grown into a vertically integrated, multi-billion dollar conglomerate with businesses in water treatment engineering, investment and the manufacturing of advanced membrane products.

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

Dr. Lin acted as the Advisor to the Singapore government on Singapore's environment and water industry. He was also awarded Top Ten Outstanding Individual Contributor in 2010 by the Chinese Central Party Academy in recognition of his contribution to the PRC's environmental protection. Dr. Lin received his Ph.D degree from Imperial College, London on a Sino-British

Government Scholarship. He was recruited by the Singapore Economic Development Board in 1990 to work in Singapore. Dr. Lin is a well-regarded Environment, Health and Safety consultant and environmental scientist. He was a member of ISO Technical Committee 207, which developed the International Standard on environmental management systems.

Mr. Zhang Yong
Executive Director

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

Mr. Wang Song
Executive Director

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

Mr. Bi Jingshuang
Non-Executive Director

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

Mr. Yeung Koon Sang alias David Yeung
Lead Independent Director

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

Mr. Tay Beng Chuan
Independent Director

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

Mr. Lee Suan Hiang
Independent Director

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

Senior Management

Ms. Pan Shuhong
Group Chief Operating Officer

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

Dr. Ge Hailin
Chief Executive Officer, Manufacturing

Dr. Ge is responsible for the manufacturing, R&D, marketing and operations of the membrane division of the Group. Dr. Ge has many years of R&D experience in conducting polymer, membrane materials and chemical engineering. Dr. Ge graduated from the Wuxi Institute of

Light Industry, PRC, in 1977 and obtained his Master in Chemical Engineering degree from the East China University of Science and Technology, PRC, in 1982. He was awarded a scholarship by Wollongong University, Australia to undertake his PhD study in chemistry and obtained his PhD in 1990.

Mr. Wang Ning
Senior Deputy Chief Executive Officer
Business Unit 1

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

Mr. Li Li
Senior Deputy Chief Executive Officer
Business Unit 2

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

Mr. Tan Huchuan
Senior Deputy Chief Executive Officer
Business Unit 3

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

Dr. Chong Weng Chiew
Executive Vice President
Board Office

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

Dr. Jerry Liu
Chief Technology Officer

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

Mr. Ngoo Lin Fong
Chief Financial Officer

Mr. Ngoo is responsible for the planning and management of the Group's financial and accounting operations. Prior to joining the Issuer, he worked for Deloitte & Touche Singapore as an audit manager. He holds a Masters degree in Applied Finance and a Bachelor of Business Degree (Accountancy). He is currently a member of the Institute of Singapore Chartered Accountants and CPA Australia.

Mr. Steven Qian Zhengjun
Deputy Chief Executive Officer
Business Unit 4

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

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

Dr. Fangyue
General Manager, Manufacturing

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

Board Committees

To assist in the execution of its responsibilities, the Board has established the Audit Committee, the Nominating Committee and the Remuneration Committee. These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board. The full Board meets on a regular basis as and when necessary to address any specific significant matters that may arise.

Nominating Committee

The Nominating Committee comprises five members, a majority of whom are independent with regards to the Issuer. The members of the Nominating Committee as at the date of this Information Memorandum are Mr. Tay Beng Chuan, Dr. Lin Yucheng, Mr. Yeung Koon Sang alias David Yeung, Mr. Lee Suan Hiang and Mr. Bi Jingshuang. The Nominating Committee's principal functions are as follows:

- to make recommendations to the Board on all board appointments and re-appointments;
- to determine the independence of the Directors annually;
- to determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Issuer; and
- to evaluate the performance and effectiveness of the Board as a whole.

The Nominating Committee selects and recommends new directors for appointment after considering several criteria such as the candidate's experience, core competency, industry knowledge and general ability to contribute to the Board's proceedings. Newly appointed directors are required to submit themselves for re-election at the next annual general meeting of the Issuer.

Audit Committee

The Audit Committee comprises four members, a majority of whom are independent with regards to the Issuer. As at the date of this Information Memorandum, the members of the Audit Committee are Mr. Yeung Koon Sang alias David Yeung, Mr. Tay Beng Chuan, Mr. Lee Suan Hiang and Mr. Bi Jingshuang.

The functions of the Audit Committee are as follows:

- to review, with the internal and external auditors of the Issuer, their audit plans, evaluation of the internal accounting controls, audit reports and ensures co-operation is given by the Issuer's management to the internal and external auditors;
- to review the interim and annual financial statements and the Auditors' report on the Issuer's annual financial statements before they are presented to the Board;
- to review with the management, external and internal auditors the adequacy and effectiveness of the Issuer's internal controls, business and service systems and practices;
- to review related and interested party transactions;
- to consider the appointment and re-appointment of the external auditors;
- to review the co-operation of the management with the auditors; and
- to review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

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

The Audit Committee has full access to and co-operation of the Issuer's management and has full discretion to invite any director or executive officer to attend the meetings, and has been given reasonable resources to enable it to discharge its functions.

Remuneration Committee

The Remuneration Committee comprises four members, a majority of whom are independent with regards to the Issuer. As at the date of this Information Memorandum, the members of the Remuneration Committee are Mr. Lee Suan Hiang, Mr. Yeung Koon Sang alias David Yeung and Mr. Tay Beng Chuan and Mr. Bi Jingshuang. The functions of the Remuneration Committee are to review and recommend the remuneration packages of the Executive Director, the Chief Executive Officer and key executives of the Issuer, and to review the appropriateness of compensation for Non-Executive Directors including but not limited to Directors' fees and allowances.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation in addition to the Issuer's relative performance and the performance of the individual Directors. No director is involved in deciding his own remuneration. The Issuer does not have any employee who is an immediate family member of a Director or Chief Executive Officer.

The Board will, on an annual basis, submit a proposal for Directors' fees as a lump sum for shareholders' approval. The sum to be paid to each of the independent directors shall be determined by his contribution to the Issuer, taking into account factors such as efforts and time spent as well as his responsibilities on the Board. Generally, directors who undertake additional duties as chairman and/or members of the Board Committees will receive higher fees because of their additional responsibilities.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

*The following tables present a summary of the audited consolidated financial statements of the Group as at and for each of the financial year from 1 January to 31 December 2016 ("**FY2016**"), for the financial period from 1 January 2015 to 31 December 2015 ("**FP2015**"), for the financial year from 1 April 2015 to 31 December 2015 ("**FY2015**") and for the financial year from 1 April 2014 to 31 March 2015 ("**FY2014**") and unaudited consolidated financial statements of the Group as at and for the six months ended 30 June 2016 ("**1H2016**") and 30 June 2017 ("**1H2017**").*

In 2015, the Issuer and the Group changed its financial year end from 31 March to 31 December to be co-terminus with the immediate holding company's financial year end. The financial year for 2015 covers the period from 1 April 2015 to 31 December 2015.

The summary audited consolidated financial statements as at and for each of FY2016, FY2015 and FY2014 have been extracted from, and should be read in conjunction with, the audited consolidated financial statements of the Issuer for FY2016 and the audited consolidated financial statements of the Issuer for FY2015 that have been audited by Deloitte & Touche LLP and the related notes thereto (though prospective investors should note that they have not been specifically prepared for inclusion in this Information Memorandum).

The summary unaudited consolidated financial statements of the Group for FP2015 have been derived from the Issuer's financial results announcement for the year ended 31 December 2016. The unaudited consolidated financial statements of the Group as at and for the six months ended 30 June 2017 and the unaudited consolidated financial statements of the Group as at and for the six months ended 30 June 2016 have been derived from the Issuer's unaudited financial results announcement for the six months ended 30 June 2017. These unaudited consolidated financial statements should be read in conjunction with such published unaudited financial results announcement (though prospective investors should note that they have not been specifically prepared for inclusion in this Information Memorandum). Whilst the unaudited consolidated financial statements of the Group for FP2015, as at and for the six months ended 30 June 2016 and as at and for the six months ended 30 June 2017 were prepared in accordance with Singapore Financial Reporting Standards, such unaudited consolidated financial statements included in this Information Memorandum have not been audited by Deloitte & Touche LLP.

Consolidated Statement of Comprehensive Income

	FY2014 (1 April 2014 to 31 March 2015) S$'000 (Audited)	FY2015 (1 April 2015 to 31 December 2015) S$'000 (Audited)	FP2015 (1 January 2015 to 31 December 2015) S$'000 (Unaudited)	FY2016 (1 January 2016 to 31 December 2016) S$'000 (Audited)	6 months ended 30 June 2016 S$'000 (Unaudited)	6 months ended 30 June 2017 S$'000 (Unaudited)
Revenue	348,982	274,761	335,979	544,555	239,440	248,135
Other income	23,427	20,248	27,426	19,319	6,392	19,317
Changes in inventories	12,817	(2,673)	(3,050)	3,207	4,889	6,761
Material purchased, consumables used and subcontractors' fees	(197,955)	(111,973)	(136,450)	(281,153)	(116,922)	(135,593)
Employee benefits expense	(32,101)	(34,023)	(47,830)	(50,054)	(22,592)	(24,397)
Depreciation and amortisation expenses	(13,127)	(15,962)	(22,619)	(22,182)	(15,895)	(14,069)
Other operating expenses	(34,462)	(39,692)	(40,321)	(49,576)	(28,025)	(29,356)
Finance costs	(28,953)	(29,212)	(37,499)	(39,573)	(21,640)	(15,706)
Share of profit/(loss) of associates	—	(3)	(3)	6,814	2,115	1,337
Share of profit of joint venture	1,283	—	—	—	—	—
Profit before income tax	79,911	61,471	75,633	131,357	47,762	56,429
Income tax expense	(17,480)	(18,861)	(24,168)	(29,401)	(12,231)	(16,381)
Profit for the period/year	62,431	42,610	51,465	101,956	35,531	40,048
Profit attributable to:						
Owners of the Company	59,268	40,762	48,299	99,312	34,850	38,028
Non-controlling interests	3,163	1,848	3,166	2,644	681	2,020
Profit for the period	62,431	42,610	51,465	101,956	35,531	40,048
Fair value change in Available-for-sale investment	(17,252)	—	(17,252)	—	—	—
Currency translation (loss)/ profit	31,955	(5,054)	3,148	(41,877)	(59,760)	(21,339)
Total comprehensive income for the period	77,134	37,556	37,361	60,079	(24,229)	18,709
Total comprehensive income attributable to:						
Owners of the Company	73,971	35,708	34,195	57,435	(24,910)	16,689
Non-controlling interests	3,163	1,848	3,166	2,644	681	2,020
Total comprehensive income for the period	77,134	37,556	37,361	60,079	(24,229)	18,709

Statements of Financial Position

	Group 30/6/2017 (Unaudited) S$'000	Group 31/12/2016 (Audited) S$'000	Group 31/12/2015 (Audited) S$'000
ASSETS			
Current assets:			
Cash and bank balances	539,617	493,541	540,466
Trade receivables	238,674	240,414	218,323
Service concession receivables	6,914	6,248	4,342
Other receivables and prepayments	229,330	141,233	163,691
Inventories	20,538	13,777	10,570
Prepaid leases	717	736	766
	1,035,790	895,949	938,158
Assets classified as held for sale	—	55,645	34,582
Total current assets	1,035,790	951,594	972,740
Non-current assets:			
Trade receivables	54,778	25,036	4,687
Service concession receivables	607,959	597,191	504,819
Other receivables and prepayments	15,180	15,577	16,293
Prepaid leases	63,266	39,996	36,704
Associates	26,111	17,807	10,608
Joint venture	524	—	—
Property, plant and equipment	425,041	374,470	148,871
Goodwill	255,365	255,365	255,365
Intangible assets	294,966	271,894	222,282
Deferred tax assets	1,083	1,111	517
Total non-current assets	1,744,273	1,598,447	1,200,146
Total assets	2,780,063	2,550,041	2,172,886

	Group 30/6/2017 (Unaudited) S$'000	Group 31/12/2016 (Audited) S$'000	Group 31/12/2015 (Audited) S$'000
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans	65,360	76,499	237,141
Medium term notes	224,121	—	97,700
Trade payables	339,802	310,048	140,708
Other payables	81,904	79,410	52,641
Finance leases	151	161	180
Income tax payable	37,176	30,534	25,054
	748,514	496,652	553,424
Non-current liabilities held for sale	—	31,953	31,238
Total current liabilities	748,514	528,605	584,662
Non-current liabilities:			
Bank loans	496,452	256,868	188,610
Finance leases	140	169	256
Medium term notes	—	223,449	222,226
Deferred tax liabilities	47,317	45,432	36,376
Total non-current liabilities	543,909	525,918	447,468
Capital and reserves:			
Share capital	616,508	608,063	607,973
Perpetual capital securities	481,250	481,250	242,055
General reserve	7,414	7,414	5,330
Capital reserve	2,096	2,096	2,096
Share option reserve	23,689	27,782	20,445
Currency translation reserve	(33,338)	(11,999)	29,878
Retained earnings	266,743	264,385	193,971
Equity attributable to owners of the Company	1,364,362	1,378,991	1,101,748
Non-controlling interests	123,278	116,527	39,008
Total equity	1,487,640	1,495,518	1,140,756
Total liabilities and equity	2,780,063	2,550,041	2,172,886

	FY2014 (S$'million)	FP2015 (S$'million)	FY2016 (S$'million)	1H2016 (S$'million)	1H2017 (S$'million)	LTM 1H2017 (S$'million)
Income Statement						
Revenue	**349.0**	**336.0**	**544.6**	**239.4**	**248.1**	**553.3**
EPC	199.4	124.6	318.8	119.9	142.1	
Water Investment	102.2	134.9	165.8	80.6	84.5	
Membrane	47.3	76.5	60.0	39.0	21.5	
EBITDA(1)	**120.7**	**129.9**	**190.0**	**83.9**	**85.0**	**191.1**
% Margin	34.6%	38.7%	34.9%	35.0%	34.3%	34.5%
Profit Before Tax	**79.9**	**75.6**	**131.4**	**47.8**	**56.4**	
% Margin	22.9%	22.5%	24.1%	19.9%	22.7%	
Net Profit	**62.4**	**51.5**	**102.0**	**35.5**	**40.0**	
% Margin	17.9%	15.3%	18.7%	14.8%	16.1%	
Credit Ratios						
Debt/EBITDA	3.1x	5.7x	2.9x			4.1x
Net Debt/EBITDA	2.2x	1.6x	0.3x			1.3x
EBITDA/Interest Expense	4.2x	3.5x	4.8x			5.7x
Total Debt/Equity(2)	53%	68%	40%			58%
Capital Expenditure(3)	**157.2**	**155.5**	**438.4**	**218.4**	**152.2**	**372.2**

Notes:

(1) EBITDA is calculated as earnings before net interest, income tax expense, depreciation and amortisation expenses and non-controlling interests.

(2) Equity excludes non-controlling interest.

(3) Capital expenditure includes additions of property, plant and equipment, intangibles, prepaid leases and service concession receivables.

FINANCIAL REVIEW

This section sets out a comparative analysis of the Group's financial results for FP2015 as compared to FY2016, the Group's financial results for FY2015 as compared to FY2016, and for the three months ended 30 June 2016 as compared to the three months ended 30 June 2017.

FP2015 vs FY2016

Statement of comprehensive income

The Group's revenue for the FY2016 was S$544.6 million, which was S$208.6 million or 62.1% higher than last corresponding year ended 31 December 2015, being S$336.0 million. The increase mainly comprised increases in revenue from the engineering business from S$124.6 million to S$318.8 million, representing an increase of S$194.2 million or 155.9%.

	Group FY2016 S$'million	Group 12 months ended 31/12/2015 S$'million
Engineering revenue	318.8	124.6
Membrane sale	60.0	76.5
Total	378.8	201.1
Changes in inventories	2.6	(3.0)
Material purchased, consumables used and subcontractors' fees	(233.1)	(118.5)
Gross profit	**148.3**	**79.6**
Gross profit margin (%)	39.1	39.6

Materials purchased, consumables used and subcontractors' fees increased to S$233.1 million from S$118.5 million, representing an increase of S$114.6 million or 96.7% as compared to the last corresponding year ended 31 December 2015. The increase was mainly due to the increase in engineering revenue to S$318.8 million from S$124.6 million, representing an increase of S$194.2 million or 155.9% as compared to the last corresponding year ended 31 December 2015. Gross profit margin maintained at 39.1%.

Other operating expenses increased from S$40.3 million to S$49.6 million, representing an increase of S$9.3 million or 23.0% as compared to the last corresponding year ended 31 December 2015. The increase was mainly due to the higher operating costs for the operation and maintenance of increased number of treatment plants; impairment loss on non-current assets held-for-sale of S$2.5 million; and loss on disposal of service concession receivable of S$2.0 million during the year.

The Group generated a net profit of S$102.0 million as compared to S$51.5 million for the last corresponding year ended 31 December 2015, representing an increase of S$50.5 million or 98.1%.

Statement of financial position

The Group's non-current assets increased from S$1,200.1 million as at 31 December 2015 to S$1,598.4 million as at 31 December 2016. The increase was mainly due to the addition of service concession receivables and property, plant and equipment during the financial year.

The Group's current liabilities decreased to S$528.6 million as at 31 December 2016 from S$584.7 million as at 31 December 2015. The decrease was mainly due to the repayment of short-term bank loans of S$258.4 million and redemption of short-term medium term notes of S$99.0 million during the year. The decrease was offset by an increase in trade payables from S$140.7 million as at 31 December 2015 to S$310.0 million as at 31 December 2016. The increase was mainly due to higher engineering revenue generated during the year.

The Group's non-current liabilities increased from S$447.5 million to S$525.9 million. The increase was mainly due to higher longer tenure bank loans being used to finance the investment projects.

The Group's total equity increased from S$1,140.8 million as at 31 December 2015 to S$1,495.5 million as at 31 December 2016. The increase was mainly due to the issuance of perpetual capital securities of USD180 million.

FY2015 vs FY2016

Statement of cash flow

The net cash generated from financing activities of the group decreased to S$55.9 million for the year ended 31 December 2016 as compared to S$635.2 million for the last nine-month period ended 31 December 2015. The decrease was mainly due to the repayment of short-term bank loans of S$258.4 million and redemption of short-term medium term notes of S$99.0 million during the year.

Three Months Ended 30 June 2016 vs Three Months Ended 30 June 2017

Statement of comprehensive income

The Group's revenue for the current period was S$134.4 million, which was S$5.6 million or 4.0% lower than the last corresponding period ended 30 June 2016 of S$140.0 million. The breakdown of the revenue was as follows:

	Group 3 months ended 30/06/2017 S$'million	Group 3 months ended 30/06/2016 S$'million	% increase/ (decrease)
Engineering revenue	78.6	78.5	0.1
Treatment revenue	46.8	44.6	4.9
Membrane sale	9.0	16.9	(46.7)
Total	134.4	140.0	(4.0)

The decrease was mainly due to the decrease in membrane business from S$16.9 million to S$9.0 million, representing a decrease of S$7.9 million or 46.7%. The decrease in membrane sales was due to the completion of a major project.

	Group 3 months ended 30/06/2017 S$'million	**Group 3 months ended 30/06/2016 S$'million**
Engineering revenue	78.6	78.5
Membrane sale	9.0	16.9
Total	87.6	95.4
Changes in inventories	(1.0)	4.6
Material purchased, consumables used and subcontractors' fees	(52.4)	(66.7)
Gross profit	**34.2**	**33.3**
Gross profit margin (%)	39.0	34.9

Materials purchased, consumables used and subcontractors' fees decreased to S$52.4 million from S$66.7 million, representing a decrease of S$14.3 million or 21.4% as compared to the last corresponding period ended 30 June 2016. The decrease was mainly due to decrease in membrane business from S$16.9 million to S$9.0 million, representing a decrease of S$7.9 million or 46.7% as compared to the last corresponding period ended 30 June 2016.

Finance costs decreased to S$9.5 million from S$11.0 million, representing a decrease of S$1.5 million as compared to the last corresponding period ended 30 June 2016. The decrease was mainly due to the redemption of the S$100 million MTN bond in the last financial year ended 31 December 2016.

The Group generated a net profit of S$40.0 million for the six-month period ended 30 June 2017 as compared to S$35.5 million for the last corresponding period ended 30 June 2016, representing an increase of S$4.5 million or 12.7%.

Statement of financial position

The Group's current assets increased to S$1,035.8 million as at 30 June 2017 from S$951.6 million as at 31 December 2016. The increase was mainly due to the increase of S$46.1 million in cash and bank balances from S$493.5 million as at 31 December 2016 to S$539.6 million. In addition, there was an increase of S$88.1 million in other receivables from S$141.2 million as at 31 December 2016 to S$229.3 million as at 30 June 2017. The increase was mainly due to the addition of deposits for investment projects of S$51.0 million.

The Group's non-current assets increased from S$1,598.4 million as at 31 December 2016 to S$1,744.3 million as at 30 June 2017. The Increase was mainly due to additions to prepaid lease of S$24.6 million and additions to property, plant and equipment of S$121.7 million during the period.

The Group's current liabilities increased from S$528.6 million as at 31 December 2016 to S$748.5 million as at 30 June 2017. The increase was mainly due to the reclassification of MTN notes from non-current to current, which will be due in April 2018.

The Group's non-current liabilities increased from S$525.9 million as at 31 December 2016 to S$543.9 million as at 30 June 2017. The increase was mainly due to the additions of longer-tenure bank loan of S$239.6 million to finance the acquisition of investment projects during the period. The increase was partially offset by the reclassification of MTN notes from non-current to current, which will be due in April 2018.

Statement of cash flow

The Group's net cash from financing activities of S$190.2 million for period ended 30 June 2017 was mainly due to the bank loans raised during the period from 1 April 2017 to 30 June 2017 of S$248.1 million.

Prior to making an investment or divestment decision, prospective investors or existing holders of the Perpetual Securities should carefully consider all the information set forth in this Information Memorandum including the risk factors set out below.

The risk factors set out below do not purport to be complete or comprehensive of all the risk factors that may be involved in the business, assets, financial condition, performance or prospects of the Issuer and its subsidiaries or the properties owned by the Group or any decision to purchase, own or dispose of the Perpetual Securities. Additional risk factors which the Issuer is currently unaware of may also impair its business, assets, financial condition, performance or prospects. If any of the following risk factors develop into actual events, the business, assets, financial condition, performance or prospects of the Issuer and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer to comply with its obligations under the Trust Deed and the Perpetual Securities may be adversely affected. Further, the market price of the Perpetual Securities could decline, and investors may lose all or part of their investments in the Perpetual Securities. The investment considerations and risk factors discussed below also include forward-looking statements and the Issuer's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and investment considerations and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

Limitations of this Information Memorandum

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Perpetual Securities may require in investigating the Issuer or the Group, prior to making an investment or divestment decision in relation to the Perpetual Securities issued under the Programme

Neither this Information Memorandum nor any document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Perpetual Securities (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Arranger or any of the Dealers that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Perpetual Securities.

This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Perpetual Securities only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Perpetual Securities is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, its subsidiaries and/or associated companies (if any), the Arranger or any of the Dealers or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Perpetual Securities should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely on its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and the Group, the terms and conditions of the Perpetual Securities and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Perpetual Securities.

RISKS RELATING TO THE ISSUER'S AND THE GROUP'S BUSINESS, FINANCIAL CONDITION AND/ OR RESULTS OF OPERATIONS

Risks Relating to the Group and its Business

The Group's geographic and market concentration in the PRC and the general political, economic and other conditions in which the Group operates could lead to an effect on the Group's business

The Group derives its revenue and operating profits mainly from its water and wastewater treatment operations in the PRC and is consequently highly dependent on the state of the PRC market. As the Group's business is predominantly concentrated in the PRC, a disaster affecting parts of the PRC in which the Group operates or changes in the political and economic environment of the PRC would have a greater impact on the Group than if its operations were more geographically diversified. Future political or economic instability or a sustained slowdown in domestic economic activities in the PRC may adversely affect the Group's business.

The Group may not be able to secure new EPC or Investment Projects

A substantial part of the Group's revenue is generated from its turnkey EPC projects and also from its Investment Projects. For FY2016, revenue from the Group's EPC projects accounted for 58.5% of the Group's total revenue and revenue from the Group's Investment Projects accounted for 51.2% of the Group's total revenue, respectively. For the six-month periods ended 30 June 2017 and 30 June 2016, revenue from the Group's EPC projects accounted for 57.3% and 50.1% of the Group's total revenue, respectively and revenue from the Group's Investment Projects accounted for 50.5% and 45.7% of the Group's total revenue, respectively. Although the Group expects its construction projects to continue to contribute a significant portion of revenue in subsequent periods, there is no assurance that it will be able to secure additional EPC projects, which could adversely affect its financial condition and results of operations. In addition, the tender process to which the Group is subject in obtaining new projects is uncertain and the Group cannot guarantee that it will continue to succeed in winning new projects.

The Group may not be able to manage future expansion of its business and/or the anticipated benefits of acquisitions, which could put significant strain on its managerial, operational and financial resources

The Group's business and operations have recently grown rapidly. In FY2016, the Issuer registered its highest revenue and net profit to-date. The Group's revenue in FY2016 showed a significant 62.1% rise to S$544.6 million compared to S$336 million in the last corresponding year ended 31 December 2015. The Group's revenue for the six-month period ended 30 June 2017 was approximately S$248.1 million, an increase of 3.6% as compared to approximately S$239.4 million for the six-month period ended 30 June 2016. The Group's fast business growth could put significant strain on its managerial, operational and financial resources. The Group's ability to manage future growth will depend on its ability to effectively implement and improve management, operational and financial information systems on a timely basis and to expand, train, motivate and manage its workforce. There is no assurance that the Group's personnel, systems, procedures and controls will be adequate to support its future growth. Failure to manage the Group's expansion effectively may lead to increased costs, a decline in revenue and reduced profitability, which in turn will affect the Group's business, financial condition and results of operations.

The Group believes that acquisitions (such as the Memstar Acquisition) may help to accelerate the achievement of its strategic goals. The realisation of anticipated benefits from such acquisitions depends upon the performance of the acquired businesses after acquisition and their successful integration into the Group. Despite conducting business, legal and financial due diligence with the goal of identifying and evaluating material risks involved in any particular transaction, the Group may be unsuccessful in ascertaining or evaluating all such risks. As a result, it might not realise the intended advantages of any given acquisition. If the Group fails to realise the expected benefits from one or more acquisitions, the Group's business, results of operations, financial position or prospects could be adversely affected.

Further, if the Group is unable to successfully implement its acquisition or expansion strategy or address the risks associated with such acquisitions or expansions, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, its growth and ability to compete may be impaired, and the Group may fail to achieve acquisition synergies and be required to focus resources on integration of operations, rather than on its primary businesses which may put significant strain on its managerial, operational and/or financial resources.

Any failure to obtain sufficient funding may materially and adversely affect the Group's business, financial condition, results of operations, growth prospects and expansion plans

Due to the capital intensive and long term nature of the Group's Investment Projects, there is no assurance that the Group will be able to secure adequate funding or refinancing for these Investment Projects on terms that are acceptable to the Group or at all or that these projects will achieve their initial expected returns.

Historically, the Group has financed its capital expenditure from various sources, including cash flow from operations and credit facilities. To the extent that the Group's funding requirements exceed its financial resources, the Group will be required to seek additional debt or equity financing or to defer planned expenditures. The Group's ability to obtain external financing in the future, the cost and the time to maturity of such financing is each subject to a variety of uncertainties, including:

- the condition of financial markets and in particular, the credit markets;
- potential changes in monetary policies with respect to bank interest rates and lending policy; and
- the performance of the Group.

If the Group is unable to obtain financing on a timely basis or at a reasonable cost, the Group may experience constraints on its capital expenditure, and its business, financial condition and results of operations could be materially and adversely affected.

The Group is subject to numerous regulations including in relation to environmental, health and safety and land use, and the Group could be exposed to risks relating to environmental, health and safety and other land use issues

The Group and its subcontractors are required to comply with numerous national and local laws and regulations including those relating to the protection of the environment and land use which are constantly changing. Due to the short time frame in which projects are typically acquired by the Group, and in which operations can begin, it is often the case that the Group may commence operations without all licences being in place, and some of the Group's operations therefore may be conducted without every licence having been obtained. Whilst the Group undertakes efforts to obtain all licences relevant to the operation of its business, the Group has not obtained every licence it is required to obtain. There can be no assurance that the requirements to obtain such licences may not be made more stringent in the future or that such licences currently held by the Group will be renewed when they expire. As at the date of this Information Memorandum, no material issues have been raised by any local, municipal or other authorities with the extent of the Group's licence coverage and the Issuer believes it is common for other companies in the same industry to have broadly similar licence coverage. However, going forward, any failure by the Group to comply with laws and regulations, including those in relation to environmental, health and safety and land use and to obtain relevant licences and permits by the Group or its subcontractors could result in the closure of individual facilities not in compliance or for which no licence has been obtained, the imposition of fines, and/or compulsory cessation of construction, production and operations and rectification requirements, as well as expenditures to bring its facilities into compliance. Any of such occurrences could have a material adverse effect on the Group's business, results of operations, financial position or prospects.

In addition, the Group's water and wastewater treatment, engineering, O&M and membrane manufacturing businesses and operations could expose it to substantial liability relating to environmental and health and safety issues, such as those resulting from the discharge of pollutants into the environment, the handling, storage and disposal of solid or hazardous materials or wastes and the investigation and remediation of contaminated sites. The Group may be responsible for the investigation and remediation of environmental conditions at currently and formerly operated construction sites. The Group may also be subject to associated liabilities, including liabilities for natural resource damage, third party property damage or personal injury resulting from lawsuits brought by the PRC Government or private litigants as a result of the Group's or its subcontractors' activities. In the course of the Group's operations, hazardous wastes may be generated at third party-owned or operated sites, and hazardous wastes may be disposed of or treated at third party-owned or operated disposal sites. If those sites become contaminated, the Group could also be held responsible for the cost of investigation and remediation of such sites, any associated natural resource damage, and may be subject to civil or criminal fines or penalties.

The Group is subject to risks associated with technological and regulatory changes

As an established water and wastewater treatment solutions provider, the Group must ensure that it is able to continually provide relevant solutions to its customers that meet their needs in order to maintain its market share. Over the course of time, rapid technological changes and improvements in water and wastewater treatment technology and equipment may evolve. The Group's technologies and treatment systems must continually demonstrate their suitability to treat different types of wastewater in a cost effective manner or the Group may lose customers to competitors who adapt their business to such technological changes or who develop and offer more technologically advanced solutions than the Group. Failure to adapt to such technological changes may result in a material adverse effect on the business, prospects and results of operations of the Group.

In addition, changes in regulations or standards for water and wastewater treatment in the regions where the Group conducts its business may also necessitate the use of new technologies or the improvement of its existing technologies. In the event that the Group is unable to comply with such regulatory requirements, the Group's market share, results of operations, prospects, business and profitability may be materially and adversely affected.

The Group's ability to grow could be impacted if it does not retain the continued services of its key technical and management personnel and identify, hire and retain additional qualified personnel

There is a strong competition for qualified technical and management personnel in the sectors in which the Group competes. The Group may not be able to continue to attract and retain qualified technical and management personnel, such as engineers and project managers, who are necessary for the development of its business or to replace qualified personnel. The

Group's planned growth may place increased demands on its resources and will likely require the recruitment of additional technical and management personnel and the development of additional expertise by existing personnel. Loss of the services of, or failure to recruit, key technical and management personnel could limit the Group's ability to complete existing projects successfully and to engage in new projects. Failure to retain the services of key personnel may impact the ability of the Group to continue to grow in the long term, which may have a material adverse effect on the Group's business, results of operations, financial position or prospects.

The Group's insurance coverage may not be sufficient to cover the risks related to its business and operations

The Group maintains certain insurance policies covering certain employees as well as certain vehicles that it owns. The Group also maintains insurance policies relating to erection/construction risks, third party liability insurance policies in connection with its EPC business, as well as insurance policies on some of its plants and properties. The insurance policies maintained by the Group do not cover all of the Group's properties or plants and accordingly, the Group's insurance coverage may not be sufficient to cover the risks related to its business and operations.

Certain circumstances could arise which may result in significant loss or damage to the Group's systems, plants and other properties, for example:

- natural disasters, such as, but not limited to, earthquakes, floods, prolonged droughts and typhoons;

- epidemics;

- acts of war or terrorism;

- human-error in operating the water supply and wastewater treatment systems;

- protests and other forms of opposition by locally-affected residents and workers, local populations and other community stakeholders, such as lawsuits or demonstrations, among others; or

- other factors beyond the control of the Group.

In the event that the Group is unable to obtain timely repair or replacement of such damage or loss, major disruptions to its business may arise which would have a significant adverse effect on its financial position and results of operations. The Group may also face the risk of loss or damage to its properties, plants, machinery and inventories due to the occurrence of any of the above events. The Group maintains insurance against some, but not all, of these events but no assurance can be given that its insurance will be adequate to cover any direct or indirect losses or liabilities it may suffer.

Furthermore, the Group is subject to hazards and risks that are normally associated with its operations, which are subject to interruption or damage by fire, power failure and power shortages, hardware and software failure, floods, natural disasters and other events beyond its control. In addition, the Group is not required under PRC law to maintain, and unless it is contractually required to by its customers or bank lenders, the Group does not maintain, any product liability, third-party liability or business interruption insurance. Furthermore, losses incurred for liabilities not covered by the Group's insurance policies may have a material and adverse effect on its business, financial position and results of operations.

The Group's customers may make claims against it and/or terminate its services in whole or in part prematurely should it breach the terms of agreements with them or fail to implement or operate projects which fully satisfy their requirements and expectations

As at the Latest Practicable Date, the Group was engaged in various EPC projects in the PRC. There is no assurance that the completion of such EPC projects will not be delayed or that these projects will be completed to the requirements and expectations of the Group's customers. Failure to deliver EPC projects on time or fully in compliance with the requirements and expectations of the Group's customers, may lead to claims being brought against the Group by its customers and/or termination of its services in whole or in part by the Group's customers prematurely. As a result, the Group could experience delays in the recognition of its revenue from such EPC projects and the Group may not receive payments from the relevant customer, which could adversely affect the Group's cash flow, and may harm the Group's ability to retain existing customers or attract new customers if the reputation of the Group's ability to deliver EPC projects on time and its budget is affected.

Likewise, failure to operate the Investment Projects such that the recognised effluent standards are met, may result in a delay in or loss of tariff payments for the individual projects, or may result in the levying of fines for failing to meet required standards under the concession agreements. Unsatisfactory design or workmanship, staff turnover, human errors, failure to deliver services on time, default by the Group's subcontractors or misinterpretation of or failure to adhere to regulations and procedures could result in delays or failures in the construction, testing or commissioning of any water or wastewater treatment plant. This could adversely affect the Group's business, prospects and results of operations. In addition, the Group's reputation may be negatively affected which could, in turn, negatively affect the Group's ability to obtain new projects.

Similarly, in respect of its membrane business, failure by the Group to deliver its membrane products on time or failure to meet the required standards for the membrane products may result in a delay or loss of payment from its customers and this could adversely affect the Group's business, prospects and results of operations. Any resulting negative impact on the Group's reputation could also adversely affect its ability to retain existing customers or attract new customers.

The Group is subject to various completion risks with respect to its EPC and Investment Projects which could give rise to significant delays or additional costs

The construction of water facilities and the bringing to operation of water and wastewater projects involves many potential completion risks, including changes in construction design, obtaining approval and permits, the risk associated with the acquisition of land and unexpected underground conditions. Some of these risks may arise through the actions or omission of other third parties, and some may arise from the difficulties of executing projects in time and on budget. Any such risks, if realised, could adversely affect the Group's ability to complete projects in time and on budget which may result in cost overruns, lost tariff receipts, the imposition of penalty fees and other penalties which may adversely affect the Group's financial conditions and results of operations. No assurance can be given that such occurrences in the future will not cause the Group to experience significant delays or additional costs.

The Group typically only receives payment in connection with the revenue received from its Investment Projects in the form of cash tariff payments during the operational phase of these Investment Projects and the receipt of such payments is subject to the credit risk of its customers

For each of the Group's Investment Projects, once the facility is operational, the Group receives regular cash payments from the relevant customer based on the contractually agreed pricing formula and the volume of wastewater treated or water supplied (or the contractually guaranteed minimum volume, if any). Service concession receivables for Investment Projects are settled during the concession periods of the relevant Investment Projects, which range from 20 to 30 years. With such a long period for payment of tariffs, the Group is subject to the credit risks of its customers who owe receivables to the Group under the concession agreements. The Group's profitability is dependent on its customers making prompt payment on billings for work performed by the Group and if there is any delay or failure to provide payment by the Group's customers, the Group's working capital, profitability and cash flow may be adversely affected.

Adjustments to tariffs to the Group's Investment Projects and O&M projects are subject to regulatory approval

Revenues derived from the Group's operational Investment Projects and O&M projects consist primarily of tariff receipts under the relevant concession agreements. The tariffs for such projects are generally linked to certain local benchmark prices or key cost indices such as the consumer price index, labour costs, electricity charges and, in the case of the Group's Investment Projects, the amount of the Group's initial capital investment. Adjustments to tariffs are generally subject to regulation by various government authorities in the PRC, depending on the terms of the relevant concession agreement. There is no assurance that the relevant government authorities will approve any applications to increase the tariffs. Furthermore, even if the PRC Government agrees to an adjustment to the tariff, there is no assurance that such adjustment will fully reflect any increase in the Group's actual costs. If the Group incurs significantly higher operating costs without a corresponding or sufficient increase in tariffs or in the event of a reduction in tariffs, the Group may not be able to sustain its profitability or it may even incur a loss, and the Group's financial position and results of operations may be materially and adversely affected.

Failure to achieve the projected utilisation of the facilities the Group operates may adversely affect its earnings

Each of the Group's Investment Projects has been or will be built to a specified design capacity in accordance with the terms of the relevant service concession agreement. Depending on the growth in the population and level of industrialisation in the area serviced by the relevant facilities, there is no assurance that the facilities the Group operates will be able to achieve the forecast utilisation of their design capacity, which may adversely affect its results of operations. Notwithstanding any guaranteed minimum volume provided for under some of the Investment Projects' concession agreements, if the expected utilisation rates are not achieved, the Group may not generate the revenue and profit expected from the relevant Investment Projects and its business, financial condition and results of operations may be adversely affected.

The Group relies on the performance of its third-party suppliers and subcontractors

The Group has arrangements with third-party suppliers and subcontractors that are essential to its operations. If any of these counterparties fails to provide relevant goods, equipment or services or perform its obligations or if the credit-worthiness of any of these counterparties deteriorates, the Group's operations, business and financial condition may be materially and adversely affected.

Furthermore, there is a risk that the Group may not be able to find suitable alternative suppliers and subcontractors at commercially reasonable contract terms if its contracts with its current counterparties terminate. This may result in delays in the completion of the Group's projects or incurrence of additional costs, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group's business and financial results may be adversely affected by increases in interest rates and foreign exchange rates

The Group may from time to time borrow Renminbi onshore for the funding of its projects in the PRC, rendering the Group subject to benchmark interest rates for Renminbi in the PRC. The People's Bank of China (the "**PBoC**") has in the past implemented interest rate increases in the PRC. These increases in interest rates and any further increases in interest rates may adversely affect the Group's business and financial results in a number of ways. Since 2011, the PBoC has lowered the benchmark one-year lending rate. In 2015, the PBoC has continued to lower the benchmark one-year lending rate. However, there is no assurance that the PBoC will not raise the benchmark lending rate further or otherwise discourage bank lending or that the Group's business, results of operations and financial position will not be materially and adversely affected as a result. Due to the size of the Group's borrowings, and the possibility that the Group may borrow Renminbi onshore, its results of operations may be materially affected by increases in the effective interest rate of these borrowings.

In addition, the Group may borrow in other currencies offshore, including United States dollars, Singapore dollars and Hong Kong dollars, and is subject to interest rate rises affecting these currencies. An increase in the rate of foreign exchange for one of the currencies in which the Group borrows could lead to a material adverse effect on the Group's financial position.

The Group is exposed to risks associated with entering into contracts with local and municipal authorities in the PRC, SOEs and other public organisations, and its performance may be significantly affected by government spending on infrastructure and other projects

The Group's customers include agencies or entities owned or otherwise controlled by local and municipal authorities and SOEs in the PRC. To the extent that the Group's projects are funded by local and municipal authorities and SOEs, they may be subject to delays or changes as a result of changes in the respective budgets of such local and municipal authorities and SOEs, or for other policy considerations.

The spending of local and municipal authorities in the PRC on infrastructure and other construction projects has historically been, and will continue to be, cyclical in nature and vulnerable to fluctuations in the PRC's economic conditions and changes in the policies of such local and municipal authorities. The revenue contributed by the Group's local and municipal government and government-owned customers accounted for a substantial portion of the Group's total revenue for FY2016.

The Group therefore has significant exposure to the risks associated with contracting with public organisations. In addition, any disputes with governmental entities and other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments due to the Group from these entities and organisations may be delayed as a result. In some circumstances, they may also require the Group to change its construction methods, equipment or other performance terms or direct it to reconfigure its designs or purchase specific equipment for the relevant project in connection with the Group's engineering and construction projects or undertake additional obligations or change other contractual terms, thereby subjecting the Group to additional costs. Resolution of any disagreement with them with respect to such changes may be time-consuming and may cause the Group to incur additional costs. Changes in governmental budgets and policies relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to the Group. If a government entity or other public organisation terminates a contract with the Group, its order book could be reduced and its business plans may be adversely affected.

Some of the Group's BOT, TOT and BOO projects undertaken by the Group in the PRC, as required by the laws of the PRC, are subject to a public bidding and tender process. In practice, not all of the Group's TOT, BOT and BOO concession agreements concerning such projects were subjected to such process, as the industry application of this regulation has been subject to the more common industry procedure of invitations to apply for projects by local and municipal authorities in the PRC. As at the date of this Information Memorandum, the Group has not encountered any problems operating under the concession agreements obtained via such invitation processes, but there can be no assurance that going forward, the tender process obligation will not be more rigidly enforced by the PRC Government. The failure to obtain such concession agreements through the standard public bidding and tender process could, if challenged, render the effectiveness of such concession agreements open to scrutiny under the laws of the PRC. If the concession agreements underpinning any of the Group's TOT, BOT and BOO projects are challenged, this could result in, among others, an order being made for the cessation of the Group's operations in respect of the relevant concession, which may have a material adverse effect on the business and results of operations of the Group.

The Group's failure to adequately protect its intellectual property rights or any infringement claims brought by third parties against the Group may have an adverse effect on the Group's business, financial condition and results of operations

The Group relies on patents, trademarks, copyrights and contractual rights to protect its intellectual property. The Group has developed advanced systems, know-how, processes, technologies and other intellectual property. The level of protection of intellectual property rights in the PRC may differ from those in other jurisdictions. There can be no assurance that any of the Group's intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that the Group's competitors will not independently develop alternative technologies that are equivalent or superior to the Group's proprietary technologies. The Group may also be subject to claims for infringement of patents, trademarks or other intellectual property rights of others. Defending any infringement claim could be time-consuming, and may result in costly litigation or damages, undermine the value of the Group's brands and trademarks or reduce sales and have a materially adverse effect on the Group's business and results of operations.

Work stoppage and other labour relations matters may have an adverse effect on the Group's financial results

The Issuer believes that the Group has a good working relationship with its employees and has not experienced any material work stoppages, strikes or other labour problems in the past. However, there is no assurance that any such events will not arise in the future. If its employees were to engage in a strike or other forms of work stoppage, the Group could experience a significant disruption of operations and/ or higher ongoing labour costs, which may have a material adverse effect on its business and results of operations.

The Group's business may be affected by global economic conditions

The Group's business may be adversely affected by global economic conditions. Events such as liquidity disruptions in major financial markets, a global economic slowdown, substantial volatility in financial markets globally, the tightening of liquidity in global financial markets or the collapse of a number of financial institutions can have a significant adverse impact on the global credit and financial markets as a whole including, among other things, the demand for real estate, the availability and cost of credit and consumer sentiment.

In the event of a deterioration in the financial markets, which could result in significant declines in employment, household wealth, consumer demand and lending, this may adversely affect economic growth in the PRC and other markets in which the Group operates and the financial performance and condition of the Group. A slowdown in the global economy could result in a loss of business for the Group's business segments and could have an adverse effect on its result of operations.

The Group may be exposed to risks associated with strategic partners

Historically, the Group conducted some of its business through joint ventures and associate companies, and where feasible, the Group will continue to explore conducting its business through such strategic partnerships. However, there can be no assurance that the Group will be successful in pursuing its stated strategies through such business structures.

Furthermore, the Group's joint venture partners may (a) have economic or business interests or goals that are inconsistent with those of the Group, (b) take actions contrary to the Group's policies or objectives, (c) undergo a change of control, (d) experience financial and other difficulties, or (e) be unable or unwilling to fulfil its obligations under the joint venture, which may affect the Group's business, prospects, financial condition or results of operations.

The Group's business benefits from certain Chinese government subsidies and favourable tax treatment. Expiration of, or changes to, the subsidies or favourable tax treatment could adversely affect the business activities, financial condition and results of operations of the Group

Since its inception, the Group has received various types of subsidies from the PRC Government. The Group has also received certain preferential tax treatment from the PRC Government. For example, some of the Group's subsidiaries which are identified as hi-tech enterprise are subject to a preferential enterprise income tax rate of 15%.

There is no assurance that the subsidies that the Group receives or the preferential tax treatment that the Group enjoys will not expire or change in the future due to changes of government policies or law or otherwise, in which case the business activities, financial condition and results of operations of the Group could be adversely affected.

RISKS RELATING TO THE PRC

The Group derives a significant proportion of its turnover from the PRC. Accordingly, the Group's financial condition, results of operations and prospects will be subject to the economic, political and legal developments in the PRC as well as the economies in the surrounding region.

The economic, political and social conditions in the PRC may adversely affect the Group's business

The PRC economy differs from the economies of most developed countries in many respects, including:

(i) extent of government involvement;

(ii) level of development;

(iii) growth rate;

(iv) control of foreign exchange; and

(v) allocation of resources.

While the economy in the PRC has experienced significant growth over the past 20 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. The Group's financial condition and operating results may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to it.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the economy of the PRC. However, these economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy, but may also have a negative effect on the water and wastewater treatment industry or the Group's business. Furthermore, a substantial portion of productive assets in the PRC is still owned by the PRC Government.

Since early 2004, the PRC Government has implemented certain measures to prevent the PRC economy from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. If the PRC's economic growth slows down or experiences a recession, the demand for the Group's services may also slow down and hence the Group's business, financial condition and results of operations may be adversely affected.

In addition, demand for the Group's services and its business, financial condition and results of operations may be adversely affected by:

(i) political instability or changes in social conditions in the PRC;

(ii) changes in laws and regulations or the interpretation of PRC laws and regulations;

(iii) measures which may be introduced to control inflation or deflation;

(iv) changes in the rate or method of taxation; and

(v) imposition of additional restrictions on currency conversion and remittances abroad.

The Group is subject to the PRC Government's control on currency conversion

The majority of the Group's revenue is denominated in Renminbi and must be converted in order to pay dividends or make other payments in other currencies. Under the PRC's foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditure from trade, may be made in foreign currencies without prior approval, subject to certain procedural requirements. However, foreign exchange controls remain applicable for capital account transactions, including repayment of loan principal and return of direct capital investments and investments in negotiable securities. Failure to obtain such approval or effect such registration would restrict the Issuer's ability to receive from its PRC subsidiaries payment of principal and interest on any shareholder loans provided to them. In the past, there have been shortages of foreign currency available for conversion from Renminbi in the PRC, and it is possible that such shortages could recur, or that restrictions on conversion could be re-imposed. Any volatility of the Renminbi exchange rate in the future may materially affect the Group's financial condition and results of operations and any devaluation of the Renminbi against foreign currencies will increase the amount of Renminbi the Group needs to service its obligations denominated in foreign currencies.

The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group's PRC subsidiaries from obtaining sufficient foreign currencies to satisfy their foreign currency demands for the payment of dividends and/or the repayment of principal and interest of shareholder loans, the Issuer may not be able to satisfy its obligations under the Perpetual Securities. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would further restrict the remittance of Renminbi into or out of the PRC. The proceeds from the offering of the Perpetual Securities will be received in U.S. dollars or any other foregin currencies. As a result, any appreciation of Renminbi against U.S. dollars or any such other foreign currencies may result in a decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Perpetual Securities. Conversely, any depreciation of Renminbi may adversely affect the Issuer's ability to service the Perpetual Securities.

The Group may experience delays or difficulties in obtaining approvals from the PRC Government

The Group's construction and operation of water and wastewater management projects in the PRC are dependent on it obtaining approvals from a variety of government authorities at different levels, the continued receipt of which cannot be assured. These projects have been and may in the future be subject to risks relating to changes in governmental regulations and economic policies which may require additional approvals to be obtained. In such event, the Group may incur additional expense to comply with the requirements arising from changes in regulations and policies. This will in turn affect the Group's financial performance as it leads to increased business costs. If the Group experiences delays in obtaining, or is unable to obtain, such required approvals, its operations and business in the PRC, and hence its overall financial performance, may be adversely affected.

The PRC legal system is evolving and has inherent uncertainties that could limit the legal protection available to the Group

The Issuer's subsidiaries are generally subject to laws and regulations applicable to foreign investment in the PRC. The PRC legal system is based on written statutes. Prior court decisions may only be cited for reference. Since 1979, the PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, and may not be as consistent or predictable as in other more developed jurisdictions. Depending on the government agency or how an application or case is presented to such agency, the Group may receive less favourable interpretations of laws and regulations than its competitors, or the Group may receive interpretations that are inconsistent with its interpretations. These uncertainties may impede the Group's ability to enforce the contracts it has entered into with its customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may limit legal protections available to the Group. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The payment of dividends by the Issuer's operating subsidiaries in the PRC is subject to restrictions under the PRC law

The Group operates its core business mainly through its operating subsidiaries in the PRC. The law of the PRC require that dividends be paid only out of after tax net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. The law of the PRC requires companies in the PRC, including the Issuer's PRC subsidiaries, to set aside part of their after tax net profit each year as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Group's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any restrictions on the availability and usage of its major source of funding may impact the Group's ability to fund its operations and to service its indebtedness.

Higher labour costs and inflation in the PRC may adversely affect the Group's business and its profitability

Labour costs in the PRC have also risen in recent years as a result of the enactment of new labour laws and social development. On 29 June 2007, the PRC National People's Congress enacted the Labor Contract Law, which came into effect on 1 January 2008. On 1 July 2013, the amendment to the Labor Contract Law became effective. The Labour Contract Law formalises workers' rights concerning overtime hours, pensions, layoffs, employment contracts and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labour Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including cases of the expiration of a fixed-term employment contract. The implementation of the Labour Contract Law may increase the Group's operating expenses, in particular its personnel expenses, as the continued success of the Group's business depends significantly on its ability to attract and retain qualified personnel. In the event that the Group decides to terminate some of its employees or otherwise change its employment or labour practices, the Labour Contract Law may also limit the Group's ability to effect those changes in a manner that is cost-effective or desirable, which could adversely affect the Group's business, financial condition and results of operations. In addition, inflation in the PRC has increased. According to the National Bureau of Statistics of the PRC, consumer price inflation in the PRC was 2.5% and 1.5% in December 2013 and December 2014, respectively. In the event that inflation rates in the PRC continue to rise, it may result in higher labour cost, as well as higher cost of raw materials which are mainly purchased from suppliers in the PRC, which will in turn increase the Group's operating costs. As the Group expects its production staff to increase, rising labour costs may further increase its operating costs and partially erode the cost advantage of its PRC-based operations and therefore negatively impact its profitability.

Making capital contributions or loans to the Issuer's PRC subsidiaries are subject to PRC regulations

Any capital contributions or loans that the Issuer, as an offshore entity, makes to its PRC subsidiaries are subject to PRC regulations. For example, pursuant to the Interim Measures on the Management of Foreign Debts promulgated by the State Administration of Foreign Exchange ("**SAFE**") on 8 January 2003, which came into effect on 1 March 2003 and the Circular on the Administrative Measures for Registration of Foreign Debts promulgated by SAFE on 28 April 2013, which came into effect on 13 May 2013 and was amended on 4 May 2015, shareholder's loans to each of the Issuer's foreign invested PRC subsidiaries, in aggregation with such PRC subsidiary's other loans from overseas entities cannot exceed the proportion of the registered capital of such PRC subsidiary paid up by the foreign shareholder(s), to the registered capital of such PRC subsidiary subscribed for by the foreign shareholder(s), multiplied by, the difference between the total amount of investment each of its foreign invested PRC subsidiaries is approved to make under relevant PRC laws and the registered capital of each of its foreign invested PRC subsidiaries, and must be registered with the local branch of the SAFE. For PRC domestic companies other than foreign investment entities, the balance of their short-term foreign debts shall be verified by SAFE in advance, and such domestic companies shall register with the local branch of the SAFE within 15 business days of the signing of relevant foreign debt contracts.

On 11 January 2017, PBoC promulgated the Circular on the Issues Related to Macro-prudential Management of Full-covered Cross-border Financing Activities, or PBoC Circular 9, which became effective simultaneously. The PBoC Circular 9 further improved the foreign debt management system under which each cross-border financing would require prior registration with the SAFE. The PBoC Circular 9 sets forth a cross-border financing upper limit which is based on the basis of the capital or net assets of the domestic companies. Under the PBoC Circular 9, PRC domestic companies proposing to borrow funds from overseas are no longer required to obtain a pre-approved quota from SAFE, but are required to submit a post-borrowing filing with SAFE after signing cross-border financing contracts, in any event no later than three working days prior to fund withdrawals.

Although it is believed that once the PBoC Circular 9 is implemented, PRC domestic companies nationwide will enjoy greater discretion and a more relaxed administrative regulatory environment when receiving offshore funding denominated in RMB or foreign currency, it is hard to predict how it will be interpreted or applied.

In addition, to facilitate domestic companies' cross-border financing, SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, on 9 June 2016, which became effective simultaneously. The SAFE Circular 16 provides that PRC companies (except financial institutions) may convert its foreign debts from foreign currency to RMB on self-discretionary basis and may use such converted foreign debts based on its actual demand, but shall not use such fund to conduct activities exceeding its business scope or provide loans to non-affiliated entities unless its business scope specifically provided otherwise.

As the above PBoC Circular 9 and SAFE Circular 16 are both newly promulgated and SAFE has not provided detailed guidelines with respect to their interpretation or implementation, it is uncertain how these rules will be implemented and how they will affect the loans extended by the Issuer to its PRC subsidiaries in the future.

In addition, the Issuer's capital contributions to each of its PRC subsidiaries must be approved by the Ministry of Commerce of the PRC Government or its local counterpart.

On 29 August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises, or SAFE Circular 142, regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into Renminbi by restricting how the converted Renminbi may be used. SAFE Circular 142 provides that the Renminbi capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and unless otherwise provided by law, such Renminbi capital may not be used for equity investments within China.

In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from foreign currency registered capital of a foreign-invested company.

The use of such Renminbi capital may not be altered without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties. Based on this, the Group may not be able to convert the net proceeds in foreign currencies it receives from any offering of Perpetual Securities under this Programme into Renminbi to make equity investments in the PRC through its foreign invested PRC subsidiaries.

Since SAFE Circular 142 has been in place for more than five years, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Regions on 4 July 2014, or SAFE Circular 36. SAFE Circular 36 suspends the application of SAFE Circular 142 in certain regions and allows a foreign-invested enterprise registered in these regions with equity investments as main business to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC. On 30 March 2015, SAFE issued the Circular on the Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which abolished Circular 142 and Circular 36 and became effective on 1 June 2015. Under SAFE Circular 19, a foreign-invested enterprise may also choose converting its registered capital from foreign currency to RMB on self-discretionary basis but shall not use such converted registered capital to provide entrusted loans or repay loans between non-financial enterprises. A foreign-invested enterprise with equity investments as main business can use the RMB capital converted for equity investments within the PRC.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, the Issuer cannot provide any assurance that it will be able to obtain the necessary government approvals or complete the necessary government registrations on a timely basis, or at all. If the Issuer fails to obtain such approvals or complete such registrations, the ability to make equity contributions or provide loans to its PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect their liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments.

In February 2012, SAFE issued regulations requiring PRC residents who are granted share options by an overseas publicly listed company to register with SAFE through a Chinese agent (including, without limitation, a Chinese subsidiary of the overseas publicly-listed company) and complete certain other procedures. The Issuer has in place an existing share option scheme for all its directors and employees. The Issuer and its employees in the PRC who have been granted share options (the "**Eligible PRC Employees**") are subject to these regulations. The Issuer and its Eligible PRC Employees would be registering with SAFE. Failure on the part of the Issuer or its Eligible PRC Employees to complete the SAFE registrations may subject the Eligible PRC Employees or the Issuer to fines and legal sanctions and may also limit the Issuer's ability to contribute additional capital into its PRC subsidiaries, limit its PRC subsidiaries' ability to distribute dividends to it, or otherwise materially adversely affect the Group's business.

The Issuer may be treated as a resident enterprise for PRC tax purposes under the EIT Law and may therefore be subject to PRC income tax on its global income. The non-PRC Perpetual Securityholders may as a result be subject to a 10% PRC withholding tax on the proceeds gained from the Perpetual Securities or the transfer thereof

Under the EIT Law, and its implementing rules, both of which came into effect on 1 January 2008, enterprises established under the laws of foreign countries or regions whose *"de facto* management bodies" are located within China territory are considered resident enterprises and will generally be subject to EIT at the rate of 25% on its global income. *"De facto* management body" refers to a managing body that exercises, in substance, overall management and control over the production and business, personnel, accounting and assets of an enterprise. The State Administration of Taxation of the PRC ("**SAT**") issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of *De Facto* Management Bodies, or Circular 82, on 22 April 2009. Circular 82 provides certain specific criteria for determining whether the *"de facto* management body" of a Chinese-controlled offshore-incorporated enterprise is located in the PRC. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreigners, like the Issuer, the determining criteria set forth in Circular 82 may reflect the SAT's general position on how the *"de facto* management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners. If the Issuer were to be considered a PRC resident enterprise, the Issuer would be subject to PRC enterprise income tax ("**EIT**") at the rate of 25% on its global income. In such cases, the profitability and cash flow of the Issuer may be adversely affected as a result of its global income being taxed under the EIT Law and its implementing rules.

In addition, under the EIT Law and its implementing rules, PRC enterprise income tax at a rate of 10% is normally applicable to PRC-sourced income of non-resident enterprises without establishment within the PRC or whose income has no actual connection to its establishment within the PRC, subject to adjustment by applicable treaty. If the Issuer were to be considered a PRC resident enterprise under the EIT Law and its implementing rules, the Issuer shall withhold income tax from the payment of distribution in respect of the Perpetual Securities for any non-PRC enterprise Perpetual Securityholder. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Perpetual Securityholders so that holders of the Perpetual Securities would receive the full amount of the scheduled payment, as further set out in the Conditions.

Similarly, if the Issuer were to be considered as a PRC resident enterprise under the EIT Law and its implementing rules, any gain realised by the non-PRC enterprise Perpetual Securityholders from the transfer of the Perpetual Securities may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10% PRC withholding tax.

In accordance with the Individual Income Tax Law of the PRC and its Implementation Regulations both of which took effect on 1 September 2011, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual holders of the Perpetual Securities may be treated as income derived from sources within the PRC and be subject to a 20% individual income tax. Accordingly, the Issuer may be obliged to withhold such individual income tax on payments of interests to non-resident individual holders of the Perpetual Securities. In addition, any capital gain realised by a non-resident individual holder from transfer of the Perpetual Securities may be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20%. The rates of PRC tax on interest and capital gains may be reduced under an applicable income tax treaty. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Perpetual Securityholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Perpetual Securities.

If a Perpetual Securityholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on gains on the transfer of the Perpetual Securities, the value of the relevant Perpetual Securityholder's investment in the Perpetual Securities may be materially and adversely affected.

The Group's PRC-sourced income may be subject to PRC withholding tax under the EIT Law

The Group conducts substantially all its operations in the PRC. Under the EIT Law and its implementation rules, the PRC-sourced income of non-PRC resident enterprises, such as dividend paid by PRC resident enterprises to non-PRC resident enterprise shareholders, is generally subject to a 10% withholding tax, unless the tax rate is reduced by a tax treaty between the PRC and the relevant jurisdiction. If the Issuer is considered a non-PRC resident enterprise, dividends it receives from its PRC subsidiaries in the PRC will generally be subject to a 10% withholding tax under the EIT Law and its implementing rules.

The PRC Government's pilot plan to replace business tax with VAT may subject the Group to more taxes, which could adversely affect the Group's business and future results of operations

Pursuant to the PRC Provisional Regulations on Business Tax, taxpayers providing taxable services falling under the category of service industry in the PRC are required to pay a business tax at a normal tax rate of five % of their revenues. In November 2011, the Ministry of Finance and the State Administration of Taxation (the "**SAT**") promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. Pursuant to this pilot plan and relevant subsequent notices, from 1 January 2012, VAT gradually replaced business tax in the transport and post industry, telecom industry and some of the modern service industries in the PRC. Under the pilot plan, a VAT rate of six % applies to certain modern service industries. On 23 March 2016, the Ministry of Finance and SAT promulgated the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax ("**Circular 36**"). Pursuant to Circular 36, starting from 1 May 2016, the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis. Although the VAT pilot programme is mainly intended to reduce double taxation under the business tax system, the Group may be subject to more taxes under the VAT pilot programme in connection with our operations and activities in the PRC, which could adversely affect the Group's business and future results of operations.

In addition, if the Issuer is treated as a PRC tax resident enterprise and if PRC tax authorities take the view that the holders of the Perpetual Securities are providing loans within the PRC, the holders of the Perpetual Securities shall be subject to VAT at the rate of six % when receiving the interest payments under the Perpetual Securities. In addition, the holders of the Perpetual Securities shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%.

Where a holder of the Perpetual Securities who is an entity or individual located outside of the PRC resells the Perpetual Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically the Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Perpetual Securities is located within the PRC.

It may be difficult to effect service of legal process, enforce foreign judgments or bring original actions in the PRC based on other foreign laws against the Group, its directors or senior managers in the PRC

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon those persons in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The Group may experience government-imposed control on credit or prices as a result of inflation

In recent years, the PRC economy has experienced periods of rapid expansion and highly fluctuating rates of inflation. During the past 10 years, the rate of inflation in the PRC has been as high as 6.2% and as low as -0.8%. Further, as at September 2015, the consumer price index in the PRC has increased by 1.6% year-on-year, according to the National Bureau of Statistics of the PRC. That has led to the adoption by the PRC Government, from time to time, of various corrective measures designed to restrict the availability of credit or regulate growth and contain inflation. High inflation may in the future cause the PRC Government to impose controls on credit or prices, or to take other action, which could inhibit economic activity in the PRC, which could materially and adversely affect the Group's business, financial condition and results of operations.

NDRC Registration and Filing

According to a notice promulgated by the NDRC on 14 September 2015, a PRC enterprise or an offshore enterprise controlled by a PRC enterprise proposing to issue bonds outside of the PRC with a maturity of more than one year shall, in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issuance (the "**Pre-Issuance Registration**"). In addition, the enterprise shall also report certain details of the bonds to the NDRC after completion of such issuance (the "**Post-Issuance Filing**"). On 22 March 2017, the NDRC issued The Reply of the NDRC to Pilot Enterprises (Second Batch) regarding Administration and Reform of Enterprise Foreign Debt Scale in 2017 (Fa Gai Wai Zi [2017] No.560) to CITIC Group, pursuant to which the NDRC granted the annual and general quota to CITIC Group exempting it from the registration requirements on a deal-by-deal basis as long as the debt securities or loan incurred outside the PRC is within the annual quota granted.

Since the pilot programme is newly launched, certain detailed aspects of its interpretation and application remain subject to further clarification. There is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the Perpetual Securities. The Issuer undertakes that it will procure the Post-Issuance Filing be completed as requested by the NDRC.

Risks Relating to Renminbi-denominated Perpetual Securities

Perpetual Securities denominated in Renminbi ("**Renminbi Perpetual Securities**") may be issued under the Programme.

A description of risks which may be relevant to an investor in Renminbi Perpetual Securities are set out below:

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Perpetual Securities

Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are being developed.

There is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Perpetual Securities denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Perpetual Securities and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Perpetual Securities

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including but not limited to Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Perpetual Securities. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Perpetual Securities, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in the Renminbi Perpetual Securities is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. The Issuer will make all payments of interest and principal with respect to the Renminbi Perpetual Securities in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a holder of the Renminbi Perpetual Securities in that foreign currency will decline.

Investment in the Renminbi Perpetual Securities is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Perpetual Securities may carry a fixed interest rate, the trading price of the Renminbi Perpetual Securities will consequently vary with the fluctuations in the Renminbi interest rates. If holders of the Renminbi Perpetual Securities propose to sell their Renminbi Perpetual Securities, there is no assurance that they may receive an offer that is equivalent to or higher than the amount they have invested.

Payments with respect to the Renminbi Perpetual Securities may be made only in the manner designated in the Renminbi Perpetual Securities

All payments to investors in respect of the Renminbi Perpetual Securities will be made solely (i) for so long as the Renminbi Perpetual Securities are represented by global certificates held with CDP, the common depositary for Clearsteam Banking S.A. and Euroclear Bank SA/NV or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement or (ii) for so long as the Renminbi Perpetual Securities are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong or a financial centre in which a Renminbi Clearing Bank clears and settles Renminbi, if so specified in the Pricing Supplement in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Perpetual Securities may become subject to income taxes under PRC tax laws

Under the EIT Law, the Individual Income Tax Law of the PRC (the "**IIT Law**") and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Perpetual Securities by non-PRC resident enterprise or individual holders may be subject to the PRC income tax if such gain is regarded as income derived from sources within the PRC. The EIT Law levies EIT at the rate of 20% of the gains derived by such non-PRC resident enterprise from the transfer of Renminbi Perpetual Securities and its implementation rules have reduced EIT rate to 10%. The IIT Law levies IIT at a rate of 20% of the gains derived by such non-PRC resident or individual holder from the transfer of Renminbi Perpetual Securities. The rates of PRC tax on interest and capital gains may be reduced under an applicable income tax treaty.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Perpetual Securities by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law, the IIT Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, except otherwise stipulated by the tax laws of Hong Kong which grant any deduction or exemption for the tax of regains other than Hong Kong, if the Hong Kong residents have paid the tax in the PRC pursuant to the arrangement for their income from the PRC, the Hong Kong tax authorities would allow the Hong Kong residents to deduct the tax paid in the PRC from the Hong Kong tax imposed on them. However, such the amount to be deducted should not exceed the amount of Hong Kong tax to be imposed pursuant to the tax laws and regulations of Hong Kong.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Perpetual Securities, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Perpetual Securities reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Renminbi Perpetual Securities may be materially and adversely affected.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Perpetual Securities, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

RISKS RELATING TO THE PERPETUAL SECURITIES GENERALLY

The Issuer is a holding company and payments with respect to the Perpetual Securities are structurally subordinated to liabilities, contingent liabilities and obligations of the Issuer's subsidiaries

The Issuer is a holding company with no material operations and it conducts its operations through its operating subsidiaries in the PRC. The Perpetual Securities will not be guaranteed by any of its current subsidiaries in the PRC or any other entity. The Issuer's ability to pay distribution and any other amount payable on the Perpetual Securities will depend primarily upon the receipt of dividends or other payments from the Group's operating subsidiaries. Creditors of the Group's subsidiaries would have a claim on such subsidiaries' assets that would be prior to the claims of the Perpetual Securityholders. As a result, the Issuer's payment obligations under the Perpetual Securities will be effectively subordinated to all existing and future obligations of the Group's subsidiaries (including obligations of its subsidiaries under guarantees issued in connection with the Issuer's business), and all claims of creditors of the Group's subsidiaries will have priority with respect to the assets of such entities over the claims of the Issuer, including Perpetual Securityholders.

The ability of the Issuer to service payments on the Perpetual Securities and to meet its obligations depends on dividends and other distributions and payments from and among the Group's operating subsidiaries, which are subject to contractual, regulatory and other limitations

The Issuer is a holding company and depends on dividends and other distributions and payments from subsidiaries and branches of subsidiaries for substantially all of its cash flow. The Group's assets are held by these subsidiaries and branches of subsidiaries. The ability of the Issuer to pay its expenses and meet its obligations, including payments on the Perpetual Securities, is largely dependent upon the flow of funds from and among the Issuer's subsidiaries and branches of subsidiaries. There is no assurance that such subsidiaries and branches of subsidiaries will be able to make dividend payments and other distributions and payments in an amount sufficient to meet the Issuer's cash requirements or to enable the Issuer to make payment under the Perpetual Securities.

The payment of the Perpetual Securities and other distributions and payments from and among the Issuer's subsidiaries and branches of subsidiaries are regulated by applicable insurance, foreign exchange and tax laws, rules and regulations (including regulations regarding the repatriation of earnings, monetary transfer restrictions and foreign currency exchange regulations). The amount and timing of certain dividends, distributions and other payments by the Group's subsidiaries or branches of subsidiaries may require regulatory approval, the approval of the shareholders of the relevant entity and the approval of the board of directors of the relevant entity, any of which may prohibit the payment of dividends or other distributions and payments by the Issuer's subsidiaries and branches of subsidiaries if they determine that such payment could be adverse to the interests of such subsidiary or the creditors thereof.

Some of the Issuer's subsidiaries have entered into joint venture agreements with operating companies outside of the Group. The Group may from time to time sell or transfer assets to these joint venture companies. Some of the joint venture agreements the Group enters into may provide for certain rights in favour of the relevant joint venture partner, and this may include the right to limit or prevent dividends being paid to the Issuer by the joint venture entity. Such restrictions may reduce the cash-flow of the Issuer available to service its obligations under the Perpetual Securities.

Certain of the Issuer's subsidiaries may be restricted under loan agreements from making dividends to their shareholders. In some instances, this includes a restriction on using the proceeds from such loans to pay dividends directly to such shareholders. Loan agreements and other contractual financing arrangements entered into by the Group in the future could also be subject to similar restrictions set out in their various terms, as well as in the terms of the TOT, BOT and BOO agreements to which the Group is subject.

Limited liquidity of the Perpetual Securities issued under the Programme

There can be no assurance regarding the future development of the market for the Perpetual Securities issued under the Programme or the ability of the Perpetual Securityholders, or the price at which the Perpetual Securityholders may be able, to sell their Perpetual Securities. The Perpetual Securities may have no established trading market when issued, and one may never develop. Even if a market for the Perpetual Securities does develop, it may not be very liquid. Therefore, investors may not be able to sell their Perpetual Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Perpetual Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Perpetual Securities generally would have a more limited secondary market and more price volatility than conventional debt securities.

Liquidity may have a severely adverse effect on the market value of the Perpetual Securities. Although the issue of additional Perpetual Securities may increase the liquidity of the Perpetual Securities, there can be no assurance that the price of such Perpetual Securities will not be adversely affected by the issue in the market of such additional Perpetual Securities.

Fluctuation of market value of the Perpetual Securities issued under the Programme

Trading prices of the Perpetual Securities are influenced by numerous factors, including the market for similar perpetual securities, the operating results and/or financial condition of the Issuer, its subsidiaries, associated companies (if any) and/or joint venture companies (if any), political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer, its subsidiaries, associated companies and/or joint venture companies (if any) generally. Adverse economic developments, in Singapore as well as countries in which the Issuer, its subsidiaries and/or associated companies (if any) operate or have business dealings, could have a material adverse effect on the business, financial performance and financial condition of the Issuer, its subsidiaries, associated companies (if any) and joint venture companies (if any). As a result, the market price of the Perpetual Securities may be above or below the price at which the Perpetual Securities were initially issued to the market.

Global financial turmoil has resulted in substantial and continuing volatility in international capital markets. Any further deterioration in global financial conditions could have a material adverse effect on worldwide financial markets, which may also adversely affect the market price of the Perpetual Securities.

Interest rate risk

Perpetual Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in perpetual security prices, resulting in a capital loss for the Perpetual Securityholders. However, the Perpetual Securityholders may reinvest the distribution payments at higher prevailing interest rates. Conversely, when interest rates fall, perpetual security prices may rise. Perpetual Securityholders may enjoy a capital gain but distribution payments received may be reinvested at lower prevailing interest rates.

Inflation risk

Perpetual Securityholders may suffer erosion on the return of their investments due to inflation. Perpetual Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Perpetual Securities. An unexpected increase in inflation could reduce the actual returns.

Performance of contractual obligations

The ability of the Issuer to make payments in respect of any Perpetual Securities may depend upon the due performance by the other parties to the documents relating to the Programme or an issue of Perpetual Securities of the obligations thereunder including the performance by the Trustee and the Principal Paying Agent of their respective obligations. Whilst the non-performance of any relevant parties will not relieve the Issuer of its obligations to make payments in respect of any Perpetual Securities, the Issuer may not, in such circumstances, be able to fulfil its obligations to Perpetual Securityholders and/or the Couponholders.

The Perpetual Securities may not be a suitable investment for all investors

Each potential investor in the Perpetual Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Perpetual Securities, the merits and risks of investing in the Perpetual Securities and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Perpetual Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Perpetual Securities, including Perpetual Securities with principal or distribution payable in one or more currencies, or where the currency for principal or distribution payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Perpetual Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Perpetual Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Perpetual Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Perpetual Securities will perform under changing conditions, the resulting effects on the value of the Perpetual Securities and the impact such investment will have on the potential investor's overall investment portfolio.

Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Perpetual Securities are legal investments for them, (2) Perpetual Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Perpetual Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Perpetual Securities under any applicable risk-based capital or similar rules.

Modification and waivers

The terms and conditions of the Perpetual Securities contain provisions for calling meetings of Perpetual Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Perpetual Securityholders including Perpetual Securityholders who did not attend and vote at the relevant meeting and Perpetual Securityholders who voted in a manner contrary to the majority.

The terms and conditions of the Perpetual Securities also provide that the Trustee may agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed or any of the other Issue Documents (as defined in the Trust Deed) which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Perpetual Securities may be held, and (ii) any other modification (except as mentioned in the Trust Deed) to the Trust Deed and any of the other Issue Documents, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or any of the other Issue Documents which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders.

The Trustee may request Perpetual Securityholders to provide pre-funding, an indemnity and/or security to its satisfaction.

In certain circumstances, the Trustee may request Perpetual Securityholders to provide pre-funding, an indemnity and/or security to its satisfaction before it takes actions on behalf of Perpetual Securityholders. The Trustee shall not be obliged to take any such actions if not pre-funded and/or indemnified and/or secured to its satisfaction. Negotiating and agreeing to an indemnity and/or security can be a lengthy process and may impact on when such pre-funding actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security to it, in breach of the terms of the Trust Deed and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Perpetual Securityholder to take such actions directly.

A change in Singapore law which governs the Perpetual Securities may adversely affect Perpetual Securityholders

The Perpetual Securities are governed by Singapore law in effect as at the date of issue of the Perpetual Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Perpetual Securities.

The Perpetual Securities may be represented by Global Securities or Global Certificates and holders of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System (as defined below)

Perpetual Securities issued under the Programme may be represented by one or more Global Securities or Global Certificates. Such Global Securities or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, the Common Depositary, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a "**Clearing System**"). Except in the circumstances described in the relevant Global Security or Global Certificate, investors will not be entitled to receive Definitive Securities. The relevant Clearing System will maintain records of their accountholders in relation to the Global Securities and Global Certificates. While the Perpetual Securities are represented by one or more Global Securities or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Perpetual Securities are represented by one or more Global Securities or Global Certificates, the Issuer will discharge its payment obligations under the Perpetual Securities by making payments to the Common Depositary or, as the case may be, to CDP, for distribution to their accountholders or, as the case may be, to the relevant Paying Agent for distribution to the holders as appearing in the records of the relevant Clearing System. A holder of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Perpetual Securities. The Issuer bears no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities or Global Certificates.

Holders of beneficial interests in the Global Securities and Global Certificates will not have a direct right to vote in respect of the relevant Perpetual Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Perpetual Securityholders should be aware that Definitive Securities which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Perpetual Securities may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Perpetual Securities may provide that, for so long as the Perpetual Securities are represented by a Global Security or a Global Certificate and the relevant clearing system(s) so permit, the Perpetual Securities will be tradable in nominal amounts (a) equal to, or in integral multiples of, the minimum denomination, and (b) the minimum denomination plus integral multiples of an amount lower than the minimum denomination.

Definitive Securities will only be issued if, amongst other reasons more particularly set out in the relevant Global Security or Global Certificate, the relevant clearing system(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business. The Pricing Supplement may provide that, if Definitive Securities are issued, such Perpetual Securities will be issued in respect of all holdings of Perpetual Securities equal to or greater than the minimum denomination. However, Perpetual Securityholders should be aware that Definitive Securities that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Securities will in no circumstances be issued to any person holding Perpetual Securities in an amount lower than the minimum denomination and such Perpetual Securities will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Perpetual Securities.

The market prices of Perpetual Securities issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of perpetual securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the perpetual securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Exchange rate risks and exchange controls may result in Perpetual Securityholders receiving less distribution or principal than expected

The Issuer will pay principal and distribution on the Perpetual Securities in the currency specified. This presents certain risks relating to currency conversions if a Perpetual Securityholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Perpetual Securities are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Perpetual Securities are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Perpetual Securities are denominated would decrease (i) the Investor's Currency equivalent yield on the Perpetual Securities, (ii) the Investor's Currency equivalent value of the principal payable on the Perpetual Securities and (iii) the Investor's Currency equivalent market value of the Perpetual Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Perpetual Securityholders may receive less distribution or principal than expected, or no distribution or principal.

Changes in market interest rates may adversely affect the value of fixed rate Perpetual Securities

Investment in fixed rate Perpetual Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Perpetual Securities.

Perpetual Securities may be issued for which investors have no right to require redemption

The Perpetual Securities are perpetual and have no fixed final maturity date. Perpetual Securityholders have no right to require the Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, Perpetual Securityholders should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

If specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the Issuer elects to not to pay all or a part of a distribution under the Conditions

If Optional Payment is specified in the relevant Pricing Supplement, the Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations and (except on a *pro rata* basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations and (except on a *pro rata* basis) its Parity Obligations in the event that it does not pay a distribution in whole or in part. The Issuer is not subject to any limit as to the number of times or the amount with respect to which the Issuer can elect not to pay distributions under the Perpetual Securities. While the Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the Issuer not to pay a distribution in whole or in part, will likely have an adverse effect on the market price of the Perpetual Securities. In addition, if Non-Cumulative Deferral is specified in the relevant Pricing Supplement, any distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time if at all, whether or not funds are or subsequently become available, and any such distributions not paid at all will be lost and the Issuer will have no obligation to make payment of such distributions or to pay interest thereon. Accordingly, as a result of the potential non-cumulative distribution feature of the Perpetual Securities and the Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the Issuer's option at date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Perpetual Securities are perpetual securities and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to the date fixed for redemption. In addition, if specified on the relevant Pricing Supplement, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date, or any time after such Distribution Payment Date, upon the occurrence of certain other events. Please see the section on "Terms and Conditions of the Perpetual Securities — Redemption and Purchase" herein.

The date on which the Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the holder of Perpetual Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for default under the Perpetual Securities

Any scheduled distribution will not be due if the Issuer elects not to pay all or a part of that distribution pursuant to the Conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment has become due and the Issuer fails to make the payment when due and such failure continues for a period of more than three business days (in the case of distribution) or one business day (in the case of principal). The only remedy against the Issuer available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual Securities will be proving in such winding-up and/ or claiming in the liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Perpetual Securities.

The Issuer may raise or redeem other capital which affects the price of the Perpetual Securities

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. Similarly, subject to compliance with the Conditions, the Issuer may redeem securities that rank junior to, *pari passu* with, or senior to the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by holders of Perpetual Securities on a winding-up of the Issuer, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of holders of Perpetual Securities to sell their Perpetual Securities.

The Subordinated Perpetual Securities are subordinated obligations

The obligations of the Issuer under the Subordinated Perpetual Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the winding-up of the Issuer, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities will rank senior to the holders of all Junior Obligations and *pari passu* with the holders of all Parity Obligations, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities. In the event of a shortfall of funds or a winding-up, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Perpetual Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Perpetual Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of the Issuer and/or may increase the likelihood of a non-payment of distribution under the Subordinated Perpetual Securities.

Tax treatment of the Perpetual Securities is unclear

It is not clear whether any particular tranche of the Perpetual Securities (the "**Relevant Tranche of the Perpetual Securities**") will be regarded as debt securities by the IRAS for the purposes of the ITA or that distribution payments made under each Tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and whether the tax concessions available for qualifying debt securities under the qualifying debt securities scheme (as set out in the section "Singapore Taxation") would apply to the Relevant Tranche of the Perpetual Securities.

If the Relevant Tranche of the Perpetual Securities is not regarded as debt securities for the purposes of the ITA or the distribution payments made under each Tranche of the Perpetual Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Perpetual Securities.

PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from each issue of Perpetual Securities under the Programme (after deducting issue expenses) will be used by the Issuer and/or its subsidiaries for general corporate purposes, including, but not limited to, refinancing of existing borrowings, making investments and/or acquisitions, general working capital and corporate purposes. If, in respect of any particular issue of Perpetual Securities, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CLEARING AND SETTLEMENT

Clearance and Settlement under the Depository System

In respect of Perpetual Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Perpetual Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Perpetual Securities which are accepted for clearance by CDP, the entire issue of the Perpetual Securities is to be held by CDP in the form of a Global Security or a Global Certificate for persons holding the Perpetual Securities in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Perpetual Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Perpetual Securities through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the SFA to maintain securities sub-accounts and to hold the Perpetual Securities in such securities sub-accounts for themselves and their clients. Accordingly, Perpetual Securities for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Perpetual Securities in direct securities accounts with CDP, and who wish to trade Perpetual Securities through the Depository System, must transfer the Perpetual Securities to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of distribution and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Perpetual Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Principal Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Perpetual Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines or circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Perpetual Securities or of any person acquiring, selling or otherwise dealing with the Perpetual Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Perpetual Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Perpetual Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. It should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. Prospective holders of the Perpetual Securities are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership or disposal of the Perpetual Securities, including the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that neither the Issuer, the Arranger nor any other persons involved in the Programme accept responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of the Perpetual Securities.

In addition, the disclosure below is on the assumption that the IRAS regards each Tranche of the Perpetual Securities as "debt securities" for the purposes of the ITA and that distribution payments made under each Tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the other conditions for the qualifying debt securities scheme are satisfied. If any Tranche of the Perpetual Securities is not regarded as "debt securities" for the purposes of the ITA, any distribution payment made under any Tranche of the Perpetual Securities is not regarded as interest payable on indebtedness or holders thereof are not eligible for the tax concessions under the qualifying debt securities scheme, the tax treatment to holders may differ. Investors and holders of any Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any Tranche of the Perpetual Securities.

1. Interest and other payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium or break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax disclosure have the same meaning as defined in the ITA.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

"break cost" means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

"prepayment fee" means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

"redemption premium" means, in relation to debt securities, qualifying debt securities or qualifying project debt securities, any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

As the Programme is wholly arranged by DBS Bank Ltd., which was, at the time of establishment of the Programme, a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA), any Tranche of the Perpetual Securities issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2018 (the "**Relevant Securities**") would be, pursuant to the ITA, "qualifying debt securities" for the purpose of the ITA, to which the following treatment shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, of a return on debt securities for the Relevant Securities within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require to the MAS and the inclusion by the Issuer in all offering documents relating to the Relevant Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Securities using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Specified Income**") from the Relevant Securities paid by the Issuer and derived by a holder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Securities are not obtained from such operation in Singapore, are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, of a return on debt securities for the Relevant Securities within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require to the MAS), Specified Income from the Relevant Securities paid by the Issuer and derived by any company or body of persons (as defined in the ITA) in Singapore is generally subject to tax at a concessionary rate of 10%; and

(c) subject to:

    (i) the Issuer including in all offering documents relating to the Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and

    (ii) the Issuer, or such other person as the MAS may direct, furnishing to the MAS a return on debt securities for the Relevant Securities within such period as the MAS may specify and such other particulars in connection with the Relevant Securities as the MAS may require,

    payments of Specified Income derived from the Relevant Securities are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(a) if during the primary launch of any Tranche of Relevant Securities, the Relevant Securities of such Tranche are issued to fewer than four (4) persons and 50% or more of the issue of such Relevant Securities is beneficially held or funded, directly or indirectly, by a related party or related parties of the Issuer, such Relevant Securities would not qualify as "qualifying debt securities"; and

(b) even though a Tranche of Relevant Securities are "qualifying debt securities", if, at any time during the tenure of such Tranche of Relevant Securities, 50% or more of such Relevant Securities which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived from such Relevant Securities held by:

   (i) any related party of the Issuer; or

   (ii) any other person who acquires such Relevant Securities with funds obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "related party", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Notwithstanding that the Issuer is permitted to make payments of Specified Income in respect of the Relevant Securities without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose Specified Income (whether it is interest, discount income, prepayment fee, redemption premium or break cost) derived from the Relevant Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme ("**QDS Plus Scheme**"), subject to certain conditions having been fulfilled (including the furnishing by the Issuer or such other person as the MAS may direct, of a return on debt securities in respect of the qualifying debt securities within such period as the MAS may specify and such other particulars in connection with the qualifying debt securities as the MAS may require to the MAS), income tax exemption is granted on Specified Income derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2018 (both dates inclusive);

(b) have an original maturity date of not less than 10 years;

(c) cannot have their tenure shortened to less than 10 years from the date of their issue, except where —

   (i) the shortening of the tenure is a result of any early termination pursuant to certain specified early termination clauses which the Issuer included in any offering document for such qualifying debt securities; and

   (ii) the qualifying debt securities do not contain any call, put, conversion, exchange or similar option that can be triggered at specified dates or at specified prices which have been priced into the value of the qualifying debt securities at the time of their issue; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a Tranche of the Relevant Securities are "qualifying debt securities" which qualify under the QDS Plus Scheme, if, at any time during the tenure of such

Tranche of Relevant Securities, 50% or more of such Relevant Securities which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income from such Relevant Securities derived by:

(a) any related party of the Issuer; or

(b) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Relevant Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Relevant Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Perpetual Securities who adopt or are adopting Singapore Financial Reporting Standard 39 — Financial Instruments: Recognition and Measurement ("**FRS 39**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Relevant Securities, irrespective of disposal, in accordance with FRS 39. Please see the section below on "*Adoption of FRS 39 treatment for Singapore income tax purposes*".

3. Adoption of FRS 39 treatment for Singapore income tax purposes

The IRAS has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 - Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). Legislative amendments to give effect to the tax treatment set out in the FRS 39 Circular have been enacted in Section 34A of the ITA.

The FRS 39 Circular and Section 34A of the ITA generally apply, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

The Accounting Standards Council has issued a new financial reporting standard for financial instruments, FRS 109 — Financial Instruments, which will become mandatorily effective for annual periods beginning on or after 1 January 2018. It is at present unclear whether, and to what extent, the replacement of FRS 39 by FRS 109 will affect the tax treatment of financial instruments which currently follows FRS 39.Holders of the Perpetual Securities who may be subject to the tax treatment under the FRS 39 Circular and Section 34A of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Relevant Securities.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Perpetual Securities to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Perpetual Securities from the Issuer pursuant to the Programme Agreement.

The Arranger, the Dealers or any of their respective affiliates may have performed certain banking and advisory services for the Issuer and/or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business. The Issuer may from time to time agree with the relevant Dealer(s) that the Issuer may pay certain third parties commissions (including, without limitation, rebates to private banks as specified in the applicable Pricing Supplement).

The Dealers or certain of their respective affiliates may purchase the Perpetual Securities and be allocated the Perpetual Securities for asset management and/or proprietary purposes but not with a view to distribution.

In connection with each tranche of Perpetual Securities issued under the Programme, the Dealers or certain of their affiliates may purchase Perpetual Securities and be allocated Perpetual Securities for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates may place orders, receive allocations and purchase Perpetual Securities for their own account (without a view to distributing such Perpetual Securities) and such orders and/or allocations of the Perpetual Securities may be material. Such entities may hold or sell such Perpetual Securities or purchase further Perpetual Securities for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Perpetual Securities or other securities otherwise than in connection with the offering. Accordingly, references herein to the Securities being "offered" should be read as including any offering of the Perpetual Securities to the Arranger, the Dealers and/or their respective affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

United States

The Perpetual Securities have not been and will not be registered under the Securities Act, and the Perpetual Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act ("**Regulation S**").

Bearer Perpetual Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Perpetual Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Perpetual Securities are a part, as determined and certified to the relevant Paying Agent by such Dealer (or, in the case of an identifiable tranche of Perpetual Securities sold to or through more than one Dealer, by each of such Dealers with respect to Perpetual Securities of an identifiable tranche purchased by or through it, in which case the relevant Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Perpetual Securities during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Perpetual Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Perpetual Securities, an offer or sale of Perpetual Securities within the United States by a dealer that is not participating in the offering of such tranche of Perpetual Securities may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

From 1 January 2018, each Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Perpetual Securities which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression retail investor means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

    (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and

(b) the expression offer includes the communication in any form and by any means of sufficient information on the terms of the offer and the Perpetual Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities.

Prior to 1 January 2018, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Perpetual Securities which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Perpetual Securities to the public in that Relevant Member State:

(a) if the Pricing Supplement in relation to the Perpetual Securities specify that an offer of those Perpetual Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Perpetual Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Dealers; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Perpetual Securities referred to in paragraphs (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Perpetual Securities to the public**" in relation to any Perpetual Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Perpetual Securities to be offered so as to enable an investor to decide to purchase or subscribe the Perpetual Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Perpetual Securities which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Perpetual Securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Perpetual Securities would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Perpetual Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Perpetual Securities in, from or otherwise involving the United Kingdom.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that the Perpetual Securities may not be offered or sold directly or indirectly in the PRC (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Region or Taiwan). Neither this Information Memorandum nor any material or information contained or incorporated by reference herein relating to the Perpetual Securities, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the PRC pursuant to relevant laws and regulations, may be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Perpetual Securities in the PRC.

The material or information contained or incorporated by reference in this Information Memorandum relating to the Perpetual Securities does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Perpetual Securities may only be offered or sold to PRC investors that are authorised to engage in the purchase of the Perpetual Securities of the type being offered or sold. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange, CSRC, the China Banking Regulatory Commission, the China Insurance Regulatory Commission and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Perpetual Securities other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Perpetual Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Perpetual Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Perpetual Securities or caused the Perpetual Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Perpetual Securities or cause the Perpetual Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Perpetual Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Perpetual Securities or any interest therein or rights in respect thereof or has in its possession or distributes this Information Memorandum or any Pricing Supplement or any other document in connection with the offer or sale, or invitation for subscription or purchase, of the Perpetual Securities.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Perpetual Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. The name and position of each of the Directors are set out below:

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

2. The Directors are not related by blood or marriage to one another nor are they related to any substantial shareholder of the Issuer.

3. The interests of the Directors and the substantial shareholders of the Issuer in the Shares as at the Latest Practicable Date are as follows:

Directors

	Direct Interest(1)		Deemed Interest(1)	
Name	Number of Shares	%	Number of Shares	%
Dr. Lin Yucheng	—	—	85,681,334	3.77
Mr. Lee Suan Hiang	721,000	0.03	800,000	0.04
Mr. Tay Beng Chuan	2,250,000	0.10	—	—
Mr. Yeung Koon Sang alias David Yeung	1,200,000	0.05	—	—
Mr. Bi Jingshuang	—	—	538,048,010	23.67

Substantial Shareholders with Direct Interest

	Direct Interest(1)		Deemed Interest(1)	
Name	**Number of Shares**	**%**	**Number of Shares**	**%**
CRF Envirotech Co., Ltd.	538,048,010	23.67	—	—
CRF Envirotech Fund L.P.(2)	—	—	538,048,010	23.67
China Reform Soochow Overseas Fund I L.P.(3)	—	—	538,048,010	23.67
CRF Envirotech GP Ltd.(4)	—	—	538,048,010	23.67
China Reform Puissance Overseas GP L.P.(5)	—	—	538,048,010	23.67
China Reform Puissance Overseas Holdings Limited(6)	—	—	538,048,010	23.67
China Reform Overseas Feeder GP Ltd.(7)	—	—	538,048,010	23.67
China Reform Overseas Cayman Company Limited(8)	—	—	538,048,010	23.67
China Reform Fund Management Co., Ltd.(9)	—	—	538,048,010	23.67
Golden Bridge Capital Holdings Limited(10)	—	—	538,048,010	23.67
Soochow International Capital Limited(11)	—	—	538,048,010	23.67
Soochow Securities (Hong Kong) Financial Holdings Limited(12)	—	—	538,048,010	23.67
Soochow Securities Co., Ltd(13)	—	—	538,048,010	23.67
Bi Jingshuang(14)	—	—	538,048,010	23.67
CKM (Cayman) Company Limited(15)	—	—	1,437,493,128	63.25
CITIC Environment (International) Company Limited(16)	—	—	1,437,493,128	63.25
CITIC Environment(17)	—	—	1,437,493,128	63.25
CITIC Corporation Limited(17)	—	—	1,437,493,128	63.25
CITIC Limited(17)	—	—	1,437,493,128	63.25
CITIC Group(17)	—	—	1,437,493,128	63.25
CENVIT (Cayman) Company Limited	1,237,687,284	54.46	—	—
P&L Capital Limited	114,124,510	5.02	—	—

Notes:

(1) There are 2,272,726,276 issued Shares as at the Latest Practicable Date.

(2) CRF Envirotech Fund L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of two-thirds of the voting power in CRF Envirotech Co., Ltd.

(3) China Reform Soochow Overseas Fund I L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of one-third of the voting power in CRF Envirotech Co., Ltd.

(4) CRF Envirotech GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of CRF Envirotech Fund L.P.

(5) China Reform Puissance Overseas GP L.P. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Soochow Overseas Fund I L.P. and the parent company of CRF Envirotech GP Ltd.

(6) China Reform Puissance Overseas Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. as it is the general partner of China Reform Puissance Overseas GP L.P..

(7) China Reform Overseas Feeder GP Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty-two percent of the voting power in China Reform Puissance Overseas Holdings Limited.

(8) China Reform Overseas Cayman Company Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Feeder GP Ltd.

(9) China Reform Fund Management Co., Ltd. is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in China Reform Overseas Cayman Company Limited.

(10) Golden Bridge Capital Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty percent of the voting power in China Reform Puissance Overseas Holdings Limited.

(11) Soochow International Capital Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its holding of thirty percent of the voting power in China Reform Puissance Overseas Holdings Limited.

(12) Soochow Securities (Hong Kong) Financial Holdings Limited is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow International Capital Limited.

(13) Soochow Securities Co., Ltd is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through its shareholding interest in Soochow Securities (Hong Kong) Financial Holdings Limited.

(14) Bi Jingshuang is deemed interested in the Shares held by CRF Envirotech Co., Ltd. through his shareholding interest in Golden Bridge Capital Holdings Limited.

(15) CKM (Cayman) Company is deemed interested in the Shares held by its subsidiaries, CENVIT (Cayman) Company Limited, P&L Capital Limited and Green Resources Limited.

(16) CITIC Environment (International) Company Limited is deemed interested in the Shares held by CKM (Cayman) Company Limited through its controlling interest in CKM (Cayman) Company Limited.

(17) These companies are deemed interested in the Shares held by CITIC Environment (International) Company Limited through their direct and indirect shareholding interest in CITIC Environment (International) Company Limited.

SHARE CAPITAL

4. As at the Latest Practicable Date, there is only one class of ordinary shares in the Issuer. The rights and privileges attached to the Shares are stated in the Constitution of the Issuer.

5. The issued share capital of the Issuer as at the Latest Practicable Date is as follows:

Share Designation	Issued Share Capital	
	(Number of Shares)	Amount
Ordinary Shares	2,272,726,276	S$545,766,641

BORROWINGS

6. Save as disclosed in Appendix III, the Group had as at 31 December 2016 no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

7. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Perpetual Securities, the Issuer will have adequate working capital for their present requirements.

CHANGES IN ACCOUNTING POLICIES

8. There has been no significant change in the accounting policies of the Issuer since its audited consolidated financial statements for the financial year ended 31 December 2016.

LITIGATION

9. Neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Information Memorandum, a significant adverse effect on the financial position or profitability of the Issuer or the Group.

MATERIAL ADVERSE CHANGE

10. There has been no material adverse change in the financial position or prospects nor any significant change in the financial or trading position of the Issuer or the Group since 31 December 2016.

AUTHORISATIONS

11. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Perpetual Securities.

AUDITOR

12. Deloitte & Touche LLP (Public Accountants and Chartered Accountants) has audited, and rendered an unqualified audit report on, the consolidated financial statements of the Issuer as at and for the financial year ended 31 December 2016.

CONSENT

13. Deloitte & Touche LLP (Public Accountants and Chartered Accountants) has given and has not withdrawn its written consent to the issue of the Information Memorandum with the references herein to its name and, where applicable, reports in the form and context in which they appear in the Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

14. Copies of the following documents may be inspected at the office of the Issuer at 10 Science Park Road, #01-01, The Alpha, Singapore 117684 during normal business hours:

    (a) the Constitution of the Issuer;

    (b) the Trust Deed;

    (c) the letter of consent referred to in paragraph 13 above; and

    (d) the audited consolidated financial statements of the Issuer and its subsidiaries for the financial year ended 31 March 2015, FY2015 and the financial year ended 31 December 2016 and the announcement on the unaudited consolidated financial statements of the Issuer and its subsidiaries for the six months ended 30 June 2017.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

15. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CITIC ENVIROTECH LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL PERIOD FROM 1 APRIL 2015 TO 31 DECEMBER 2015

The information in this Appendix II has been reproduced from the auditor's report on the consolidated financial statements of CITIC Envirotech Ltd. and its subsidiaries for FY2015 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

(Formerly known as United Envirotech Ltd.)

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and the Company as at December 31, 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

February 29, 2016

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

		Group		Company	
	Note	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000
ASSETS					
Current assets					
Cash and bank balances	6	540,466	113,757	198,024	17,530
Trade receivables	7	218,323	212,686	–	–
Service concession receivables	8	4,342	4,776	–	–
Other receivables and prepayments	9	163,691	70,023	732,231	471,839
Inventories	10	10,570	13,244	–	–
Prepaid leases	11	766	108	–	–
		938,158	414,594	930,255	489,369
Assets classified as held for sale	12	34,582	28,696	–	–
Total current assets		972,740	443,290	930,255	489,369
Non-current assets					
Trade receivables	7	4,687	11,677	–	–
Service concession receivables	8	504,819	384,814	–	–
Other receivables and prepayments	9	16,293	16,116	–	–
Prepaid leases	11	36,704	7,541	–	–
Subsidiaries	13	–	–	279,023	235,396
Associates	14	10,608	–	10,611	–
Property, plant and equipment	15	148,871	76,790	249	298
Goodwill	16	255,365	255,365	–	–
Intangible assets	17	222,282	190,181	200	200
Deferred tax assets	18	517	950	–	–
Total non-current assets		1,200,146	943,434	290,083	235,894
Total assets		2,172,886	1,386,724	1,220,338	725,263

STATEMENTS OF FINANCIAL POSITION

December 31, 2015

		Group		Company	
	Note	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	19	237,141	60,379	–	1,350
Medium term notes	24	97,700	–	97,700	–
Trade payables	20	140,708	112,605	–	–
Other payables	21	52,641	79,398	21,071	35,132
Finance leases	22	180	47	17	16
Income tax payable		25,054	22,656	–	–
		553,424	275,085	118,788	36,498
Liabilities directly associated with assets classified as held for sale	12	31,238	26,204	–	–
Total current liabilities		584,662	301,289	118,788	36,498
Non-current liabilities					
Bank loans	19	188,610	160,395	–	–
Finance leases	22	256	180	83	96
Convertible bonds	23	–	58,782	–	58,782
Medium term notes	24	222,226	98,228	222,226	98,228
Deferred tax liabilities	18	36,376	26,505	–	–
Total non-current liabilities		447,468	344,090	222,309	157,106
Capital, reserves and non-controlling interests					
Share capital	25	607,973	484,125	607,973	484,125
Perpetual capital securities	26	242,055	–	242,055	–
General reserve	27	5,330	4,469	–	–
Capital reserve	28	2,096	2,096	–	–
Share option reserve	29	20,445	13,515	20,445	13,515
Convertible bonds reserve	23	–	8,707	–	8,707
Currency translation reserve	28	29,878	34,932	4,415	18,939
Retained earnings		193,971	160,816	4,353	6,373
Equity attributable to owners of the Company		1,101,748	708,660	879,241	531,659
Non-controlling interests		39,008	32,685	–	–
Total equity		1,140,756	741,345	879,241	531,659
Total liabilities and equity		2,172,886	1,386,724	1,220,338	725,263

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial period from April 1, 2015 to December 31, 2015

	Note	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Revenue	30	274,761	348,982
Other income	31	20,248	23,427
Changes in inventories		(2,673)	12,817
Material purchased, consumables used and subcontractors' fees		(111,973)	(197,955)
Employee benefits expense	33	(34,023)	(32,101)
Depreciation and amortisation expenses	33	(15,962)	(13,127)
Other operating expenses		(39,692)	(34,462)
Finance costs	32	(29,212)	(28,953)
Share of loss of associates	14	(3)	-
Share of profit of joint venture		-	1,283
Profit before income tax	33	61,471	79,911
Income tax expense	34	(18,861)	(17,480)
Profit for the year		42,610	62,431
Profit for the year attributable to:			
Owners of the Company		40,762	59,268
Non-controlling interests		1,848	3,163
		42,610	62,431
Earnings per share (cents):			
Basic	35	3.55	6.43
Diluted	35	3.39	5.95

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial period from April 1, 2015 to December 31, 2015

	Note	April1, 2015 to December 31 2015 $'000	April 1, 2014 to March 31 2015 $'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Currency translation (loss) gain		(5,054)	31,955
Fair value change in available-for-sale investment		–	(17,252)
Other comprehensive income for the year, net of tax		(5,054)	14,703
Total comprehensive income for the year		37,556	77,134
Total comprehensive income attributable to:			
Owners of the Company		35,708	73,971
Non-controlling interests		1,848	3,163
		37,556	77,134

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial period from April 1, 2015 to December 31, 2015

	Share capital $'000	General reserve $'000	Capital reserve $'000	Share option reserve $'000	Convertible bonds reserve $'000	Fair value reserve * $'000	Currency translation reserve $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group											
Balance at April 1, 2014	151,325	4,410	–	7,766	22,520	17,252	765	104,287	308,325	10,882	319,207
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	59,268	59,268	3,163	62,431
Other comprehensive income for the year	–	–	–	–	–	(17,252)	31,955	–	14,703	–	14,703
Total	–	–	–	–	–	(17,252)	31,955	59,268	73,971	3,163	77,134
Transactions with owners, recognised directly in equity											
Acquisition of subsidiaries (Note 40)	236,375	59	2,096	–	–	–	2,212	–	240,742	18,640	259,382
Recognition of share-based payment (Note 29)	–	–	–	7,109	–	–	–	–	7,109	–	7,109
Issuance of shares on conversion of convertible bonds	92,975	–	–	–	(13,813)	–	–	–	79,162	–	79,162
Issuance of shares on exercise of ESOS	3,450	–	–	(1,360)	–	–	–	–	2,090	–	2,090
Dividends (Note 36)	–	–	–	–	–	–	–	(2,739)	(2,739)	–	(2,739)
Total	332,800	59	2,096	5,749	(13,813)	–	2,212	(2,739)	326,364	18,640	345,004
Balance at March 31, 2015	484,125	4,469	2,096	13,515	8,707	–	34,932	160,816	708,660	32,685	741,345

STATEMENT OF CHANGES IN EQUITY

Financial period from April 1, 2015 to December 31, 2015

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserve $'000	Convertible bonds reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group											
Balance at 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	–	–	–	–	–	–	(5,054)	–	(5,054)	–	(5,054)
Total	–	–	–	–	–	–	(5,054)	40,762	35,708	1,848	37,556
Transactions with owners, recognised directly in equity											
Acquisition of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	2,466	2,466
Incorporation of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	2,009	2,009
Recognition of share-based payment (Note 29)	–	–	–	–	6,930	–	–	–	6,930	–	6,930
Issuance of share 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	–	–	(7,607)	357,380	4,475	361,855
Balance at December 31, 2015	607,973	242,055	5,330	2,096	20,445	–	29,878	193,971	1,101,748	39,008	1,140,756

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN EQUITY

Financial period from April 1, 2015 to December 31, 2015

	Share capital $'000	Share option reserve $'000	Convertible bonds reserve $'000	Fair value reserve* $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at April 1, 2014	151,325	7,766	22,520	17,252	802	3,594	203,259
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	5,518	5,518
Other comprehensive income for the year	–	–	–	(17,252)	18,137	–	885
Total	–	–	–	(17,252)	18,137	5,518	6,403
Transactions with owners, recognised directly in equity							
Acquisition of subsidiaries (Note 40)	236,375	–	–	–	–	–	236,375
Recognition of share-based payment (Note 29)	–	7,109	–	–	–	–	7,109
Issuance of shares on conversion of convertible bonds	92,975	–	(13,813)	–	–	–	79,162
Issuance of shares on exercise of ESOS	3,450	(1,360)	–	–	–	–	2,090
Dividends (Note 36)	–	–	–	–	–	(2,739)	(2,739)
Total	332,800	5,749	(13,813)	–	–	(2,739)	321,997
Balance at March 31, 2015	484,125	13,515	8,707	–	18,939	6,373	531,659

STATEMENT OF CHANGES IN EQUITY

Financial period from April 1, 2015 to December 31, 2015

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Convertible bonds reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at April 1, 2015	484,125	–	13,515	8,707	18,939	6,373	531,659
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	4,726	4,726
Other comprehensive income for the year	–	–	–	–	(14,524)	–	(14,524)
Total	–	–	–	–	(14,524)	4,726	(9,798)
Transactions with owners, recognised directly in equity							
Recognition of share-based payment (Note 29)	–	–	6,930	–	–	–	6,930
Issuance of share capital	47,562	–	–	–	–	–	47,562
Issuance of perpetual capital securities	–	242,055	–	–	–	–	242,055
Issuance of shares on conversion of convertible bonds	67,489	–	–	(8,707)	–	–	58,782
Issuance of shares on exercise of ESOS	8,797	–	–	–	–	–	8,797
Dividends (Note 36)	–	–	–	–	–	(6,746)	(6,746)
Total	123,848	242,055	6,930	(8,707)	–	(6,746)	357,380
Balance at December 31, 2015	607,973	242,055	20,445	–	4,415	4,353	879,241

*: Fair value reserve arises on the revaluation of available-for-sale investment. The available-for-sale investment has been disposed of during the financial year ended March 31, 2015.

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial period from April 1, 2015 to December 31, 2015

	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Operating activities		
Profit before income tax	61,471	79,911
Adjustments for:		
Gain on disposal of available-for-sale investment	–	(14,181)
Loss (Gain) on disposal of property, plant and equipment	122	(38)
Interest income	(5,276)	(1,251)
Interest expense	29,212	28,953
Share of loss of associates	3	–
Share of profit of joint venture	–	(1,283)
Depreciation and amortisation expenses	15,962	13,127
Share option expenses	6,930	7,109
Exchange differences arising on foreign currency translation	1,029	30,164
Operating cash flows before movements in working capital	109,453	142,511
Trade receivables	11,231	(92,795)
Other receivables and prepayments	(92,713)	23,230
Inventories	2,671	(659)
Trade payables	26,356	8,101
Other payables	(32,940)	(22,332)
Cash generated from operations	24,058	58,056
Interest received	4,691	1,251
Interest paid	(18,208)	(23,764)
Income tax paid	(8,284)	(4,284)
Net cash from operating activities	2,257	31,259

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial period from April 1, 2015 to December 31, 2015

	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Investing activities		
Investment in associates	(10,611)	–
Proceeds from disposal of property, plant and equipment	87	38
Addition to service concession receivables	(34,876)	(89,946)
Addition to intangible assets	(7,365)	(57,117)
Contribution from non-controlling shareholders	2,009	–
Disposal of available-for-sale investment	–	6,159
Purchase of property, plant and equipment	(76,946)	(10,138)
Net cash outflow on acquisition of subsidiary (Note 40)	(86,100)	(22,283)
Net cash used in investing activities	(213,802)	(173,287)
Financing activities		
New bank loans raised	171,770	157,635
Proceeds from issuance of shares, net of expenses	56,359	2,090
Proceeds from issuance of medium term notes, net of expenses	222,048	–
Dividends paid	(5,633)	(2,739)
Repayment of obligations under finance lease	(55)	(119)
Proceeds from issuance of perpetual capital securities	242,055	–
Redemption of medium term notes	(1,010)	–
Repayments of bank loans	(50,323)	(43,100)
Net cash from financing activities	635,211	113,767
Net increase (decrease) in cash and cash equivalents	423,666	(28,261)
Cash and cash equivalents at beginning of financial year	113,757	141,672
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	3,043	346
Cash and cash equivalents at end of financial year (Note 6)	540,466	113,757

Note:
During the year, the acquisition of property, plant and equipment of $8,504,000 (March 31, 2015 : $Nil) was financed via bank loans obtained by one of the subsidiaries of the Group.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

During the year, the Company changed its financial year end from March 31 to December 31 to be co-terminus with its immediate holding company's financial year end. The financial year covers the period from April 1, 2015 to December 31, 2015.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015 were authorised for issue by the Board of Directors on February 29, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Adoption of new and revised standards

On April 1, 2015, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

- FRS 109 *Financial Instruments* [2]
- FRS 115 *Revenue from Contracts with Customer* [2]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* [1]
- Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
- Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [1]
- Amendments to FRS 110 *Consolidated Financial Statements, FRS 112 Disclosure of Interests in Other Entities, FRS 28 Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* [1]

1 Applies to annual periods beginning on or after January 1, 2016, with early application permitted.
2 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

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

FRS 109 *Financial Instruments*

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

Key requirements of FRS 109 include:

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

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is 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 a financial liability's credit risk are not subsequently reclassified to profit or loss. Under the existing FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 109 *Financial Instruments (cont'd)*

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

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

  FRS 109 will take effect from financial years beginning on or after January 1, 2018. Management will undertake a detailed review of the effect of FRS 109 prior to implementation.

FRS 115 *Revenue from Contracts with Customers*

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

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

- Step 1: Identify the 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

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

FRS 115 will take effect from financial years beginning on or after January 1, 2018. The Group is currently evaluating the impact of the changes in the period of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The Group anticipates that the application of amendments to FRS 1 in the future will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Management anticipates that the adoption of the other FRSs and amendments to FRS issued but only effective in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

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 the amount of the 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation (cont'd)

- 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 period 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified/ permitted by applicable FRSs) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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 in accordance with FRS 39 Financial Instruments: Recognition and Measurement, or FRS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

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

- liabilities or equity instruments related to share-based payment transactions of the acquire 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 entities 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Business combinations (cont'd)

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

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

Other 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

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 where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the 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.

Derecognition of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

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 lease, medium term notes and convertible bonds 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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	-	$3\frac{1}{3}$%
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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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. 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.

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 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 as 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Associates (cont'd)

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.

Where a Group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associate.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve). In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share capital. Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 Revenue recognition (cont'd)

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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 as they fall due. 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 29 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Income tax (cont'd)

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, and are accounted for using the balance sheet liability method. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.24 Foreign currency transactions and translation (cont'd)

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Consolidated financial statements

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.25 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 to the financial statements, 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).

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

(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").

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

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

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 engineering 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.

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

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

Useful lives of patent and customer contracts

As described in Note 2 to the financial statements, the Group reviews the estimated useful lives of patent and customer contracts at the end of each annual reporting period. The carrying amounts of patent 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. Where there are indication of impairment, the Group estimates the recoverable amount based on 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 RISKS 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 risk 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 shareholders 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, minimum earnings before income tax, depreciation and amortisation to net finance charge ratio and maximum dividend 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 offsetting, enforceable master netting arrangements or similar netting agreements.

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

(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, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000
Financial assets				
Service concession receivables	509,161	389,590	–	–
Loans and receivables	281,234	266,481	732,231	471,839
Cash and bank balances	540,466	113,757	198,024	17,530
Financial guarantee contract	–	–	2,424	2,294
Total	1,330,861	769,828	932,679	491,663
Financial liabilities				
Trade payables	149,623	121,653	–	–
Other payables	73,817	95,386	21,071	35,132
Bank loans	425,751	220,774	–	1,350
Finance leases	436	227	100	112
Convertible bonds	–	58,782	–	58,782
Medium term notes	319,926	98,228	319,926	98,228
Total	969,553	595,050	341,097	193,604

(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.

(i) <u>Foreign exchange risk management</u>

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.

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

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

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

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, 2015				March 31, 2015			
	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000	US$ $'000	RM$ $'000	HK$ $'000	S$ $'000
Group								
Cash and bank balances	219,696	4,919	–	78,455	17,784	–	99	27,033
Other receivables and prepayment	–	–	–	–	1,082	–	–	49
Due from subsidiaries	–		–	–	–	2,435	–	–
Bank borrowings	(33,274)	–	–	(17,432)	(41,178)	–	–	(34,265)
Other payables	(620)	–	–	(5,232)	(368)	–	–	(993)
Finance leases	–	–	–	(371)	–	–	–	(112)
Convertible bonds	–	–	–	–	(58,782)	–	–	–
Medium term note	–	–	–	(319,926)	–	–	–	(98,228)
	185,802	4,919	–	(264,506)	(81,462)	2,435	99	(106,516)
Company								
Cash and bank balances	192,304	–	–	4,865	5,939	–	–	11,492
Other receivables and prepayment	–	–	–	–	1,082	–	–	49
Due from subsidiaries	–	2,399	–	–	–	2,435	–	–
Bank borrowings	–	–	–	–	–	–	–	(1,350)
Other payables	–	–	–	(5,232)	(368)	–	–	(993)
Finance leases	–	–	–	(100)	–	–	–	(112)
Convertible bonds	–	–	–	–	(58,782)	–	–	–
Medium term note	–	–	–	(319,926)	–	–	–	(98,228)
	192,304	2,399	–	(320,393)	(52,129)	2,435	–	(89,142)

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

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

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

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	
	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000
Profit or loss								
Group	(18,580)	8,146	(492)	(244)	–	(10)	26,450	10,652
Company	(19,230)	5,213	(240)	(244)	–	–	32,039	8,914
Other equity								
Group	–	–	–	–	–	–	(31,993) (i)	(9,823) (i)
Company	–	–	–	–	–	–	(31,993) (i)	(9,823) (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.

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

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

(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, 2015 would decrease/increase by $2,129,000 (March 31, 2015 : decrease/increase by $1,097,000). 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 year ended December 31, 2015, there was no single customer of the Group which accounts for more than 10% of the Group's revenue. For the financial year ended March 31, 2015, the largest customer of the Group accounted for approximately 30% of the Group's revenue. Other than this customer, there was no significant concentration of credit risk given to any single customer or group of customers. Management has assessed the credit worthiness of the third party and believed that the credit risk associated with this loan is minimum.

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

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

(iii) Credit risk management (cont'd)

The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is 98% concentrated in the PRC (March 31, 2015 : 97%).

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 in relation to the Group's pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC. 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 US$15,000,000 (March 31, 2015 : US$15,000,000). 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.

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

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

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or less than 1 year $'000	More than 1 year to 5 years $'000	More than 5 years $'000	Adjustment $'000	Total $'000
Group						
December 31, 2015						
Non-interest bearing	–	223,440	–	–	–	223,440
Fixed interest rate	5.9	105,396	267,079	–	(52,113)	320,362
Variable interest rate	5.1	249,235	139,026	92,803	(55,313)	425,751
Total		578,071	406,105	92,803	(107,426)	969,553
March 31, 2015						
Non-interest bearing	–	217,039	–	–	–	217,039
Fixed interest rate	8.6	1,726	193,298	–	(36,331)	158,693
Variable interest rate	4.9	62,339	180,074	5,956	(29,051)	219,318
Total		281,104	373,372	5,956	(65,382)	595,050
Company						
December 31, 2015						
Non-interest bearing	–	21,071	–	–	–	21,071
Fixed interest rate	5.9	105,233	266,886	–	(52,093)	320,026
Total		126,304	266,886	–	(52,093)	341,097
March 31, 2015						
Non-interest bearing	–	35,132	–	–	–	35,132
Fixed interest rate	8.7	1,573	188,564	–	(31,665)	158,472
Total		36,705	188,564	–	(31,665)	193,604

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

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

(iv) Liquidity risk management (cont'd)

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 $4,687,000 (March 31, 2015 : $11,677,000) and the Group's service concession receivables amounting to $504,819,000 (March 31, 2015 : $384,814,000) 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 US$15,000,000 (March 31, 2015 : US$15,000,000).

The earliest period that the guarantee could be called is within 1 year (March 31, 2015 : 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.

None of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

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.

5 RELATED PARTY TRANSACTIONS

The Company's immediate holding company is CKM (Cayman) Company Limited. CITIC Group Corporation 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	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Associates		
Sales of goods	35,794	–
Non-controlling shareholder of a subsidiary		
Income from waste water treatment	2,077	2,386

Compensation of directors and key management personnel

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

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Short-term benefits	4,154	3,653
Share-based payment	4,095	6,695
Post-employment benefits	111	153
Total	8,360	10,501

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

6 CASH AND BANK BALANCES

	Group		Company	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Fixed deposits	132,976	537	–	–
Cash at banks	407,398	113,155	198,024	17,530
Cash on hand	92	65	–	–
Cash and bank balances	540,466	113,757	198,024	17,530

The interest rates relating to fixed deposits for the Group ranged from 3.3% to 3.4% (March 31, 2015 : 3% to 3.15%) per annum and are for a tenure of approximately 90 to 210 days (March 31, 2015 : 90 days). These fixed deposits could be withdrawn at any time as required by the Group.

As at December 31, 2015, the Group had cash and cash equivalents placed with banks in PRC amounting to $164,178,000 (March 31, 2015 : $70,824,000). The repatriation of these cash out of PRC is subjected to the Foreign Exchange Control Regulations in PRC.

7 TRADE RECEIVABLES

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Outside parties	203,435	224,387
Related parties (Note 5)	19,599	–
	223,034	224,387
Less: Allowance for doubtful debts	(24)	(24)
Net	223,010	224,363

Movement in allowance for doubtful debts:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
At beginning and end of year	24	24

7 TRADE RECEIVABLES (cont'd)

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Presentation on the Statements of Financial Position:		
Current	218,323	212,686
Non-current	4,687	11,677
Total	223,010	224,363

The average credit period on sales of goods and rendering of services are 180 days (March 31, 2015 : 180 days). No interest is charged on the overdue trade receivables.

The Group's non-current trade receivables amounting to $4,687,000 (March 31, 2015 : $11,677,000) are due within 3 years (March 31, 2015 : 4 years).

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

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Not past due and not impaired	131,878	168,526
Past due but not impaired (i)	91,132	55,837
Total	223,010	224,363
Impaired receivables - collectively assessed (ii)	24	24
Less: Allowance for impairment	(24)	(24)
Net	–	–
Total trade receivables, net	223,010	224,363

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

< 6 months	45,747	39,344
> 6 months to 18 months	29,450	2,830
> 18 months to 30 months	12,621	12,691
> 30 months	3,314	972
Total	91,132	55,837

7 TRADE RECEIVABLES (cont'd)

(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 and 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, 2015	March 31, 2015
	$'000	$'000
Service concession receivables	509,161	389,590
Less: Non-current portion	(504,819)	(384,814)
Current portion	4,342	4,776

8 SERVICE CONCESSION RECEIVABLES (cont'd)

The maturity analysis of service concession receivables that are:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
In operation:		
On demand or within one year	4,342	4,776
In the second to fifth year inclusive	20,492	18,320
After five years	398,231	313,947
Total	423,065	337,043
Under construction	86,096	52,547
Total service concession receivables	509,161	389,590

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 24 (March 31, 2015 : 19) service concession arrangements as the end of the reporting period.

8 SERVICE CONCESSION RECEIVABLES (cont'd)

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	新民污水厂	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. (*f.k.a. Bazhou Max Rise Water Services Sci-Tech 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	30 years from 2009
Bofa Weifang 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. *(f.k.a Mengzhou Shengfang Water Service 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 2011
United Envirotech Water (Changyi) Co. Ltd	柳疃工业园污水厂/ 柳疃工业园供水厂/ 下营污水厂	Changyi city, Shandong Province	昌邑市柳疃镇人民政府/ 昌邑滨海下营开发区柳疃工业园区管理办公室/昌邑滨海下营开发区管理委员会	BOT	40,000 / 30,000 / 20,000	20 to 30 years from 2008 and 2012/2013
CITIC Envirotech Water Resource (Siyang) Co., Ltd. *(f.k.a. United Envirotech Water (Siyang) Co. Ltd)*	来安污水厂	Siyang county, Jiangsu Province	江苏省泗阳经济开发区管理委员	TOT	5,000	30 years from 2013
United Envirotech Water (Dafeng) Co. Ltd	石化园污水厂	Dafeng city, Jiangsu Province	大丰港经济区管委会	BOT	10,000	30 years from 2015

8 SERVICE CONCESSION RECEIVABLES (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
United Envirotech Water (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 2012
United Envirotech Water (Hegang) Co., Ltd	西区污水厂 / 东区污水厂	Hegang city, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	50,000 / 30,000	30 years from 2010 and 2011
United Envirotech Water (Xintai) Co. Ltd	楼德厂	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 year of commencement of operation #
United Envirotech Water Treatment (Guang An) Co. Ltd	四川广安前锋区西部牛仔城污水处理厂一期工程	Guang An city, Sichuan Province	广安市前锋区人民政府	BOT	50,000	30 years from year of commencement of operation #
United Envirotech Water Treatment (Hongwei) Co. Ltd	辽阳市宏伟区污水处理厂	Liaoyang city, Liaoning Province	辽阳市宏伟区人民政府	TOT and BOT	15,000	30 years from year of commencement of operation #
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd. *(f.k.a. United Envirotech Water Treatment (Liaoyang) Co. Ltd)*	辽阳中心厂	Liaoyang city, Liaoning Province	辽阳市人民政府	TOT	200,000	30 years from 2005
United 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
United Envirotech Water (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 year of commencement of operation #
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

8 SERVICE CONCESSION RECEIVABLES (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
Gaoyang Bishuilantian Water Co. Ltd	高阳县污水处理厂一期与二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000/ 120,000	28 years from 2010/2013
United Envirotech Water (Mianchi) Co. Ltd	渑池污水厂	Mianchi County, Henan Province	渑池县人民政府	BOT	20,000	25 years from 2013

\# The plants, which are currently under construction, are expected to be completed and to commence operation in fiscal year 2016.

(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 RMB438,959,000 (equivalent to $96,659,000) [March 31, 2015 : RMB253,777,000 (equivalent to $56,157,000)] 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.

8 SERVICE CONCESSION RECEIVABLES (cont'd)

(d) Service concession receivables amounting to $226,716,000 (March 31, 2015 : $151,040,000) are pledged to secure the loans for the Group (Note 19).

(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 6.36% to 14.50% (March 31, 2015 : 8.40% to 14.50%) 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 $100,522,000 (March 31, 2015 : $90,606,000) and $29,946,000 (March 31, 2015 : $38,424,000) 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	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Deposits for project tender and acquisition	87,080	17,428	–	–
Prepayments and advance payment to suppliers	38,924	24,943	–	–
Other deposits	1,131	57	304	303
VAT receivable	7,299	6,555	–	–
Dividend receivable from subsidiaries (Note 13)	–	–	67,581	43,582
Subsidiaries (Note 13)	–	–	647,595	414,593
Deposit for acquisition of subsidiaries	16,702	9,312	16,702	9,312
Commission income receivable	–	4,000	–	4,000
Other receivables	12,555	7,728	49	49
Total	163,691	70,023	732,231	471,839

Included in deposits for project tender and acquisition is an amount of $65,520,000 (March 31, 2015: $Nil) which relates to refundable deposits for the BOT and TOT concessions for waste water treatment plants in the PRC and Indonesia respectively which are still in the process of being finalised.

9 OTHER RECEIVABLES AND PREPAYMENTS (cont'd)

Presentation on the Statements of Financial Position:

	Group		Company	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Current	163,691	70,023	732,231	471,839
Non-current (Note A)	16,293	16,116	–	–
Total	179,984	86,139	732,231	471,839

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

Note A

This represents a prepayment for a TOT waste water treatment plant in Tangshan City, Hebei Province in the PRC.

10 INVENTORIES

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Raw materials, at cost	8,728	7,913
Trading merchandise, at cost	1,842	5,331
Total	10,570	13,244

11 PREPAID LEASES

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Cost:		
At beginning of year	8,766	5,743
Exchange realignment	(241)	517
Acquisition of subsidiaries (Note 40)	30,732	2,506
At end of year	39,257	8,766
Accumulated amortisation:		
At beginning of year	1,117	592
Exchange realignment	(21)	53
Charge to profit or loss	691	472
At end of year	1,787	1,117
Carrying amount:		
At December 31, 2015	37,470	7,649
At March 31, 2015	7,649	5,151

Presentation on Statements of Financial Position:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Current assets	766	108
Non-current assets	36,704	7,541
Total	37,470	7,649

This represents prepaid lease payments for land use rights for eight (March 31, 2015 : two) pieces of land located in the PRC on which the treatment plants of the subsidiaries are erected. All the land leases run for an initial period of 50 years commencing between 2007 and 2014.

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 $7,237,000 (March 31, 2015 : $7,649,000) to secure project financing facilities granted to the Group (Note 19).

12 ASSESTS CLASSIFIED AS HELD FOR SALE

On February 5, 2015, the Group signed an agreement to dispose of one of the Group's subsidiaries, Heilongjiang Qitaihe Wanxinglong Water Co. Ltd. to Harbin Wanxinglong Development Co. Ltd., the non-controlling shareholder, for a total proceeds of RMB24,870,000 ($5,503,000) which will be settled in four tranches with completion expected in August 2015. However, the completion was delayed due to the delay in settlement by Harbin Wanxinglong Development Co. Ltd.

12 ASSESTS CLASSIFIED AS HELD FOR SALE (cont'd)

Subsequent to the financial year, the Group received RMB20,460,000 ($4,505,000) and 24% of shares have been transferred on January 6, 2016. The remaining proceeds from disposal and transfer of 56% of shares are expected to be completed in 2016.

In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of the subsidiary 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.

As the proceeds for the disposal exceed the net carrying amount of the relevant assets and liabilities, no impairment loss has been recognised on these assets as held for sale.

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

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Assets classified as held for sale		
Intangible assets	27,756	27,707
Other receivables and prepayments	6,826	989
	34,582	28,696
Liabilities directly associated with assets classified as held for sale		
Trade payables	8,915	9,048
Other payables	21,176	15,988
Income tax payable	1,147	1,168
	31,238	26,204
Net assets of disposal group	3,344	2,492

13 SUBSIDIARIES

	Company	
	December 31, 2015	March 31, 2015
	$'000	$'000
Unquoted equity shares, at cost	257,956	202,279
Exchange realignment	16,244	28,388
Financial guarantee contracts	2,424	2,294
Net	276,624	232,961
Due from subsidiaries (non-trade)	2,399	2,435
Total	279,023	235,396

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.

13 SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		December 31, 2015	March 31, 2015
		%	%
CITIC Envirotech (Guangzhou) Co., Ltd [(a)] *(f.k.a. Novo Envirotech (Guangzhou) Co. Ltd)*	Environmental engineering/PRC	100	100
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd [(a)] *(f.k.a. United Envirotech Water (Liaoyang) Co. Ltd*	Operation of water treatment plant/PRC	100	100
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd [(a)] *(f.k.a. United Envirotech Water Treatment (Liaoyang) Co. Ltd)*	Operation of water treatment plant/PRC	100	100
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd [(a)] *(f.k.a. United Envirotech (Dafeng) Co. Ltd)*	Operation of water treatment plant/PRC	100	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 #	–
Memstar Pte. Ltd [(b)]	Manufacturing of polymers and investment holding /Singapore	100	100
Novo Envirotech (Tianjin) Co. Ltd [(a)]	Environmental engineering/ PRC	100	100
UE Novo (Malaysia) Sdn. Bhd. [(a)]	Investment holding company/ Malaysia	100	100
United Envirotech (Fuzhou) Co Ltd [(a)]	Environmental engineering/ PRC	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		December 31, 2015 %	March 31, 2015 %
United Envirotech (Hong Kong) Co. Ltd [(a)]	Investment holding company/ Hong Kong	100	100
United Envirotech Water (Hegang) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water Resource Pte Ltd [(b)]	Investment holding company/ Singapore	100	100
United Envirotech Water (Haimen) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100 #	–
United Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100 #	–
United Envirotech Water Treatment (Xintai) Co. Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water Resource (Weishan) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100 #	–
Subsidiaries of Novo Envirotech (Guangzhou) Co. Ltd.:			
Anhui Water Star Treatment and Operation Co. Ltd [(c)]	Manage and operate industrial waste water treatment plant/PRC	100	100
CITIC Envirotech Water Resource (Guangzhou) Co., Ltd [(c)] *(f.k.a. United Envirotech Water Treatment (Nansha) Co., Ltd)*	Management of waste water treatment system/ PRC	100	100
Gaoyang Bishuilantian Water Co. Ltd [(a)]	Operation of water treatment plant/ PRC	100 @	–
United Envirotech Water (Mianchi) Co. Ltd [(c)]	Operation of water treatment plant/ PRC	100 #	–
Novo Envirotech (Yantai) Co. Ltd [(c)]	Environmental engineering/ PRC	75	75

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		December 31, 2015 %	March 31, 2015 %
Subsidiary of Gaoyang Bishuilantian Water Co. Ltd:			
Gaoyang Changrun Water Co. Ltd [(c)]	Operation of waste water and industrial waste water treatment plant/ PRC	100[@]	–
Subsidiary of UE Novo (Malaysia) Sdn. Bhd.:			
Dataran Tenaga (M) Sdn. Bhd. [(a)]	Trading of pumps and engineering services/ Malaysia	100	100
Subsidiary of United Envirotech Water (Mianchi) Co. Ltd:			
Mianchi Hongwei Co. Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	55[#]	–
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 (Siyang) Co., Ltd [(a)] *(f.k.a. United Envirotech Water (Siyang) Co. Ltd)*	Operation of water treatment plant/PRC	100	100
United Envirotech Water (Changyi) Co Ltd [(a)]	Operation of water treatment plant/PRC	82	82
United Envirotech Water (Diaobingshan) Co Ltd [(c)]	Operation of water treatment plant/PRC	100	100
United Envirotech Water (Guang An) Co. Ltd [(c)]	Operation of water treatment plant/PRC	90	90[#]
United Envirotech Water (Liaoyang Hongwei) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		December 31, 2015 %	March 31, 2015 %
Subsidiaries of United Envirotech Water Resource Pte Ltd (cont'd):			
United Envirotech Water (Qidong) Co. Ltd [(a)]	Operation of water treatment plant/PRC	70	70
United Envirotech Water (Xintai) Co Ltd [(c)]	Operation of water treatment plant/PRC	100	100
PT CITIC Envirotech Indonesia [(c)]	Operation of water treatment plant/ Indonesia	70 [#]	–
PT Sumut Tirta Resource Co. Ltd [(c)]	Operation of water treatment plant/ Indonesia	70 [@]	–
United Envirotech Water Treatment (Dafeng) Co., Ltd [(a)]	Management of waste watertreatment system/ PRC	50/67 [@@]	50/67 [@@]
United Envirotech Water (Dongying) Co. Ltd [(a)]	Operation of water treatment plant/PRC	100 [#]	–
United Envirotech Water (Laixi) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100 [#]	–
United Envirotech Water Resource (Xinmin) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100 [#]	–
United Envirotech Water (Yantai) Co. Ltd [(c)]	Operation of water treatment plant/PRC	100	100
Subsidiaries of Memstar Pte Ltd:			
Bazhou Shenfang Water Services Co. Ltd [(c)]	Operation of water treatment plant/PRC	50 [**]	50
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd. [(c)] *(f.k.a. Mengzhou Shengfang Water Service Co. Ltd)*	Operation of water treatment plant/PRC	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held December 31, 2015 %	March 31, 2015 %
Subsidiaries of Memstar Pte Ltd (cont'd):			
CITIC Envirotech Water Resource (Tangshan) Co., Ltd. [c] *(f.k.a. Tangshan Max Rise Water Services Sci-Tech Co. Ltd)*	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Bazhou) Co., Ltd. [a] *(f.k.a. Bazhou Max Rise Water Services Sci-Tech Co. Ltd)*	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
Subsidiaries of United Envirotech Water (Changyi) Co. Ltd.:			
Bofa Weifang Water Treatment Co. Ltd [a]	Operation of water treatment plant/ PRC	82	82

13 SUBSIDIARIES (cont'd)

* *Subsidiary is 60% held by Novo Envirotech (Guangzhou) Co. Ltd. and 40% held by the Company.*

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

\# *Incorporated 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	
		December 31, 2015	March 31, 2015
Environmental engineering	PRC	3	3
Investment holding company	Malaysia	1	1
Investment holding company	Singapore	2	2
Investment holding company	Hong Kong	3	3
Manage and operate industrial waste water treatment plant	PRC	2	1
Operation of water treatment plant	PRC	22	14

13 SUBSIDIARIES (cont'd)

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		December 31, 2015	March 31, 2015
Operation of water treatment plant/ polyvinylidin hollow fibre (PVDF) membrane, membrane products and membrane system for both industrial and domestic/commercial sectors	PRC	3	2
Manufacturing of polymers and investment holding	Singapore	1	1
Trading of pumps and engineering services	Malaysia	1	1
		38	28

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries	
		December 31, 2015	March 31, 2015
Environmental engineering	PRC	1	1
Management of waste water treatment system	PRC	1	1
Operation of water treatment plant/ Industrial waste water treatment plant	PRC/Indonesia	9	6
		11	8

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, 2015:

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		Dec 31, 2015 %	Mar 31, 2015 %	Dec 31, 2015 $'000	Mar 31, 2015 $'000	Dec 31, 2015 $'000	Mar 31, 2015 $'000
United Envirotech Water (Changyi) Co. Ltd.	PRC	18	18	480	1,238	10,894	9,931
United Envirotech Water Treatment (Dafeng) Co., Ltd	PRC	50	50	1,326	519	15,923	14,590
United Envirotech Water (Qidong) Co. Ltd	PRC	30	30	(53)	63	4,966	5,121
Individually immaterial subsidiaries with non-controlling interests				95	1,343	7,225	3,043
				1,848	3,163	39,008	32,685

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

13 SUBSIDIARIES (cont'd)

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

	Changyi		Dafeng		Qidong	
	Dec 31, 2015	Mar 31, 2015	Dec 31, 2015	Mar 31, 2015	Dec 31, 2015	Mar 31, 2015
	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	24,036	21,161	8,318	2,187	2,348	1,463
Non-current assets	160,546	157,319	34,818	33,094	29,098	27,518
Current liabilities	(121,509)	(102,856)	(7,260)	(6,101)	(14,894)	(11,911)
Non-current liabilities	(6,038)	(20,453)	(4,030)	–	–	–
Equity attributable to owners of the Company	46,769	45,240	15,923	14,590	11,586	11,949
Non-controlling interests	10,266	9,931	15,923	14,590	4,966	5,121
Revenue	21,648	24,400	7,617	2,794	2,788	2,610
Expense	(18,983)	(20,000)	(4,965)	(1,756)	(2,964)	(2,400)
Profit (Loss) for the year, representing total comprehensive income for the year	2,665	4,400	2,652	1,038	(176)	210
Profit (Loss) for the year, representing total comprehensive income attributable to owners of the Company	2,185	3,162	1,326	519	(123)	147
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest	480	1,238	1,326	519	(53)	63
Net cash inflow (outflow) from operating activities	21,545	29,303	(2,768)	6,422	39	13,961
Net cash (outflow) from investing activities	(7,830)	(20,095)	(1,026)	(3,453)	–	(28,069)
Net cash (outflow) inflow from financing activities	(15,484)	(10,753)	4,796	(3,045)	–	15,100
Net cash (outflow) inflow	(1,769)	(1,545)	1,002	(76)	39	992

14 ASSOCIATES

	Group		Company	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	10,611	–	10,611	–
Share of post-acquisition loss and reserves	(3)	–	–	–
	10,608	–	10,611	–

Details of the associates are as follows:

Name of associates	Principal activities/Country of incorporation and operation	Effective interest and voting power held	
		December 31, 2015	March 31, 2015
		%	%
Beijing Beipai Membrane Technology Co., Ltd [(a)]	Manufacturing of membrane products/PRC	49%	–
Chengdu Xingrong Environment Co., Ltd [(b)]	Environmental engineering / PRC	49%	–

Notes on auditors:

(a) *Audited by Ruihua Certified Public Accountant, PRC. Not material for Group's consolidation purposes.*
(b) *Audited by ShineWing Certified Public Accoutants, 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 that are not individually material are set out below:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Total assets	55,384	–
Total liabilities	(33,736)	–
Net assets	21,648	–
Group's share of associates' net assets	10,608	–
Revenue	10,589	–
Loss for the year	(6)	–
Group's share of associates' loss for the year	(3)	–

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold building $'000	Leasehold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Plant and machinery $'000	Treatment plants $'000	Office equipment, furniture and fittings $'000	Construction in progress [(a)] $'000	Total $'000
Group										
Cost										
At April 1, 2014	106	603	15	364	2,911	5,602	11,804	1,265	–	22,670
Exchange realignment	(4)	57	1,357	47	250	4,117	1,959	114	–	7,897
Subsidiaries acquired (Note 40)	–	–	16,161	896	1,120	34,428	14,960	1,119	–	68,684
Additions	–	–	1,290	52	636	2,828	704	673	3,955	10,138
Transfer to service concession receivables (Note 8)	–	–	–	–	–	–	–	–	(3,955)	(3,955)
Disposals	–	–	–	–	(13)	–	–	–	–	(13)
At March 31, 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)	(2,425)	(7,504)
Subsidiaries acquired (Note 40)	–	–	–	–	–	–	–	72	–	72
Additions	–	–	10,758	229	629	12,877	26	2,602	58,329	85,450
Disposals	–	–	–	–	(276)	–	–	(555)	–	(831)
At December 31, 2015	97	630	29,581	1,569	5,161	56,700	27,733	5,233	55,904	182,608

(a) Pertains to construction work in progress carried out on water treatment and water supply plants which will be transferred to service concession receivables and/or intangible assets upon completion.

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land $'000	Freehold building $'000	Leasehold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Plant and machinery $'000	Treatment plants $'000	Office equipment, furniture and fittings $'000	Construction in progress $'000	Total $'000
Accumulated depreciation										
At April 1, 2014	–	52	5	187	1,597	4,328	2,293	720	–	9,182
Exchange realignment	–	11	290	18	170	2,068	216	94	–	2,867
Subsidiaries acquired (Note 40)	–	–	1,734	551	786	8,010	1,442	934	–	13,457
Depreciation	–	–	353	41	433	721	1,291	270	–	3,109
Disposals	–	–	–	–	(13)	–	–	–	–	(13)
At March 31, 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
Accumulated impairment										
As at April 1, 2014 and March 31, 2015 and December 31, 2015	–	–	–	17	–	–	–	12	–	29
Carrying amount										
At December 31, 2015	97	572	26,506	678	2,104	38,460	21,388	3,162	55,904	148,871
At March 31, 2015	102	597	16,441	545	1,931	31,848	24,185	1,141	–	76,790

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold improvement $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Company				
Cost				
At April 1, 2014	95	322	114	531
Additions	–	140	15	155
At March 31, 2015	95	462	129	686
Additions	–	–	7	7
At December 31, 2015	95	462	136	693
Accumulated depreciation				
At April 1, 2014	82	141	94	317
Depreciation	5	58	8	71
At March 31, 2015	87	199	102	388
Depreciation	7	46	3	56
At December 31, 2015	94	245	105	444
Carrying amount				
At December 31, 2015	1	217	31	249
At March 31, 2015	8	263	27	298

The carrying amounts of the Group's and the Company's motor vehicles include amounts of $441,000 (March 31, 2015 : $593,000) and $217,000 (March 31, 2015 : $263,000) respectively which are held under finance leases (Note 22).

The Group has pledged its leasehold building and a treatment plant with total carrying amount of approximately $20,312,000 (March 31, 2015 : $9,654,000) to banks for banking facilities granted to subsidiaries of the Group (Note 19).

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 December 31, 2015 $'000	Group March 31, 2015 $'000
Dataran Tenaga (M) Sdn Bhd	1,346	1,346
Memstar Pte. Ltd. (Note a)	254,019	254,019
	255,365	255,365

16 GOODWILL (cont'd)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units, are determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates and expected order book secured and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. Order book secured 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% (March 31, 2015 : 12.2%) and a growth rate of 5.0% (March 31, 2015 : 5.0%) per annum.

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

17 INTANGIBLE ASSETS

	Customer contracts $'000	Patents $'000	Operating concessions $'000	Club memberships $'000	Total $'000
Group					
Cost					
At April 1, 2014	–	–	150,286	200	150,486
Exchange realignment	–	–	6,502	–	6,502
Acquisition of subsidiaries (Note 40)	6,430	4,180	2,400	–	13,010
Additions	–	–	57,117	–	57,117
Reclassified as held-for-sale	–	–	(24,616)	–	(24,616)
At March 31, 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	–	–	7,365	–	7,365
At December 31, 2015	6,430	4,180	231,071	200	241,881
Accumulated amortisation					
At April 1, 2014	–	–	5,347	–	5,347
Exchange realignment	–	–	334	–	334
Amortisation for the year	1,388	902	7,256	–	9,546
Reclassified as held-for-sale	–	–	(2,909)	–	(2,909)
At March 31, 2015	1,388	902	10,028	–	12,318
Exchange realignment	–	–	(131)	–	(131)
Amortisation for the year	923	627	5,862	–	7,412
At December 31, 2015	2,311	1,529	15,759	–	19,599

17 INTANGIBLE ASSETS (cont'd)

	Customer contracts $'000	Patents $'000	Operating concessions $'000	Club memberships $'000	Total $'000
Carrying amount					
At December 31, 2015	4,119	2,651	215,312	200	222,282
At March 31, 2015	5,042	3,278	181,661	200	190,181

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. 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 30 years (March 31, 2015: 20 to 30 years).

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

(a) The Group has a total of 12 (March 31, 2015 : 10) service concession arrangements as at the end of the reporting period.

(b) Operating concessions amounting to $105,139,000 (March 31, 2015 : $109,278,000) are pledged to secure the loans for the Group (Note 19).

	Group	
	December 31, 2015 $'000	March 31, 2015 $'000
Amount to be amortised:		
Not later than one year	8,906	5,215
Later than one year but not later than five years	41,895	22,428
Later than five years	171,481	154,018
Total	222,282	181,661

17 INTANGIBLE ASSETS (cont'd)

Operating concessions arose from the following:

Name of subsidiary as operator	**Project name**	**Location in PRC**	**Name of grantor**	**Type of service concession arrangement**	**Contracted daily design capacity (tons/day)**	**Service concession period**
CITIC Envirotech Water Treatment (Liaoyang) Co. Ltd *(f.k.a United Envirotech Water (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 2011
United Envirotech Water (Changyi) Co. Ltd	柳疃污水厂/柳疃工业园污水厂	Changyi city, Shandong Province	昌邑市柳疃镇人民政府/柳疃工业园区管理办公室会	BOT	40,000 and 15,000	20 to 30 years from 2008 and 2012
CITIC Envirotech Water Resource (Siyang) Co. Ltd *(f.k.a United Envirotech Water (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	5,000/ 30,000/ 20,000	30 years from 2013 and 2016
United Envirotech Water (Qidong) Co. Ltd	启东滨江精细化工园	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 2015
CITIC Envirotech Water Resource (Liaoyang) Co. Ltd *(f.k.a. United Envirotech Water Treatment (Liaoyang) Co. Ltd)*	辽阳中心厂	Liaoyang city, Liaoning Province	辽阳市人民政府	TOT	200,000	30 years from 2005
United Envirotech Water (Hegang) Co., Ltd	西区再生水利用工程（中水厂）	Hegang city, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	30,000	30 years from year of commencement of operation

17 INTANGIBLE ASSETS (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water Resource (Bazhou) Co. Ltd *(f.k.a Bazhou Max Rise Water Services Sci-Tech 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
Gaoyang Bishuilantian Water Co. Ltd	高阳县污水处理厂一期与二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000/ 120,000	28 years from 2010/2013

18 DEFERRED TAX ASSETS (LIABILITIES)

	Group	
	December 31, 2015 $'000	March 31, 2015 $'000
Deferred tax assets	517	950
Deferred tax liabilities	(36,376)	(26,505)
Net	(35,859)	(25,555)

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 FRS112 $'000	Other allowances $'000	Net $'000
Group			
At April 1, 2014	(7,756)	615	(7,141)
Acquisition of subsidiaries (Note 40)	(8,168)	322	(7,846)
(Charge) Credit to profit or loss	(10,581)	13	(10,568)
At March 31, 2015	(26,505)	950	(25,555)
Acquisition of subsidiaries (Note 40)	(5,000)	–	(5,000)
Charge to profit or loss	(4,871)	(433)	(5,304)
At December 31, 2015	(36,376)	517	(35,859)

18 DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

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 $13,748,000 (March 31, 2015 : $10,741,000). 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.

19 BANK LOANS

	Group		Company	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Bank loans (unsecured)	43,546	20,779	–	–
Bank loans (secured)	382,205	199,995	–	1,350
Total	425,751	220,774	–	1,350
The loans are repayable as follows:				
On demand or within one year	237,141	60,379	–	1,350
More than one year	188,610	160,395	–	–
Total	425,751	220,774	–	1,350
Average effective interest rates (per annum)	5.1%	4.9%	–	3.8%

The bank loans of the Group amounting to $140,552,000 (March 31, 2015 : $91,428,000) are secured by the service concession receivables of its subsidiaries (Note 8d), prepaid leases (Note 11) and treatment plants (Note 15) of its subsidiaries.

The bank loans of the Group amounting to $105,934,000 (March 31, 2015 : $108,469,000) are secured by the shares of certain subsidiaries.

The bank loans of the Group amounting to $9,283,000 (March 31, 2015 : $Nil) are secured by a charge over the Group's leasehold building (Note 15).

The bank loans of the Group amounting to $126,436,000 (March 31, 2015 : $Nil) are secured by standby letters of credit.

In prior year, the bank loans of the Group amounting to $98,000 was secured by a charge over the Group's freehold land and freehold building (Note 15) which was repaid fully during the financial year.

20 TRADE PAYABLES

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Outside parties	140,708	112,605

The average credit period on purchases of goods is 30 days (March 31, 2015 : 30 days). No interest is charged on overdue trade payables.

21 OTHER PAYABLES

	Group		Company	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Value added tax	20,927	11,462	–	–
Advance receipts	592	3,222	–	–
Accruals	19,604	19,394	6,345	1,362
Subsidiaries (Note 13)	–	–	14,726	33,770
Other payables to outside parties	11,518	45,320	–	–
Total	52,641	79,398	21,071	35,132

22 FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'000
Within one year	114	55	180	47	26	22	17	16
In the second to fifth year inclusive	356	173	218	148	96	86	76	73
After the fifth year	21	32	38	32	7	23	7	23
Total	491	260	436	227	129	131	100	112
Less: Future finance charges	(55)	(33)	NA	NA	(29)	(19)	NA	NA
Present value of lease obligations	436	227	436	227	100	112	100	112
Less: Due within one year			(180)	(47)			(17)	(16)
Due after one year			256	180			83	96

The average remaining lease terms for the Group and the Company are 3 to 5 years and 4 years (March 31, 2015 : 3 to 5 years and 5 years) respectively. For the year ended December 31, 2015, the average effective borrowing rates for both the Group and the Company were 4.3% to 5.2% (March 31, 2015 : 4.2% to 6.4%) 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.

23 CONVERTIBLE BONDS

On October 4, 2011, the Company issued $137,264,000 (equivalent to US$113,800,000), 2.5% convertible bonds. The convertible bonds entitle the holders to convert them into ordinary shares of the Company (unless previously redeemed, converted or purchased and cancelled) at any time on or after October 4, 2011 up to the close of business on September 28, 2016 at a conversion price (subject to adjustments) of $0.450 per share at a fixed exchange rate of $1.20619 per US$. Unless previously redeemed, purchased or cancelled, the convertible bonds will be redeemed on October 3, 2016. Interest of 2.5% will be paid annually in arrears with the first interest payment date falling on October 3, 2012.

Unless previously redeemed or converted and cancelled, the convertible bonds will be redeemed at a redemption price equivalent to United States dollars ("USD") principal amount plus accrued interest at 100 per cent on the maturity. Meanwhile, the holders will have a right to require the Company to redeem the bonds at a redemption price equivalent to USD principal amount together with the interest accrued on that date following occurrence of relevant events (as defined in the Offering Circular).

23 CONVERTIBLE BONDS (cont'd)

The net proceeds received from the issue of the bonds have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	Group and Company	
	December 31, 2015	March 31, 2015
	$'000	$'000
Nominal value of bonds issued	–	54,868
Less: Transaction costs	–	(3,152)
Net value of bonds issued	–	51,716
Equity component at date of issue	–	(8,707)
Liability component at date of issue	–	43,009
Exchange realignment	–	3,658
Cumulative interest accrued	–	16,754
Total	–	63,421
Less: Interest payables included in accruals (Note 21)	–	(368)
Less: Coupon paid to bondholders	–	(4,271)
Liability component at end of year	–	58,782

The interest accrued is calculated by applying an effective interest rate of 9.9% (March 31, 2015 : 9.9%) to the liability component.

During the year, the remaining US$44,000,000 (March 31, 2015 : US$69,800,000) of convertible bonds have been converted to ordinary shares of the Company.

24 MEDIUM TERM NOTES

	Group and Company	
	December 31, 2015	March 31, 2015
	$'000	$'000
At beginning of the year	98,228	97,016
Issued during the year, net of issuance cost	222,048	–
Early redemption during the year	(1,010)	–
Amortisation of issuance cost charge to profit or loss (Note 32)	660	1,212
At end of the year	319,926	98,228

24 MEDIUM TERM NOTES (cont'd)

Presentation on Statements of Financial Position:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Current liabilities	97,700	–
Non-current liabilities	222,226	98,228
Total	319,926	98,228

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 will mature 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, 2015 to be approximately $326,025,000 (March 31, 2015 : $99,950,000). The fair value is based on the bid price extracted from Bloomberg as at December 31, 2015 and management determined the Notes to be under Level 2 fair value hierarchy.

24 MEDIUM TERM NOTES (cont'd)

The net carrying amount of the Notes was stated net of issue expenses totalling S$6,499,000 (March 31, 2015 : $3,419,000). 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, 2015, accumulated amortisation amounted to $2,131,000 (March 31, 2015 : $1,471,000).

25 SHARE CAPITAL

	Group and Company			
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid-up:				
At beginning of the year	963,361	594,132	484,125	151,325
Issuance of shares, net of expenses	164,404	369,229	123,848	332,800
At end of the year	1,127,765	963,361	607,973	484,125

The ordinary shares, which have no par value, carry on vote per share and carry a right to dividends as and when declared by the Company.

During the current financial year, the Company issued:

(a) 30,303,031 ordinary shares at $47,562,000 pursuant to the issuance of new ordinary shares to CENVIT (Cayman) Company Limited.

(b) 117,926,189 (March 31, 2015 : 187,073,818) ordinary shares at $67,489,000 (March 31, 2015 : $92,975,000) pursuant to the conversion of convertible bonds.

(c) 16,174,500 (March 31, 2015 : 8,350,000) ordinary shares at $8,797,000 (March 31, 2015 : $3,450,000) pursuant to the conversion of the Employee Share Option Scheme.

During the previous financial year, the Company issued 173,805,000 ordinary shares at $236,375,000 for the purchase consideration of Memstar Pte.Ltd. and its principal subsidiaries.

Share options over ordinary shares granted under the employee share option scheme:

As at December 31, 2015, employees held options over 53,875,500 ordinary shares (of which 21,739,935 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
3,000,000	July 20, 2020
33,775,500	February 15, 2023
12,000,000	March 28, 2023
5,100,000	July 25, 2024
53,875,500	

25 SHARE CAPITAL (cont'd)

As at March 31, 2015, employees held options over 70,950,000 ordinary shares (of which 52,696,000 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
400,000	March 1, 2020
3,000,000	July 20, 2020
49,550,000	February 15, 2023
12,000,000	March 28, 2023
6,000,000	July 25, 2024
70,950,000	

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. 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").

The perpetual capital securities bears distributions which are payable semi-annually. Subject to the terms and conditions of the perpetual capital securities, the Company may elect to defer making distributions on the perpetual capital securities, and is not subject to any limits as to the number of times a distribution can be deferred.

As a result, the Company is considered to have no contractual obligations to repay its principal or to pay any distributions and the perpetual capital securities do not meet the definition for classification as a financial liability under 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.

27 GENERAL RESERVE (cont'd)

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Statutory surplus reserve fund:		
At beginning of year	4,469	4,410
Transfer from retained earnings	861	–
Acquisition of subsidiaries (Note 40)	–	59
At end of year	5,330	4,469

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 majority 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.

29 SHARE-BASED PAYMENTS (cont'd)

Details of the share options outstanding during the year are as follows:

	Group and Company			
	December 31, 2015		March 31, 2015	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at beginning of year	70,950,000	0.5962	73,300,000	0.5124
Granted	–	–	6,000,000	1.135
Exercised	(16,174,500)	0.5445	(8,350,000)	0.2507
Forfeited	(900,000)	1.1350	–	–
Outstanding at end of year	53,875,500	0.6028	70,950,000	0.5962
Exercisable at end of year	48,775,500	0.5921	18,254,000	0.5162

For the year ended December 31, 2015, the weighted average share price at the date of grant for share options granted was $0.6028 (March 31, 2015 : $0.5962). The options outstanding at the end of the year have a weighted average remaining contractual life of 6 years (March 31, 2015 : 7 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: March 1, 2010	
Weighted average share price ($)	0.3000
Weighted average exercise price ($)	0.2502
Expected volatility (%)	52.87
Expected life (years)	3
Risk free rate (%)	2.72
Expected divided yield (%)	Nil
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

29 SHARE-BASED PAYMENTS (cont'd)

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, 2015, the estimated fair values of the options granted were $32,476,150 (March 31, 2015 : $42,300,390).

For the financial year ended December 31, 2015, the Group and the Company recognised an expense of $6,930,000 (March 31, 2015 : $7,109,000) related to fair value of the options granted.

30 REVENUE

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Revenue from environmental engineering projects	113,317	189,623
Income from waste water treatment	77,601	71,922
Finance income from service concessions	28,859	30,280
Sales of goods	48,492	47,339
Technical services income	6,492	9,818
Total	274,761	348,982

31 OTHER INCOME

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Interest income	5,276	1,251
Foreign exchange gain - net	3,111	2,953
Commission income	2,695	1,907
Gain from disposal of available-for-sale investment	–	14,181
Gain from disposal of property, plant and equipment	–	38
Government grant and VAT refund	5,170	1,739
Others	3,996	1,358
Total	20,248	23,427

32 FINANCE COSTS

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Interest expense from:		
Bank borrowings	15,528	13,673
Convertible bonds	554	6,808
Finance leases	14	9
Amortisation of medium term notes issue expense (Note 24)	660	1,212
Medium term notes	12,456	7,251
Total	29,212	28,953

33 PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Foreign exchange gain, net	(3,111)	(2,953)
Auditors' remuneration:		
Paid to auditors of the Company	290	275
Paid to member firms of the auditors of the Company	756	749
Paid to other auditors	91	90
Non-audit fees:		
Paid to auditors of the Company	150	230
Paid to member firms of the auditors of the Company	–	129
Gain from disposal of available-for-sale investment	–	(14,181)
Loss (Gain) from disposal of property, plant and equipment	122	(38)

33 PROFIT BEFORE INCOME TAX (cont'd)

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Employee benefits expense	27,503	26,009
Directors' remuneration	2,242	1,655
Directors' fee	180	198
Cost of defined contribution retirement plans	4,098	4,239
Total employee benefits expenses	34,023	32,101
Depreciation of property, plant and equipment	7,859	3,109
Amortisation of intangible assets	7,412	9,546
Amortisation of prepaid leases	691	472
Total depreciation and amortisation expenses	15,962	13,127

34 INCOME TAX EXPENSE

Current tax	13,035	6,505
Underprovision in prior years	134	39
Deferred tax (Note 18)	5,304	10,568
Withholding tax	388	368
Income tax expense	18,861	17,480

(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 (f.k.a. Novo 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) Aton Environmental (Shenyang) Co. Ltd and United Envirotech Water (Diaobingshan) Co. Ltd – The entities, being productive foreign investment enterprises, enjoy a 12.5% tax incentive with renewal annually.

(iii) United Envirotech Water (Changyi) Co. Ltd, CITIC Envirotech Water (Siyang) Co. Ltd (f.k.a. United Envirotech Water (Siyang) Co. Ltd), United Envirotech Water (Hegang) Co., Ltd, Gaoyang Bushuilantian Water Co. Ltd are granted to claim tax exemption from the PRC income tax for the first three years commencing its first profit-making year of operations, after offsetting all tax losses carried forward from the previous years, and thereafter, entitled to claim 50% relief from PRC income tax for the next three years.

34 INCOME TAX EXPENSE (cont'd)

(b) The income tax expense varied from the amount of income tax expense determined by applying the Singapore domestic income tax rate of 17% (March 31, 2015 : 17%) to profit before income tax as a result of the following differences:

	Group	
	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Profit before income tax	61,471	79,911
Tax expense at the Singapore domestic income tax rate of 17%	10,450	13,585
Tax effect of expense that are not deductiblein determining taxable profits	2,783	2,054
Deferred tax benefit not recognised	3,655	1,088
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,423	2,241
Tax exempt income	(1,021)	(1,508)
Underprovision in prior years	134	39
Withholding tax	388	368
Others	1,049	(387)
Total	18,861	17,480

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

	Group	
	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Amount at beginning of year	30,867	26,515
Amount arising	18,715	4,352
Amount at end of year	49,582	30,867
Deferred tax benefit on above unrecorded	10,274	5,595

34 INCOME TAX EXPENSE (cont'd)

No deferred tax asset on the tax losses carryforwards has been recognised due to the unpredictability of future profits streams of the loss-making entities.

The above deferred tax benefits unrecorded are subject to agreement with the Comptroller of Income Tax and the tax authorities, as well as conditions imposed by law.

35 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	April 1, 2015 to December 31, 2015 $'000	April 1, 2014 to March 31, 2015 $'000
Earnings ($'000)		
Profit attributable to owners of the Company	40,762	59,268
Effect of dilutive potential ordinary shares:		
Dividends on perpetual capital securities	(1,113)	–
Interest on convertible loans (net of tax)	–	6,808
Earnings for the purposes of diluted earnings per share	39,649	66,076
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,115,504	921,170
Effect of dilutive potential ordinary shares from share options and convertible bonds	53,876	188,476
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,169,380	1,109,646
Earnings per share (cents)		
- Basic	3.55	6.43
- Diluted	3.39	5.95

36 DIVIDENDS

During the financial year, a tax exempt (1-tier) dividend of $0.005 per ordinary shares totalling $4,816,000 on 963,361,000 shares was paid to shareholders in respect of the financial year ended March 31, 2015. In addition, tax exempt (1-tier) dividend of $0.005 per ordinary shares totalling $817,000 on the 164,404,000 additional shares issued during the financial year of 164,404,000 were declared and paid during the financial year.

A tax exempt (1-tier) dividend of $1,113,000 on the perpetual capital securities were declared in respect of the financial year ended December 31, 2015.

During the financial year ended March, 31 2015, a tax exempt (1-tier) dividend of $0.003 per ordinary shares totalling $2,739,729 on 913,243,000 shares was paid to shareholders in respect of the financial year ended March 31, 2014.

Subsequent to the year end, the directors of the Company propose a tax exempt (1-tier) dividend of $0.0036 per ordinary shares totalling $4,059,954 on 1,127,765,088 shares for the financial year ended December 31, 2015. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

37 OPERATING LEASE ARRANGEMENTS

	Group	
	April 1, 2015 to December 31, 2015	April 1, 2014 to March 31, 2015
	$'000	$'000
Minimum lease payments under operatingleases recognised as an expense in the year	817	1,379

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	
	December 31, 2015	March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	434	1,146	167	170
In the second to fifth year inclusive	149	394	20	135
Total	583	1,540	187	305

37 OPERATING LEASE ARRANGEMENTS (cont'd)

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 (March 31, 2015 : 2 years).

38 CONTINGENT LIABILITIES

The Company provided corporate guarantee to a subsidiary, CITIC Envirotech Water Resource (Siyang) Co., Ltd (f.k.a United Envirotech Water (Siyang) Co Ltd) for banking facilities up to US$15,000,000 (March 31, 2015 : US$15,000,000).

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 and a joint venture, 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.

39 SEGMENT INFORMATION (cont'd)

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

	From April 1, 2015 to December 31, 2015					From April 1, 2014 to March 31, 2015				
	Engineering $'000	Treatment $'000	Membrane $'000	Elimination $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Elimination $'000	Total $'000
Revenue										
External sales	119,809	106,460	68,894	(20,402)	274,761	199,441	102,202	58,559	(11,220)	348,982
Results										
Segment result	20,132	51,606	33,729	(20,402)	85,065	27,946	43,680	31,397	(11,220)	91,803
Finance costs					(29,212)					(28,953)
Unallocated corporate expenses					(2,766)					(2,607)
Gain on disposal of available-for sale investment					–					14,181
Foreign exchange gain					3,111					2,953
Share of loss of associates					(3)					–
Share of profit of joint venture					–					1,283
Interest income					5,276					1,251
Profit before income tax					61,471					79,911
Income tax					(18,861)					(17,480)
Profit for the year					42,610					62,431

39 SEGMENT INFORMATION (cont'd)

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, 2015				March 31, 2015			
	Engineering	Treatment	Membrane	Total	Engineering	Treatment	Membrane	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	275,718	1,269,275	265,667	1,810,660	335,103	826,121	150,698	1,311,922
Unallocated corporate assets				362,226				74,802
Consolidated total assets				2,172,886				1,386,724
Segment liabilities	288,092	248,978	66,829	603,899	139,433	241,493	26,264	407,190
Unallocated corporate liabilities				428,231				238,189
Consolidated total liabilities				1,032,130				645,379

Unallocated corporate assets mainly represent the Group's investment holding entities' cash and bank balances and other financial assets.

Unallocated corporate liabilities represent the Group's investment holding entities' finance leases, bank loans, deferred tax liabilities, medium term notes and convertible bonds at corporate level.

Other information

	From April 1, 2015 to December 31, 2015				From April 1, 2014 to March 31, 2015			
	Engineering	Treatment	Membrane	Total	Engineering	Treatment	Membrane	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Additions to non-current assets	132	250,586	23,328	274,046	356	149,691	239,466	389,513
Depreciation and amortisation	231	9,233	6,498	15,962	268	7,766	5,093	13,127

39 SEGMENT INFORMATION (cont'd)

Geographical segment

The geographical locations of the customers of the Group principally comprise the People's Republic of China ("PRC"), United States of America ("USA") and Malaysia.

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	
	From April 1, 2015 to December 31, 2015	From April 1, 2014 to March 31, 2015	December 31, 2015	March 31, 2015
	$'000	$'000	$'000	$'000
PRC	264,008	329,523	1,168,870	935,314
Singapore	–	–	29,676	6,498
USA	2,560	3,218	–	–
Malaysia	8,193	16,241	1,600	1,622
Total	274,761	348,982	1,200,146	943,434

Non-current assets information presented above mainly consist of prepaid lease, property, plant and equipment, service concession receivables, intangible assets, club memberships, goodwill, associates and deferred tax assets.

Information about major customers

Revenue from the major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'000
Engineering segment (one customer)	–	104,444

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, 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, is 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, is 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 are as follows:

	Gaoyang BSLT $'000	PT Sumut $'000	Total $'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	34,896	2,461	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	77,868	10,700	88,568
Less: Non-controlling interest	–	(2,466)	(2,466)
Total consideration paid	77,868	8,234	86,102

40 ACQUISITION OF SUBSIDIARIES (cont'd)

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.

<u>For the financial year ended March 31, 2015</u>

During the financial year ended March 31, 2015, the Group acquired 100% equity interest of Memstar Pte. Ltd. and its principal subsidiaries, businesses and assets ("Memstar") from Memstar Technology Ltd ("Acquisition") for a total purchase consideration of $307,486,000 comprising of cash consideration of $32,777,000, liabilities of Memstar assumed by the Company of $38,334,000 and issuance of 173,805,000 ordinary shares (the "Consideration Shares") in the share capital of the Company for the expansion of the Group's business. The effective date of the completion of the acquisition, as determined by management, is April 11, 2014.

During the financial year ended March 31, 2015, the Group owns 50% equity shares of United Envirotech Water Treatment (Dafeng) Co. Ltd ("Dafeng"). However, based on the revised contractual arrangements between the Group and the other investor entered into during the year, the Group's voting power in Dafeng increased from 50% to 67%, giving it the ability to direct relevant activities based on simple majority votes. Dafeng became the Group's subsidiary on January 1, 2015.

40 ACQUISITION OF SUBSIDIARIES (cont'd)

Details of the fair value of consideration transferred, assets acquired and liabilities assumed at the date of acquisitions are as follows:

	Dafeng $'000	Memstar $'000	Total $'000
Cash and bank balances	1,052	9,442	10,494
Trade receivables	926	24,686	25,612
Other receivables and prepayments	344	55,313	55,657
Prepaid lease	2,506	–	2,506
Inventories	24	12,134	12,158
Property, plant and equipment	28,431	26,796	55,227
Service concession receivable	–	63,995	63,995
Intangible assets	2,400	10,610	13,010
Deferred tax assets	322	–	322
Associates	–	723	723
Bank loans	–	(16,496)	(16,496)
Trade payables	(3,784)	(5,618)	(9,402)
Other payables	(2,905)	(54,936)	(57,841)
Finance leases	–	(116)	(116)
Income tax payable	(166)	(2,025)	(2,191)
Deferred tax liabilities	–	(8,168)	(8,168)
Net assets acquired	29,150	116,340	145,490
Goodwill	–	253,253	253,253
Less: Fair value of previously held interest	(13,402)	(59,215)	(72,617)
Less: Non-controlling interest	(14,071)	(4,569)	(18,640)
Total consideration paid			307,486

40 ACQUISITION OF SUBSIDIARIES (cont'd)

Analysed as:

	Total $'000
Consideration paid in the form of shares of the Company	236,375
Liabilities of Memstar assumed by the Company	38,334
Consideration paid in cash	32,777
Total consideration paid	307,486
Net cash outflow on acquisition of subsidiary	
Consideration paid in cash	32,777
Less: Cash and cash equivalents acquired	(10,494)
Net cash outflow	22,283

Goodwill arose in the acquisition of Memstar because of the expected synergies, revenue growth, future market development and the assembled workforce of Memstar. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The acquisition of the subsidiaries resulted in inclusion of post-acquisition revenue of $65,261,000 and profit of $16,036,000 in the Group's financial statements for the year ended March 31, 2015.

Had the business combination during the year been effected at April 1, 2014, the revenue of the Group would have been $350,545,000 and the profit for the year ended March 31, 2015 would have been $62,959,000.

41 COMMITMENTS

	Group	
	December 31, 2015 $'000	March 31, 2015 $'000
Commitments	304,000	218,300

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

	Group	
	December 31, 2015 $'000	March 31, 2015 $'000
Wastewater treatment projects		
Build-Operate-Transfer:		
Haining City, Zhejiang Province	39,500	–
Gaoyang City, Hebei Province	43,500	41,000
Luntai County, Xinjiang Province	66,700	66,700
Medan City, Indonesia	35,000	–
Transfer-Operate-Transfer:		
Gaoyang County, Hebei Province	–	110,600
Liaoyang City, Liaoning Province	119,300	–
Total – Wastewater treatment projects	304,000	218,300

42 COMPARATIVE FIGURES

The Group and Company changed its financial year end from March 31 to December 31 to be co-terminus with the immediate holding company's financial year end. The financial year ended December 31, 2015 covers the nine months from April 1, 2015 to December 31, 2015 and the financial year ended March 31, 2015 covers the twelve months from April 1, 2014 to March 31, 2015.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CITIC ENVIROTECH LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The information in this Appendix III has been reproduced from the auditor's report on the consolidated financial statements of CITIC Envirotech Ltd. and its subsidiaries for the financial year ended 31 December 2016 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

Independent Auditor's Report to The members of CITIC Envirotech Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2016, 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 the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 60 to 137.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters	Our audit performed and responses thereon
Revenue recognition The Group is principally engaged in 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. **<u>Accounting for revenue from the environmental engineering segment</u>** 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 contract 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
<u>Accounting for revenue from service concession arrangements</u> 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 Note 8, 17 and 29 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 29 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, 2016 as follows: ● Goodwill *(10% of Group's total assets)* ● Intangible assets *(11% 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 cashflow 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, 2016, trade receivables comprise 10 % 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 16% 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 97% 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 Note 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 Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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 financial statements and to maintain accountability of assets.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report to The members of CITIC Envirotech Ltd.

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 Tsia Chee Wah.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

March 1, 2017

Statements
of Financial Position

December 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and bank balances	6	493,541	540,466	110,426	198,024
Trade receivables	7	240,414	218,323	–	–
Service concession receivables	8	6,248	4,342	–	–
Other receivables and prepayments	9	141,233	163,691	851,053	732,231
Inventories	10	13,777	10,570	–	–
Prepaid leases	11	736	766	–	–
		895,949	938,158	961,479	930,255
Assets classified as held for sale	12	55,645	34,582	–	–
Total current assets		951,594	972,740	961,479	930,255
Non-current assets					
Trade receivables	7	25,036	4,687	–	–
Service concession receivables	8	597,191	504,819	–	–
Other receivables and prepayments	9	15,577	16,293	–	–
Prepaid leases	11	39,996	36,704	–	–
Subsidiaries	13	–	–	413,323	279,023
Associates	14	17,807	10,608	10,588	10,611
Property, plant and equipment	15	374,470	148,871	182	249
Goodwill	16	255,365	255,365	–	–
Intangible assets	17	271,894	222,282	200	200
Deferred tax assets	18	1,111	517	–	–
Total non-current assets		1,598,447	1,200,146	424,293	290,083
Total assets		2,550,041	2,172,886	1,385,772	1,220,338

See accompanying notes to financial statements.

Statements
of Financial Position (cont'd)

December 31, 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	19	76,499	237,141	–	–
Medium term notes	23	–	97,700	–	97,700
Trade payables	20	310,048	140,708	–	–
Other payables	21	79,410	52,641	15,064	21,071
Finance leases	22	161	180	17	17
Income tax payable		30,534	25,054	–	–
		496,652	553,424	15,081	118,788
Liabilities directly associated with assets classified as held for sale	12	31,953	31,238	–	–
Total current liabilities		528,605	584,662	15,081	118,788
Non-current liabilities					
Bank loans	19	256,868	188,610	–	–
Finance leases	22	169	256	66	83
Medium term notes	23	223,449	222,226	223,449	222,226
Deferred tax liabilities	18	45,432	36,376	–	–
Total non-current liabilities		525,918	447,468	223,515	222,309
Capital, reserves and non-controlling interests					
Share capital	24	608,063	607,973	608,063	607,973
Perpetual capital securities	25	481,250	242,055	481,250	242,055
General reserve	26	7,414	5,330	–	–
Capital reserve	27	2,096	2,096	–	–
Share option reserve	28	27,782	20,445	27,782	20,445
Currency translation reserve	27	(11,999)	29,878	7,160	4,415
Retained earnings		264,385	193,971	22,921	4,353
Equity attributable to owners of the Company		1,378,991	1,101,748	1,147,176	879,241
Non-controlling interests		116,527	39,008	–	–
Total equity		1,495,518	1,140,756	1,147,176	879,241
Total liabilities and equity		2,550,041	2,172,886	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, 2016

	Note	January 1, 2016 to December 31, 2016 $'000	April 1, 2015 to December 31, 2015 $'000
Revenue	29	544,555	274,761
Other income	30	19,319	20,248
Changes in inventories		3,207	(2,673)
Material purchased, consumables used and subcontractors' fees		(281,153)	(111,973)
Employee benefits expense	32	(50,054)	(34,023)
Depreciation and amortisation expenses	32	(22,182)	(15,962)
Other operating expenses		(49,576)	(39,692)
Finance costs	31	(39,573)	(29,212)
Share of profit (loss) of associates	14	6,814	(3)
Profit before income tax	32	131,357	61,471
Income tax expense	33	(29,401)	(18,861)
Profit for the year		101,956	42,610
Profit for the year attributable to:			
Owners of the Company		99,312	40,762
Non-controlling interests		2,644	1,848
		101,956	42,610
Earnings per share (cents):			
Basic	34	6.79	3.55
Diluted	34	6.48	3.39

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Financial period from April 1, 2016 to December 31, 2016

	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation loss	(41,877)	(5,054)
Other comprehensive income for the year, net of tax	(41,877)	(5,054)
Total comprehensive income for the year	60,079	37,556
Total comprehensive income attributable to:		
Owners of the Company	57,435	35,708
Non-controlling interests	2,644	1,848
	60,079	37,556

See accompanying notes to financial statements.

Statements
of Changes in Equity

Financial year ended December 31, 2016

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserve $'000	Convertible bonds reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
<u>Group</u>											
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	–	–	–	–	–	–	(5,054)	–	(5,054)	–	(5,054)
Total	–	–	–	–	–	–	(5,054)	40,762	35,708	1,848	37,556
Transactions with owners, recognised directly in equity											
Incorporation of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	2,009	2,009
Acquisition of subsidiaries (Note 39)	–	–	–	–	–	–	–	–	–	2,466	2,466
Recognition of share-based payment (Note 28)	–	–	–	–	6,930	–	–	–	6,930	–	6,930
Issuance of shares capital	47,562	–	–	–	–	–	–	–	47,562	–	47,562
Issuance of perpetual capital securities (Note 25)	–	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 24)	8,797	–	–	–	–	–	–	–	8,797	–	8,797
Transfer to general reserve (Note 26)	–	–	861	–	–	–	–	(861)	–	–	–
Dividends (Note 35)	–	–	–	–	–	–	–	(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	607,973	242,055	5,330	2,096	20,445	–	29,878	193,971	1,101,748	39,008	1,140,756

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	$'000	$'000	$'000	$'000
Group											
Balance at January 1, 2016	607,973	242,055	5,330	2,096	20,445	–	29,878	193,971	1,101,748	39,008	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	–	–	–	–	–	–	(41,877)	–	(41,877)	–	(41,877)
Total	–	–	–	–	–	–	(41,877)	99,312	57,435	2,644	60,079
Transactions with owners, recognised directly in equity											
Incorporation of subsidiaries (Note 13)	–	–	–	–	–	–	–	–	–	72,426	72,426
Acquisition of subsidiaries (Note 39)	–	–	–	–	–	–	–	–	–	3,144	3,144
Disposal of subsidiaries (Note 40)	–	–	–	–	–	–	–	–	–	(695)	(695)
Recognition of share-based payment (Note 28)	–	–	–	–	7,337	–	–	–	7,337	–	7,337
Issuance of perpetual capital securities (Note 25)	–	242,037	–	–	–	–	–	–	242,037	–	242,037
Perpetual capital securities issuance costs (Note 25)	–	(2,842)	–	–	–	–	–	–	(2,842)	–	(2,842)
Issuance of shares on exercise of ESOS (Note 24)	90	–	–	–	–	–	–	–	90	–	90
Transfer to general reserve (Note 26)	–	–	2,084	–	–	–	–	(2,084)	–	–	–
Dividends (Note 35)	–	–	–	–	–	–		(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	608,063	481,250	7,414	2,096	27,782	–	(11,999)	264,385	1,378,991	116,527	1,495,518

See accompanying notes to financial statements.

Statements
of Changes in Equity (cont'd)

Financial year ended December 31, 2016

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Convertible bonds reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company							
Balance at April 1, 2015	484,125	–	13,515	8,707	18,939	6,373	531,659
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	4,726	4,726
Other comprehensive income for the year	–	–	–	–	(14,524)	–	(14,524)
Total	–	–	–	–	(14,524)	4,726	(9,798)
Transactions with owners, recognised directly in equity							
Recognition of share-based payment (Note 28)	–	–	6,930	–	–	–	6,930
Issuance of share capital	47,562	–	–	–	–	–	47,562
Issuance of perpetual capital securities (Note 25)	–	242,055	–	–	–	–	242,055
Issuance of shares on conversion of convertible bonds	67,489	–	–	(8,707)	–	–	58,782
Issuance of shares on exercise of ESOS (Note 24)	8,797	–	–	–	–	–	8,797
Dividends (Note 35)	–	–	–	–	–	(6,746)	(6,746)
Total	123,848	242,055	6,930	(8,707)	–	(6,746)	357,380
Balance at December 31, 2015	607,973	242,055	20,445	–	4,415	4,353	879,241

See accompanying notes to financial statements.

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Convertible bonds reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'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 28)	–	–	7,337	–	–	–	7,337
Issuance of perpetual capital securities (Note 25)	–	242,037	–	–	–	–	242,037
Perpetual capital securities issuance costs (Note 25)	–	(2,842)	–	–	–	–	(2,842)
Issuance of shares on exercise of ESOS (Note 24)	90	–	–	–	–	–	90
Dividends (Note 35)	–	–	–	–	–	(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

See accompanying notes to financial statements.

Consolidated
Statement of Cash Flows

Financial year ended December 31, 2016

	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Operating activities		
Profit before income tax	131,357	61,471
Adjustments for:		
Gain on disposal of a subsidiary	(873)	–
Loss on disposal of property, plant and equipment	26	122
Loss on disposal of service concession receivables	2,043	–
Impairment loss on non-current assets held-for-sale	2,494	–
Interest income	(3,138)	(5,276)
Interest expense	39,573	29,212
Share of (profit) loss of associates	(6,814)	3
Depreciation and amortisation expenses	22,182	15,962
Share option expenses	7,337	6,930
Allowance for doubtful receivables	1,028	–
Exchange differences arising on foreign currency translation	(17,697)	1,029
Operating cash flows before movements in working capital	177,518	109,453
Trade receivables	(53,261)	11,231
Other receivables and prepayments	30,824	(92,713)
Inventories	(3,192)	2,671
Trade payables	166,697	26,356
Other payables	37,886	(32,940)
Cash generated from operations	356,472	24,058
Interest received	3,138	4,691
Interest paid	(38,539)	(18,208)
Income tax paid	(14,581)	(8,284)
Net cash from operating activities	306,490	2,257

See accompanying notes to financial statements.

	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Investing activities		
Investment in associates	(385)	(10,611)
Proceeds from disposal of property, plant and equipment	3	87
Addition to service concession receivables	(130,344)	(34,876)
Proceeds from disposal of service concession receivable	739	–
Addition to intangible assets	(44,260)	(7,365)
Addition to prepaid leases	(4,491)	–
Contribution from non-controlling shareholders	72,426	2,009
Disposal of subsidiary	3,350	–
Addition to property, plant and equipment	(259,317)	(76,946)
Net cash outflow on acquisition of subsidiaries (Note 39)	(36,120)	(86,100)
Net cash used in investing activities	(398,399)	(213,802)
Financing activities		
New bank loans raised	195,286	171,770
Proceeds from issuance of shares, net of expenses	90	56,359
Proceeds from issuance of medium term notes, net of expenses	–	222,048
Dividends paid	(21,200)	(5,633)
Repayment of obligations under finance lease	(106)	(55)
Proceeds from issuance of perpetual capital securities	239,195	242,055
Redemption of medium term notes	(99,000)	(1,010)
Repayments of bank loans	(258,398)	(50,323)
Net cash from financing activities	55,867	635,211
Net (decrease) increase in cash and cash equivalents	(36,042)	423,666
Cash and cash equivalents at beginning of financial year	540,466	113,757
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(10,883)	3,043
Cash and cash equivalents at end of financial year (Note 6)	493,541	540,466

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.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2016 were authorised for issue by the Board of Directors on March 1, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

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

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

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

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, 2016, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRS and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

- FRS 109 *Financial Instruments* [2]
- FRS 115 *Revenue from Contracts with Customer (with clarifications issued)* [2]
- FRS 116 *Leases* [3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* [1]
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* [1]
- Amendments to FRS 110 *Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]

1 Applies to annual periods beginning on or after January 1, 2017, with early application permitted.
2 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.
3 Applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if FRS 115 is adopted.
4 Application has been deferred indefinitely, however, early application is still permitted.

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

IFRS convergence 2018

Singapore- incorporated company listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending December 31, 2018, with retrospective application to the comparative financial year ending December 31, 2017 and the opening statement of financial position as at January 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs, and the election of certain transition options available under IFRS 1.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. Particularly, management is evaluating the following transition options, and if elected, may result in material adjustments on transition to the new framework:

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

The preliminary assessment above may be subject to change arising from the detailed analysis.

FRS 109 *Financial Instruments*

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

Key requirements of FRS 109 include:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is 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 a financial liability's credit risk are not subsequently reclassified to profit or loss. Under the existing FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

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

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

  FRS 109 will take effect from financial years beginning on or after January 1, 2018. Management anticipates that the initial application of the new FRS 109 will result in changes to the accounting policies relating to the impairment provisions of financial assets and liabilities. Management 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 FRS 109. 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 management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 *Revenue from Contracts with Customers*

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

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

- Step 1: Identify the 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 FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after January 1, 2018. Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption. However, additional disclosures for trade receivables and revenue may be required including any significant judgement and estimation made. 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. Management does not plan to early adopt the new FRS 115.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 116 ***Leases***

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

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

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

FRS 116 will take effect from financial years beginning on or after January 1, 2019. Management expects the adoption of the above FRS 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. Management does not plan to early adopt the new FRS 116.

Amendments to FRS 7 ***Statement of Cash Flows: Disclosure Initiative***

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments applies prospectively to annual periods beginning on or after January 1, 2017, with earlier application permitted.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

Amendments to FRS 12 ***Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

Amendments to FRS 110 ***Consolidated Financial Statements and FRS 28 Investments in Associates and Joint Ventures: Sales or Contribution of Assets between an investor and its Associate or Joint Venture***

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management does not expect the adoption of the above FRS to have a material impact on the financial statements of the Group in the period of their initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the 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 the amount of the 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 period 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 subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Basis of consolidation (cont'd)

2.3.1 Changes in the Group's ownership interest in existing subsidiaries (cont'd)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified/ permitted by applicable FRSs) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries and interest in 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 transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Business combinations (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entities 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.

Other 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

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.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 Non-current assets held for sale (cont'd)

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 Property, plant and equipment (cont'd)

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 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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Intangible assets (cont'd)

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.

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 as 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 Associates (cont'd)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Revenue recognition (cont'd)

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.

2.18 Borrowing costs

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

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

2.19 Retirement benefit costs

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

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and the Malaysia Employee Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.20 Employee leave entitlement

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

2.21 Share-based payments

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

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market-based vesting conditions) at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each reporting period, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Income tax

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

2.23 Foreign currency transactions and translation

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.23 Foreign currency transactions and translation (cont'd)

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 year, 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.

2.24 Perpetual capital securities

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

2.25 General reserve

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

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

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 to the financial statements, 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.

<u>Environmental engineering contracts</u>

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 29.

<u>Service concession arrangements</u>

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.

<u>Determination of functional currency of the entities in the Group</u>

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").

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

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

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.

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

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

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 39 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS 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 risk 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 shareholders 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.

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

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

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 offsetting, 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Service concession receivables	643,593	509,161	–	–
Loans and receivables	364,659	363,597	851,053	732,231
Cash and bank balances	493,921	540,466	110,426	198,024
Financial guarantee contract	–	–	2,304	2,424
Total	1,502,173	1,413,224	963,783	932,679
Financial liabilities				
Trade payables	310,054	149,623	–	–
Other payables	60,959	52,750	15,064	21,071
Bank loans	343,018	425,751	–	–
Finance leases	330	436	83	100
Medium term notes	223,449	319,926	223,449	319,926
Total	937,810	948,486	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.

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

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

(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:

	2016				2015			
	US$	RM$	HK$	S$	US$	RM$	HK$	S$
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cash and bank balances	117,694	6,096	374	13,308	219,696	4,919	–	78,455
Other receivables and prepayment	–	–	–	–	–	–	–	–
Due from subsidiaries	–	–	–	–	–	–	–	–
Bank borrowings	–	–	–	–	(33,274)	–	–	(17,432)
Other payables	(11,693)	–	–	(3,781)	(620)	–	–	(5,232)
Finance leases	–	–	–	(233)	–	–	–	(371)
Convertible bonds	–	–	–	–	–	–	–	–
Medium term note	–	–	–	(223,449)	–	–	–	(319,926)
	106,001	6,096	374	(214,155)	185,802	4,919	–	(264,506)
Company								
Cash and bank balances	89,313	–	–	11,013	192,304	–	–	4,865
Other receivables and prepayment	–	–	–	–	–	–	–	–
Due from subsidiaries	–	–	–	–	–	2,399	–	–
Bank borrowings	–	–	–	–	–	–	–	–
Other payables	(11,693)	–	–	(3,781)	–	–	–	(5,232)
Finance leases	–	–	–	(83)	–	–	–	(100)
Convertible bonds	–	–	–	–	–	–	–	–
Medium term note	–	–	–	(223,449)	–	–	–	(319,926)
	77,620	–	–	(216,300)	192,304	2,399	–	(320,393)

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

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

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

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	
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss								
Group	(10,600)	(18,580)	(610)	(492)	(37)	–	21,416	26,450
Company	(7,762)	(19,230)	–	(240)	–	–	21,630	32,039
Other equity								
Group	–	–	–	–	–	–	(22,345) [i]	(31,993) [i]
Company	–	–	–	–	–	–	(22,345) [i]	(31,993) [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.

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

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

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

Interest rate sensitivity (cont'd)

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, 2016 would decrease/increase by $1,623,000 (2015 : decrease/increase by $2,129,000). 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, 2016 and 2015, 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 97% (2015 : 98%) 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 in relation to the Group's pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC. 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 37, if the full guaranteed amount is claimed by the counterparty to the guarantee is $196,451,000 (2015 : $106,914,000). 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.

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

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

(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						
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
2015						
Non-interest bearing	–	202,373	–	–	–	202,373
Fixed interest rate	5.9	105,396	267,079	–	(52,113)	320,362
Variable interest rate	5.1	249,235	139,026	92,803	(55,313)	425,751
Total		557,004	406,105	92,803	(107,426)	948,486
Company						
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
2015						
Non-interest bearing	–	21,071	–	–	–	21,071
Fixed interest rate	5.9	105,233	266,886	–	(52,093)	320,026
Total		126,304	266,886	–	(52,093)	341,097

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

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

(iv) Liquidity risk management (cont'd)

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 $25,036,000 (2015 : $4,687,000) and the Group's service concession receivables amounting to $597,191,000 (2015 : $504,819,000) 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 37, if the full guaranteed amount is claimed by the counterparty to the guarantee, is $196,451,000 (2015 : $106,914,000).

The earliest period that the guarantee could be called is within 1 year (2015 : 1 year) from the end of the reporting period. As mentioned in Note 4(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.

None of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period.

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 23 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.

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	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Associates		
Sales of goods	43,219	35,794
Non-controlling shareholder of a subsidiary		
Income from waste water treatment	3,648	2,077
Subsidiary of CITIC Group Corporation		
Interest expense	619	–

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

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

	Group	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Short-term benefits	4,743	4,154
Share-based payments	4,095	4,095
Post-employment benefits	175	111
Total	9,013	8,360

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fixed deposits	21,403	132,976	–	–
Cash at banks	472,058	407,398	110,426	198,024
Cash on hand	80	92	–	–
Cash and bank balances	493,541	540,466	110,426	198,024

The interest rates relating to fixed deposits for the Group ranged from 2.5% to 5.0% (2015 : 3.3% to 3.4%) per annum and are for a tenure of approximately 30 days (2015 : 90 to 210 days). These fixed deposits could be withdrawn at any time as required by the Group.

As at December 31, 2016, the Group had cash and cash equivalents placed with banks in PRC amounting to $325,129,000 (2015 : $164,178,000). The repatriation of these cash out of PRC is subjected to the Foreign Exchange Control Regulations in PRC.

7 TRADE RECEIVABLES

	Group	
	2016	2015
	$'000	$'000
Outside parties	237,921	203,435
Related parties (Note 5)	28,581	19,599
	266,502	223,034
Less: Allowance for doubtful debts	(1,052)	(24)
Net	265,450	223,010

7 TRADE RECEIVABLES (cont'd)

Movement in allowance for doubtful debts:

	Group	
	2016	2015
	$'000	$'000
Balance at beginning of the year	24	24
Increase in allowance recognised in profit or loss	1,028	–
Balance at end of the year	1,052	24

Presentation on the Statements of Financial Position:

Current	240,414	218,323
Non-current	25,036	4,687
Total	265,450	223,010

The average credit period on sales of goods and rendering of services are 180 days (2015 : 180 days). No interest is charged on the overdue trade receivables.

The Group's non-current trade receivables amounting to $25,036,000 (2015 : $4,687,000) are due within 3 years (2015 : 3 years).

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

	Group	
	2016	2015
	$'000	$'000
Not past due and not impaired	169,712	131,878
Past due but not impaired (i)	95,738	91,132
Total	265,450	223,010
Impaired receivables - collectively assessed (ii)	1,052	24
Less: Allowance for impairment	(1,052)	(24)
Net	–	–
Total trade receivables, net	265,450	223,010

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

< 6 months	53,694	45,747
> 6 months to 18 months	24,245	29,450
> 18 months to 30 months	10,391	12,621
> 30 months	7,408	3,314
Total	95,738	91,132

(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 and 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	
	2016	2015
	$'000	$'000
Service concession receivables	603,439	509,161
Less: Non-current portion	(597,191)	(504,819)
Current portion	6,248	4,342

The maturity analysis of service concession receivables that are:

	Group	
	2016	2015
	$'000	$'000
In operation:		
On demand or within one year	6,248	4,342
In the second to fifth year inclusive	65,090	20,492
After five years	448,659	398,231
Total	519,997	423,065
Under construction	83,442	86,096
Total service concession receivables	603,439	509,161

8 SERVICE CONCESSION RECEIVABLES (cont'd)

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 29 (2015 : 24) 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	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
United Envirotech Water (Changyi) Co. Ltd	下营污水厂	Changyi City, Shandong Province	昌邑滨海(下营)开发区管理委员会	BOT	40,000	30 years from 2013
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd. *(f.k.a. United Envirotech Water (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. *(f.k.a. United Envirotech Water (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 year of commencement of operation #
CITIC Envirotech Water (Guang An) Co. Ltd *(f.k.a. United Envirotech Water Treatment (Guang An) Co. Ltd)*	广安市前锋区城市生活污水处理厂	Guang An City, Sichuan Province	广安市前锋区人民政府	BOT	20,000	30 years from year of commencement of operation #
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

8 SERVICE CONCESSION RECEIVABLES (cont'd)

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
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 year of 2016
CITIC Envirotech Water Treatment (XinTai) Co., Ltd. *f.k.a. United 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. *(f.k.a. United Envirotech Water (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 year of 2015
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 (f.k.a. Gaoyang Bishuilantian Water Co. Ltd)	高阳县污水处理厂一期与二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000 / 120,000	28 years from 2010/2013
United Envirotech Water (Mianchi) Co. Ltd	渑池污水厂	Mianchi County, Henan Province	河南省渑池县人民政府	BOT	30,000	25 years from 2012
United Envirotech Water (Laixi) Co. Ltd	莱西污水厂4期	Qingdao 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
United 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, 2013, 2015 and 2012
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
CITIC Envirotech Water Resource (Hegang) Co. Ltd*	西区污水厂/ 东区污水厂	Hegang City, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	50,000 / 30,000	30 years from 2010 and 2011

\# The plants, which are currently under construction, are expected to be completed and to commence operation in fiscal year 2017.
* This has been classified as assets held for sale as at year end (Note 12).

8 SERVICE CONCESSION RECEIVABLES (cont'd)

(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 RMB524,126,000 (equivalent to $108,887,000) [2015 : RMB438,959,000 (equivalent to $96,659,000)] 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 $221,664,000 (2015 : $226,716,000) are pledged to secure the loans for the Group (Note 19).

(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 5.68% to 11.70% per annum (2015 : 6.36% to 14.50% 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 $278,997,000 (2015 : $100,522,000) and $83,606,000 (2015 : $29,946,000) respectively which form part of revenue from environmental engineering projects (Note 29).

(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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deposits for projects	26,834	71,820	–	–
Prepayments and advance payment to suppliers	27,543	38,924	–	–
Other deposits	1,638	1,131	1,057	304
VAT receivable	38,057	7,299	–	–
Dividend receivable from subsidiaries (Note 13)	–	–	141,581	67,581
Subsidiaries (Note 13)	–	–	706,926	647,595
Deposit for acquisition of subsidiaries	3,915	16,702	1,440	16,702
Amount due from non-controlling shareholder (Note 5)	13,577	–	–	–
Other receivables	29,669	27,815	49	49
Total	141,233	163,691	851,053	732,231

Included in deposits for projects in the prior financial year was an amount of $65,520,000 which relates to deposit for the BOT and TOT concessions for waste water treatment plant in Liaoyang Taizihe, Liaoning Province, PRC and Indonesia. As disclosed in Note 41, the Group has undertaken a project of approximately $119,300,000 in 2015 for a TOT waste water treatment plan in Liaoyang Taizihe, Liaoning Province, PRC.

Presentation on the Statements of Financial Position:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current	141,233	163,691	851,053	732,231
Non-current (Note A)	15,577	16,293	–	–
Total	156,810	179,984	851,053	732,231

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

Note A

This represents a prepayment for a TOT waste water treatment plant in Tangshan City, Hebei Province in the PRC.

10 INVENTORIES

	Group	
	2016	2015
	$'000	$'000
Raw materials, at cost	10,990	8,728
Trading merchandise, at cost	2,787	1,842
Total	13,777	10,570

11 PREPAID LEASES

	Group 2016 $'000	Group 2015 $'000
Cost:		
At beginning of year	39,257	8,766
Exchange realignment	(1,505)	(241)
Additions	4,491	–
Acquisition of subsidiaries (Note 39)	1,432	30,732
At end of year	43,675	39,257
Accumulated amortisation:		
At beginning of year	1,787	1,117
Exchange realignment	(38)	(21)
Charge to profit or loss	1,194	691
At end of year	2,943	1,787
Carrying amount:		
At December 31, 2016	40,732	37,470
At December 31, 2015	37,470	7,649

Presentation on Statements of Financial Position:

	Group 2016 $'000	Group 2015 $'000
Current assets	736	766
Non-current assets	39,996	36,704
Total	40,732	37,470

This represents prepaid lease payments for land use rights for ten (2015 : eight) pieces of land located in the PRC on which the treatment plants of the subsidiaries are erected. All the land leases run for an initial period of 50 years commencing between 2007 and 2016.

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 $29,186,000 (2015 : $7,237,000) to secure project financing facilities granted to the Group (Note 19).

12 ASSETS CLASSIFIED AS HELD FOR SALE

On February 5, 2015, the Group signed an agreement to dispose of one of the Group's subsidiaries, Heilongjiang Qitaihe Wanxinglong Water Co. Ltd. ("Qitaihe WXL") to Harbin Wanxinglong Development Co. Ltd., the non-controlling shareholder, for a total proceed of RMB24,870,000 ($5,503,000) which will be settled in four tranches with completion expected in 2016. On October 24, 2016, the settlement of the proceed has been completed. Subsequent to the disposal, the Group ceased to have any interest in Qitaihe WXL.

On December 1, 2016, the Group signed an agreement to dispose of one of the Group's subsidiaries, CITIC Envirotech Water Resource (Hegang) Co., Ltd (f.k.a. United Envirotech Water (Hegang) Co., Ltd) to Longjiang Environmental Group Co. Ltd., for a total consideration of RMB 112,090,000 ($23,692,000). Subsequent to the financial year, the Group received the consideration in full and shares have been fully transferred on January 11, 2017.

12 ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

In accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations, the assets and liabilities of the subsidiary 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.

As the net carrying amount of the relevant assets and liabilities exceeds (2015 : is below) the proceed for the disposal, an impairment loss of $2,494,000 (2015: $Nil) has been recognised on 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	
	2016	2015
	$'000	$'000
Assets classified as held for sale		
Property, plant and equipment	402	–
Intangible asset	6,710	27,756
Service concession receivable	40,154	–
Trade and other receivables	7,999	6,826
Cash and bank balances	380	–
	55,645	34,582
Liabilities directly associated with assets classified as held for sale		
Trade payable	6	8,915
Other payables	19,443	21,176
Income tax payable	758	1,147
Bank loan	9,651	–
Deferred tax liability	2,095	–
	31,953	31,238
Net assets of disposal group	23,692	3,344

13 SUBSIDIARIES

	Company	
	2016	2015
	$'000	$'000
Unquoted equity shares, at cost	395,210	257,956
Exchange realignment	14,276	16,244
Financial guarantee contracts	2,304	2,424
Net	411,790	276,624
Due from subsidiaries (non-trade)	1,533	2,399
Total	413,323	279,023

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.

13 SUBSIDIARIES (cont'd)

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	
		2016	2015
		%	%
CITIC Envirotech Investment (China) Co. Ltd.[(c)]	Investment holding company/ PRC	100 #	–
CITIC Envirotech Water Resource (Hegang) Co. Ltd. [(c)] (f.k.a. United Envirotech Water (Hegang) Co. Ltd)	Operation of awater treatment plant/ PRC	100*	100
CITIC Envirotech Water Resource (Liaoyang) Co., Ltd [(a)]	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 #	–
CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Zaozhuang) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100 #	–
CITIC Envirotech Water Treatment (Liaoyang) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Treatment (Xintai) Co. Ltd [(a)] (f.k.a. United Envirotech Water Treatment (Xintai) Co. Ltd)	Operation of water treatment plant/ PRC	100	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 [(c)]	Investment holding company/ Singapore	80 #	–
Memstar Pte. Ltd. [(b)])	Manufacturing of polymers and investment holding /Singapore	100	100
Nantong ChangAn Water Co., Ltd [(c)]	Operation of water treatment plant/ PRC	70 @	–
Novo Envirotech (Tianjin) Co. Ltd [(a)]	Environmental engineering/ PRC	100	100
UE Novo (Malaysia) Sdn. Bhd. [(c)]	Investment holding company/ Malaysia	100	100
United Envirotech (Fuzhou) Co Ltd [(a)]	Environmental engineering/ PRC	100	100
United Envirotech (Hong Kong) Co. Ltd [(a)]	Investment holding company/ Hong Kong	100	100
United Envirotech Water Resource (Liaoyang Taizihe) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100	100
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@@
Weifang United Envirotech Enviromental Sci-tech Co., Ltd [(c)]	Operation of waste treatment plant/ PRC	100#	–

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2016 %	2015 %
Subsidiaries of CITIC Envirotech Investment (China) Co. Ltd.:			
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd [(c)]	Management of water treatment system/ PRC	90 [#]	–
CITIC Envirotech (Guangzhou) Co., Ltd [(a)]	Environmental engineering/ PRC	100	100
CITIC Envirotech (Rudong) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water Resource (Guangzhou) Co., Ltd [(c)]	Management of waste water treatment system/ PRC	100	100
Rizhao United Envirotech Co., Ltd [(c)]	Operation of waste treatment plant/ PRC	70 [#]	–
United Envirotech Water (Haimen) Co., Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
Subsidiaries of Novo Envirotech (Guangzhou) Co. Ltd.:			
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd [(c)]	Management of circular economy/ PRC	51 [#]	–
CITIC Envirotech Water Resource (HeFei) Co. Ltd [(c)] (f.k.a Anhui Water Star Treatment and Operation Co. Ltd)	Manage and operate industrial waste water treatment plant/ PRC	100	100
Fujian Liyang Environmental Protection Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100 [@]	–
Gaoyang Bishuilantian Water Co. Ltd [(a)]	Operation of water treatment plant/ PRC	– [##]	100
Guangdong Zhihui Environmental Engineering Technlogy Co., Ltd [(c)]	Environmental engineering/ PRC	60 [#]	–
Mianchi Hongwei Co. Ltd [(c)]	Operation of industrial waste water treatment plant/ PRC	55	55
Novo Envirotech (Yantai) Co. Ltd [(c)]	Environmental engineering/ PRC	75	75
United Envirotech Water (Mianchi) Co. Ltd [(c)]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water Resource (Gaoyang) Co., Ltd [(a)]	Operation of water treatment plant/ PRC	100 [#]	–
Subsidiary of Gaoyang Bishuilantian Water Co. Ltd:			
Gaoyang Changrun Water Co. Ltd [(c)]	Operation of waste water and industrial waste water treatment plant/ PRC	– [##]	100
Subsidiary of UE Novo (Malaysia) Sdn. Bhd.:			
Dataran Tenaga (M) Sdn. Bhd. [(c)]	Trading of pumps and engineering services/ Malaysia	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held	
		2016	2015
		%	%
Subsidiary of Fujian Liyang Environmental Protection Co., Ltd:			
Fuqing Liyang Water Co., Ltd [c]	Operation of industrial waste water treatment plant/ PRC	100 @	–
Shaxian Lanfang Water Co., Ltd [c]	Operation of industrial waste water treatment plant/ PRC	100 @	–
Subsidiary of Memstar Holding Pte Ltd:			
Memstar USA Inc [c]	Manufacturing of polymers and investment holding/ USA	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] (f.k.a United Envirotech Water (Diaobingshan) Co Ltd)	Operation of water treatment plant/ PRC	100	100
CITIC Envirotech Water (Guang An) Co. Ltd [c] (f.k.a. United Envirotech Water (Guang An) Co. Ltd)	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] (f.k.a United Envirotech Water (Xintai) Co. Ltd)	Operation of water treatment plant/ PRC	100	100
PT CITIC Envirotech Indonesia [c]	Operation of water treatment plant/ Indonesia	70	70
PT Sumut Tirta Resource [c]	Operation of water treatment plant/ Indonesia	70	70
United Envirotech Water (Changyi) Co Ltd [a]	Operation of water treatment plant/ PRC	82	82
United Envirotech Water (Dongying) Co. Ltd [a]	Operation of water treatment plant/ PRC	100	100
United Envirotech Water (Laixi) Co. Ltd [c]	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] (f.k.a United Envirotech Water (Yantai) Co. Ltd)	Operation of water treatment plant/ PRC	100	100

13 SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2016 %	2015 %
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 (c)	Investment holding company/ Singapore	100	100
Subsidiaries of United Envirotech Water (Changyi) Co. Ltd.:			
Weifang Bofa Water Treatment Co. Ltd (a)	Operation of water treatment plant/ PRC	82	82

* *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.*

\# *Incorporated during the financial year.*

\#\# *These subsidiaries have been merged with United Envirotech Water Resource (Gaoyang) Co., Ltd 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.*

13 SUBSIDIARIES (cont'd)

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	
		2016	2015
Environmental engineering	PRC	3	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	–
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	–
Operation of industrial waste water treatment plant	PRC	2	–
Operation of waste treatment plant	PRC	1	–
Operation of water treatment plant	PRC	25	22
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
		46	38

Principal activity	Place of Incorporation and operation	Number of non-wholly-owned subsidiaries	
		2016	2015
Environmental engineering	PRC	2	1
Investment holding company	Singapore	1	–
Management of circular economy	PRC	1	–
Management of waste water treatment system	PRC	2	1
Operation of waste treatment plant	PRC	1	–
Operation of water treatment plant/ Industrial waste water treatment plant	PRC/Indonesia	10	9
		17	11

13 SUBSIDIARIES (cont'd)

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interest for the financial year ended December 31, 2016:

Name of subsidiaries	Place of incorporation and operation	Proportion of effective equity interest held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		%	%	$'000	$'000	$'000	$'000
United Envirotech Water (Changyi) Co. Ltd. or ("Changyi")	PRC	18	18	639	480	11,533	10,894
United Envirotech Water Treatment (Dafeng) Co., Ltd or ("Dafeng")	PRC	50	50	1,537	1,326	17,454	15,923
United Envirotech Water (Qidong) Co. Ltd or ("Qidong")	PRC	30	30	198	(53)	4,817	4,966
CITIC Environment Harnessing Valley (Jiangsu) Co., Ltd or ("Jiangsu")	PRC	10	–	379	–	5,173	–
Rizhao United Envirotech Co., Ltd or ("Rizhao")	PRC	30	–	–	–	5,127	–
CITIC Envirotech (Shantou) Integrated Dyestuff Environmental Development Co., Ltd or ("Shantou")	PRC	49	–	–	–	61,276	–
Guangdong Zhihui Environmental Engineering Technology Co., Ltd or ("Zhihui")	PRC	40	–	(36)	–	780	–
Individually immaterial subsidiaries with non-controlling interests				(73)	95	10,367	7,225
				2,644	1,848	116,527	39,008

13 SUBSIDIARIES (cont'd)

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

	Changyi		Dafeng		Qidong		Jiangsu	Rizhao	Shantou	Zhihui
	2016	2015	2016	2015	2016	2015	2016*	2016*	2016*	2016*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Current assets	30,325	24,036	9,343	8,318	2,176	2,348	63,549	19,360	129,322	2,147
Non-current assets	163,743	160,546	33,430	34,818	26,932	29,098	91	15,238	33,721	178
Current liabilities	(106,805)	(121,509)	(7,063)	(7,260)	(7,369)	(14,894)	(11,902)	(17,507)	(37,990)	(375)
Non-current liabilities	(22,919)	(6,038)	(802)	(4,030)	(5,683)	–	–	–	–	–
Equity attributable to owners of the Company	52,811	46,141	17,454	15,923	11,239	11,586	46,565	11,964	63,777	1,170
Non-controlling interests	11,533	10,894	17,454	15,923	4,817	4,966	5,173	5,127	61,276	780

	Changyi		Dafeng		Qidong		Jiangsu	Rizhao	Shantou	Zhihui
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015	January 1, 2016 to December 31, 2016*	January 1, 2016 to December 31, 2016*	January 1, 2016 to December 31, 2016*	January 1, 2016 to December 31, 2016*
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	23,955	21,648	9,931	7,617	5,522	2,788	14,209	–	–	415
Expense	(20,405)	(18,983)	(6,856)	(4,965)	(4,863)	(2,964)	(10,418)	–	–	(505)
Profit (Loss) for the year, representing total comprehensive income for the year	3,550	2,665	3,075	2,652	659	(176)	3,791	–	–	(90)
Profit (Loss) for the year, representing total comprehensive income attributable to owners of the Company	2,911	2,185	1,538	1,326	461	(123)	3,412	–	–	(54)
Profit (Loss) for the year, representing total comprehensive income attributable to non-controlling interest	639	480	1,537	1,326	198	(53)	379	–	–	(36)
Net cash (outflow) inflow from operating activities	(4,357)	21,545	4,665	(2,768)	(6,907)	39	(24)	–	–	(148)
Net cash outflow from investing activities	(6,051)	(7,830)	(1,466)	(1,026)	(86)	–	(91)	–	(20,807)	(178)
Net cash inflow (outflow) from financing activities	8,594	(15,484)	(1,878)	4,796	7,232	–	43,143	11,963	125,053	2,041
Net cash (outflow) inflow	(1,814)	(1,769)	1,321	1,002	239	39	43,028	11,963	104,246	1,715

* Newly incorporated during the financial year.

14 ASSOCIATES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Unquoted equity shares, at cost	10,996	10,611	10,588	10,611
Share of post-acquisition loss and reserves	6,811	(3)	–	–
	17,807	10,608	10,588	10,611

Details of the associates are as follows:

Name of subsidiaries	Principal activities/Country of incorporation and operation	Group's effective interest and voting power held 2016 %	2015 %
Beijing Beipai Membrane Technology Co., Ltd [(a)]	Manufacturing of membrane products/ PRC	49	49
Chengdu Xingrong Environment Co., Ltd [(b)]	Environmental engineering / PRC	49	49
Dongguan Huache Low Carbon Environmental Industry Park Management Co., Ltd [(c)]	Environmental engineering / PRC	40	–

Notes on auditors:

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

(b) Audited by Deloitte & Touche LLP, Singapore for consolidation purpose.

(c) Audited by Dong Wan Shi Hai De 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 2016 $'000	Group 2015 $'000
Current assets	97,565	54,674
Non-current assets	774	710
Current liabilities	(63,298)	(33,736)
Net assets	35,041	21,648
Group's share of associates' net assets	17,807	10,608

	Group January 1, 2016 to December 31, 2016 $'000	Group April 1, 2015 to December 31, 2015 $'000
Revenue	122,597	10,589
Profit (Loss) for the year	13,540	(6)
Group's share of associates' profit (loss) for the year	6,814	(3)

15 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold building $'000	Lease-hold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Plant and machinery $'000	Treatment plants $'000	Office equipment, furniture and fittings $'000	Construction in progress [(a)] $'000	Total $'000
Group										
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)	(2,425)	(7,504)
Subsidiaries acquired (Note 39)	–	–	–	–	–	–	–	72	–	72
Additions	–	–	10,758	229	629	12,877	26	2,602	58,329	85,450
Disposals	–	–	–	–	(276)	–	–	(555)	–	(831)
At December 31, 2015	97	630	29,581	1,569	5,161	56,700	27,733	5,233	55,904	182,608
Exchange realignment	(3)	–	(897)	(66)	(208)	(2,062)	(1,183)	(141)	(1,112)	(5,672)
Subsidiaries acquired (Note 39)	–	–	–	–	430	–	–	199	7	636
Additions	–	–	411	170	498	8,872	2,560	438	246,368	259,317
Transfer to service concession receivables (Note 8)	–	–	–	–	–	–	–	–	(12,691)	(12,691)
Transfer to intangible assets (Note 17)	–	–	–	–	–	–	–	–	(7,104)	(7,104)
Asset held for sale (Note 12)					(84)	(424)		(32)		(540)
Disposals	–	–	–	(10)	(172)	–	–	(28)	–	(210)
At December 31, 2016	94	630	29,095	1,663	5,625	63,086	29,110	5,669	281,372	416,344

(a) Pertains to construction work in progress carried out on water treatment and water supply plants which will be transferred to service concession receivables and/or intangible assets upon completion.

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land $'000	Freehold building $'000	Lease-hold building $'000	Leasehold improvements $'000	Motor vehicles $'000	Plant and machinery $'000	Treatment plants $'000	Office equipment, furniture and fittings $'000	Construction in progress $'000	Total $'000
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)
Subsidiaries acquired (Note 39)	–	–	–	–	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
Accumulated impairment										
As at April 1, 2015										
and December 31, 2015										
and December 31, 2016	–	–	–	17	–	–	–	12	–	29
Carrying amount										
At December 31, 2016	94	572	25,423	704	1,976	39,711	21,886	2,732	281,372	374,470
At December 31, 2015	97	572	26,506	678	2,104	38,460	21,388	3,162	55,904	148,871

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold improvement $'000	Motor vehicles $'000	Office equipment $'000	Total $'000
Company				
Cost				
At April 1, 2015	95	462	129	686
Additions	–	–	7	7
At December 31, 2015	95	462	136	693
Additions	–	–	5	5
At December 31, 2016	95	462	141	698
Accumulated depreciation				
At April 1, 2015	87	199	102	388
Depreciation	7	46	3	56
At December 31, 2015	94	245	105	444
Depreciation	1	60	11	72
At December 31, 2016	95	305	116	516
Carrying amount				
At December 31, 2016	–	157	25	182
At December 31, 2015	1	217	31	249

The carrying amounts of the Group's and the Company's motor vehicles include amounts of $726,000 (2015 : $952,000) and $157,000 (2015 : $217,000) respectively which are held under finance leases (Note 22).

The Group has pledged its leasehold building and a treatment plant with total carrying amount of approximately $16,955,000 (2015 : $20,312,000) to banks for banking facilities granted to subsidiaries of the Group (Note 19).

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	
	2016 $'000	2015 $'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.

16 GOODWILL (cont'd)

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% (2015: 11.3%) and a terminal growth rate of 2.0% (2015: 2.0%) per annum.

Sensitivity analysis

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

17 INTANGIBLE ASSETS

	Customer contracts $'000	Patents $'000	Operating concessions $'000	Club memberships $'000	Total $'000
Group					
Cost					
At April 1, 2015	6,430	4,180	191,689	200	202,499
Exchange realignment	–	–	(5,340)	–	(5,340)
Acquisition of subsidiaries (Note 39)	–	–	37,357	–	37,357
Additions	–	–	7,365	–	7,365
At December 31, 2015	6,430	4,180	231,071	200	241,881
Exchange realignment	–	–	(17,456)	–	(17,456)
Acquisition of subsidiaries (Note 39)	–	–	14,573	–	14,573
Additions	–	–	44,260	–	44,260
Reclassified as held-for-sale	–	–	(6,920)	–	(6,920)
Transfer from property, plant and equipment	–	–	7,104	–	7,104
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	6,430	4,180	290,700	200	301,510
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 December 31, 2015	2,311	1,529	15,759	–	19,599
Exchange realignment	–	–	(498)	–	(498)
Reclassified as held-for-sale	–	–	(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
Carrying amount					
At December 31, 2016	2,457	1,570	267,667	200	271,894
At December 31, 2015	4,119	2,651	215,312	200	222,282

* Due to the renegotiation of the terms of the concession agreements with the grantors, the Group has reclassified the waste water treatment plants from service concession receivables to intangible assets.

17 INTANGIBLE ASSETS (cont'd)

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 30 years (2015 : 20 to 30 years).

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

(a) The Group has a total of 17 (2015 : 12) service concession arrangements as at the end of the reporting period.

(b) Operating concessions amounting to $32,140,000 (2015 : $105,139,000) are pledged to secure the loans for the Group (Note 19).

	Group	
	2016	2015
	$'000	$'000
Amount to be amortised:		
Not later than one year	10,913	8,906
Later than one year but not later than five years	38,820	41,895
Later than five years	222,161	171,481
Total	271,894	222,282

(c) The recoverable amount of the intangible assets are 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 9.4% (2015 : 8.6%) per annum. The growth rates used in the value in use calculations ranges from 0% to 16% (2015 : 0% to 16%).

As at December 31, 2016, 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 $1,926,000 and $20,032,000 respectively.

17 INTANGIBLE ASSETS (cont'd)

Operating concessions arose from the following:

Name of subsidiary as operator	Project name	Location in PRC	Name of grantor	Type of service concession arrangement	Contracted daily design capacity (tons/day)	Service concession period
CITIC Envirotech Water Treatment (Liaoyang) Co. Ltd	辽阳市河东新城第四净水厂	Liaoyang City, Liaoning Province	辽阳市人民政府	BOT	50,000	30 years from 2014
United 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	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 / 40,000	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
CITIC Envirotech Water Resource (Hegang) Co., Ltd *	西区再生水利用工程（中水厂）	Hegang City, Heilongjiang Province	黑龙江省鹤岗市人民政府	BOT	30,000	30 years from year of commencement of operation
United Envirotech Water Resource (Gaoyang) Co., Ltd	高阳县污水处理厂一期/高阳县污水处理厂二期工程	Gaoyang County, Hebei Province	河北省高阳县人民政府	BOT	80,000 / 120,000	28 years from 2010/2013
CITIC Envirotech Water Resource (Xiaochang) Co., Ltd	孝昌污水处理厂	Xiaochang County, Shandong Province	山东省孝昌县人民政府	BOT	30,000	27 years from 2016
Nantong Chang'an Water Co., Ltd	海安县污水厂/海安县净水厂	Hai'an County, 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 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

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

18 DEFERRED TAX ASSETS (LIABILITIES)

	Group 2016 $'000	Group 2015 $'000
Deferred tax assets	1,111	517
Deferred tax liabilities	(45,432)	(36,376)
Net	(44,321)	(35,859)

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 FRS112 $'000	Other allowances $'000	Net $'000
<u>Group</u>			
At April 1, 2015	(26,505)	950	(25,555)
Acquisition of subsidiaries (Note 39)	(5,000)	–	(5,000)
Charge to profit or loss (Note 33)	(4,871)	(433)	(5,304)
At December 31, 2015	(36,376)	517	(35,859)
Acquisition of subsidiaries (Note 39)	(3,306)	–	(3,306)
Charge to profit or loss (Note 33)	(5,750)	594	(5,156)
At December 31, 2016	(45,432)	1,111	(44,321)

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 $17,916,000 (2015 : $13,748,000). 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 $340,000. No liability has been recognised in respect of these differences because the amount is immaterial to the Group.

19 BANK LOANS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Bank loans (unsecured)	–	43,546	–	–
Bank loans (secured)	333,367	382,205	–	–
Total	333,367	425,751	–	–
The loans are repayable as follows:				
On demand or within one year	76,499	237,141	–	–
More than one year	256,868	188,610	–	–
Total	333,367	425,751	–	–
Average effective interest rates (per annum)	4.6%	5.1%	–	–

The bank loans of the Group amounting to $205,315,000 (2015 : $140,552,000) are secured by the service concession receivables of its subsidiaries (Note 8d), prepaid leases (Note 11), treatment plants (Note 15) and intangible assets (Note 17) of its subsidiaries.

In 2015, the bank loans of the Group amounting to $93,987,000 were secured by the shares of certain subsidiaries.

The bank loans of the Group amounting to $8,707,000 (2015 : $9,283,000) are secured by a charge over the Group's leasehold building (Note 15).

In 2015, bank loans of the Group amounting to $126,436,000 were secured by standby letters of credit.

The bank loans of the Group amounting to $119,345,000 (2015 : $11,947,000) 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 $82,387,000 (2015 : $Nil). The loan is secured by corporate guarantee.

20 TRADE PAYABLES

	Group	
	2016	2015
	$'000	$'000
Outside parties	310,048	140,708

The average credit period on purchases of goods is 30 days (2015 : 30 days). No interest is charged on overdue trade payables.

21 OTHER PAYABLES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Value added tax	23,046	20,927	–	–
Advance receipts	492	592	–	–
Accruals	6,993	12,939	706	1,077
Subsidiaries (Note 13)	–	–	–	14,726
Deferred income	14,848	140	–	–
Tender deposits	7,219	6,348	–	–
Interest payable	14,358	177	14,358	5,268
Other payables to outside parties	12,454	11,518	–	–
Total	79,410	52,641	15,064	21,071

22 FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Within one year	178	114	161	180	22	26	17	17
In the second to fifth year inclusive	181	356	164	218	71	96	66	76
After the fifth year	6	21	5	38	–	7	–	7
Total	365	491	330	436	93	129	83	100
Less: Future finance charges	(35)	(55)	NA	NA	(10)	(29)	NA	NA
Present value of lease obligations	330	436	330	436	83	100	83	100
Less: Due within one year			(161)	(180)			(17)	(17)
Due after one year			169	256			66	83

The average remaining lease terms for the Group and the Company are 2 to 4 years and 3 years (2015 : 3 to 5 years and 4 years) respectively. For the year ended December 31, 2016, the average effective borrowing rates for both the Group and the Company were 4.2% to 5.2% (2015 : 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.

23 MEDIUM TERM NOTES

	Group and Company	
	2016	2015
	$'000	$'000
At beginning of the year	319,926	98,228
Issued during the year, net of issuance cost	–	222,048
Redemption upon maturity / early redemption	(99,000)	(1,010)
Amortisation of issuance cost charge to profit or loss (Note 31)	2,523	660
At end of the year	223,449	319,926

Presentation on Statements of Financial Position:

	Group	
	2016	2015
	$'000	$'000
Current liabilities	–	97,700
Non-current liabilities	223,449	222,226
Total	223,449	319,926

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, 2016 to be approximately $227,466,000 (2015 : $326,025,000). The fair value is based on the bid price extracted from Bloomberg as at December 31, 2016 and management determined the Notes to be under Level 2 fair value hierarchy.

23 MEDIUM TERM NOTES (cont'd)

The net carrying amount of the Notes was stated net of issue expenses totalling $3,081,000 (2015 : $6,499,000). 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, 2016, accumulated amortisation amounted to $1,528,000 (2015 : $2,131,000).

24 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares ('000)		$'000	$'000
Issued and paid-up:				
At beginning of the year	1,127,765	963,361	607,973	484,125
Issuance of shares, net of expenses	163	164,404	90	123,848
At end of the year	1,127,928	1,127,765	608,063	607,973

The ordinary shares, which have no par value, carry on vote per share and carry a right to dividends as and when declared by the Company.

During the current financial year, the Company issued 162,500 (2015 : 16,174,500) ordinary shares at $89,700 (2015 : $8,797,000) pursuant to the conversion of the Employee Share Option Scheme.

In 2015, the Company issued 30,303,031 ordinary shares at $47,562,000 pursuant to the issuance of new ordinary shares to CENVIT (Cayman) Company Limited, and 117,926,189 ordinary shares at $67,489,000 pursuant to the conversion of convertible bonds.

Share options over ordinary shares granted under the employee share option scheme:

As at December 31, 2016, employees held options over 53,592,500 ordinary shares (of which 4,337,363 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
3,000,000	July 20, 2020
33,492,500	February 15, 2023
12,000,000	March 28, 2023
5,100,000	July 25, 2024
53,592,500	

As at December 31, 2015, employees held options over 53,875,500 ordinary shares (of which 21,739,935 are unvested) in aggregate. The number of options and their expiry dates are as follows:

Number of options	Expiring on:
3,000,000	July 20, 2020
33,775,500	February 15, 2023
12,000,000	March 28, 2023
5,100,000	July 25, 2024
53,875,500	

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 28 to the financial statements.

25 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").

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.

26 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	
	2016	2015
	$'000	$'000
Statutory surplus reserve fund:		
At beginning of year	5,330	4,469
Transfer from retained earnings	2,084	861
At end of year	7,414	5,330

27 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.

28 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			
	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		$		$
Outstanding at beginning of year	53,875,500	0.5921	70,950,000	0.5962
Exercised	(162,500)	0.5520	(16,174,500)	0.5445
Forfeited	(120,500)	0.5520	(900,000)	1.1350
Outstanding at end of year	53,592,500	0.5923	53,875,500	0.6028
Exercisable at end of year	49,255,137	0.5754	48,775,500	0.5921

For the year ended December 31, 2016, the weighted average share price at the date of grant for share options granted was $0.5923 (2015 : $0.6028). The options outstanding at the end of the year have a weighted average remaining contractual life of 5 years (2015 : 6 years).

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

28 SHARE-BASED PAYMENTS (cont'd)

Equity-settled share option scheme (cont'd)

The inputs into the valuation model were as at the respective grants dates were as follows:

Grant date: July 20, 2010	
Weighted average share price ($)	0.3209
Weighted average exercise price ($)	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, 2016, the estimated fair values of the options granted were $31,742,838 (2015 : $32,476,150).

For the financial year ended December 31, 2016, the Group and the Company recognised an expense of $7,337,000 (2015 : $6,930,000) related to fair value of the options granted.

29 REVENUE

	Group January 1, 2016 to December 31, 2016 $'000	Group April 1, 2015 to December 31, 2015 $'000
Revenue from environmental engineering projects	305,738	113,317
Income from waste water treatment	121,238	77,601
Finance income from service concessions	32,779	28,859
Sales of goods	75,285	48,492
Technical services income	9,515	6,492
Total	544,555	274,761

30 OTHER INCOME

	Group January 1, 2016 to December 31, 2016 $'000	Group April 1, 2015 to December 31, 2015 $'000
Interest income	3,138	5,276
Foreign exchange gain - net	2,934	3,111
Commission income	118	2,695
Gain from disposal of a subsidiary	873	–
Government grant and VAT refund	10,456	5,170
Others	1,800	3,996
Total	19,319	20,248

31 FINANCE COSTS

	Group January 1, 2016 to December 31, 2016 $'000	Group April 1, 2015 to December 31, 2015 $'000
Interest expense from:		
Bank borrowings	19,995	15,528
Convertible bonds	–	554
Finance leases	17	14
Amortisation of medium term notes issue expense (Note 23)	2,523	660
Medium term notes	17,038	12,456
Total	39,573	29,212

32 PROFIT BEFORE INCOME TAX

This has been arrived at after charging (crediting):

	Group	
	January 1, 2016 to December 31, 2016 $'000	April 1, 2015 to December 31, 2015 $'000
Foreign exchange gain, net	(2,934)	(3,111)
Auditors' remuneration:		
Paid to auditors of the Company	295	290
Paid to member firms of the auditors of the Company	745	756
Paid to other auditors	77	91
Non-audit fees:		
Paid to auditors of the Company	100	150
Paid to member firms of the auditors of the Company	63	–
Gain from disposal of subsidiary	(873)	–
Loss from disposal of property, plant and equipment	26	122
Impairment loss on non-current assets held-for-sale	2,494	–
Employee benefits expense	42,343	27,503
Directors' remuneration	2,171	2,242
Directors' fee		
- Prior year	60	–
- Current year	258	180
Cost of defined contribution retirement plans	5,222	4,098
Total employee benefits expenses	50,054	34,023
Depreciation of property, plant and equipment	10,137	7,859
Amortisation of intangible assets	10,851	7,412
Amortisation of prepaid leases	1,194	691
Total depreciation and amortisation expenses	22,182	15,962

33 INCOME TAX EXPENSE

	Group	
	January 1, 2016 to December 31, 2016 $'000	April 1, 2015 to December 31, 2015 $'000
Current tax	24,981	13,035
(Over) Underprovision in prior years	(1,211)	134
Deferred tax (Note 18)	5,156	5,304
Withholding tax	475	388
Income tax expense	29,401	18,861

33 INCOME TAX EXPENSE (cont'd)

(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) United Envirotech Water (Changyi) Co. Ltd and United Envirotech Water Resource (Gaoyang) Co. Ltd are granted to claim tax exemption from the PRC income tax for the first three years commencing its first profit-making year of operations, after offsetting all tax losses carried forward from the previous years, and thereafter, entitled to claim 50% relief from PRC income tax for the next three years.

(iii) CITIC Envirotech Water (Siyang) Co. Ltd are 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% (2015 : 17%) to profit before income tax as a result of the following differences:

	Group	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Profit before income tax	131,357	61,471
Tax expense at the Singapore domestic income tax rate of 17%	22,331	10,450
Tax effect of expense that are not deductible in determining taxable profits	6,794	2,783
Deferred tax benefit not recognised	2,862	3,655
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,365	1,423
Tax exempt income	(10,614)	(1,021)
(Over) Underprovision in prior years	(1,211)	134
Withholding tax	475	388
Others	(601)	1,049
Total	29,401	18,861

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

	Group	
	2016	2015
	$'000	$'000
Amount at beginning of year	49,582	30,867
Amount arising	12,964	18,715
Amount at end of year	62,546	49,582
Deferred tax benefit on above unrecorded	13,136	10,274

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 $2.526 million, $1.683 million, $4.058 million, $6.318 million and $10.596 million that will expire over the period from 2017 to 2021 correspondingly (2015 : $0.863 million, $2.659 million, $1.771 million, $4.272 million and $6.650 million that will expire over the period from 2016 to 2020).

34 BASIC AND DILUTED EARNINGS PER SHARE

	Group	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015
	$'000	$'000
Earnings ($'000)		
Profit attributable to owners of the Company	99,312	40,762
Effect of dilutive potential ordinary shares:		
Dividends on perpetual capital securities	(22,754)	(1,113)
Earnings for the purposes of diluted earnings per share	76,558	39,649
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,127,844	1,115,504
Effect of dilutive potential ordinary shares from share options	53,593	53,876
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,181,437	1,169,380
Earnings per share (cents)		
- Basic	6.79	3.55
- Diluted	6.48	3.39

35 DIVIDENDS

During the financial year, 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.

During the financial year, 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 during the financial year was $16,027,000

During the financial year ended December 31, 2015, a tax exempt (1-tier) dividend of $0.005 per ordinary shares totalling to $4,816,000 on 963,361,000 shares were paid to shareholders in respect of the financial year ended March 31, 2015. In addition, tax exempt (1-tier) dividend of $0.005 per ordinary shares totalling to $817,000 on the 164,404,000 additional shares issued during the prior year were declared and paid during the prior financial year.

Tax exempt (1-tier) dividend of $1,113,000 on the perpetual capital securities was declared in 2015 in respect of the financial year ended December 31, 2015, and was paid during the financial year.

Subsequent to the year end, the directors of the Company propose a tax exempt (1-tier) dividend of $0.010 per ordinary share totalling $22,518,000 on 2,251,797,476 shares (based on the post-split share) for the financial year ended December 31, 2016. This is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

36 OPERATING LEASE ARRANGEMENTS

	Group	
	January 1, 2016 to December 31, 2016 $'000	April 1, 2015 to December 31, 2015 $'000
Minimum lease payments under operating leases recognised as an expense in the year	1,070	817

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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Future minimum lease payments payable:				
Within one year	920	434	234	167
In the second to fifth year inclusive	1,424	149	477	20
After fifth year	128	–	–	–
Total	2,472	583	711	187

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 (2015: 2 years).

37 CONTINGENT LIABILITIES

Contingent Liabilities for the Company

The Company provided corporate guarantees to 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 (2015 : its subsidiaries, CITIC Envirotech Water Resource (Hegang) Co Ltd, CITIC Envirotech Water Resource (Siyang) Co Ltd, United Envirotech (Hong Kong) Company Ltd and Memstar Pte Ltd for banking facilities up to $106,914,000).

Management has considered and evaluated the fair value of the above financial guarantee contracts to be insignificant as at December 31, 2016 and 2015.

38 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.

38 SEGMENT INFORMATION (cont'd)

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

	January 1, 2016 to December 31, 2016					April 1, 2015 to December 31, 2015				
	Engineering $'000	Treatment $'000	Membrane $'000	Elimination $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Elimination $'000	Total $'000
Revenue										
External sales	318,719	165,791	60,045	–	544,555	114,595	106,460	53,706	–	274,761
Inter-segment sales	8,428	–	15,240	(23,668)	–	5,214	–	15,188	(20,402)	–
Total	327,147	165,791	75,285	(23,668)	544,555	119,809	106,460	68,894	(20,402)	274,761
Results										
Segment result	73,213	65,244	26,316	–	164,773	4,944	46,392	33,729	–	85,065
Finance costs					(39,573)					(29,212)
Unallocated corporate expenses					(3,039)					(2,766)
Gain on disposal of subsidiary					873					–
Loss on disposal of property, plant and equipment					(26)					–
Loss on disposal of service concession					(2,043)					–
Impairment loss on assets held for sale					(2,494)					–
Foreign currency exchange gain					2,934					3,111
Share of profit (loss) of associates					6,814					(3)
Interest income					3,138					5,276
Profit before income tax					131,357					61,471
Income tax					(29,401)					(18,861)
Profit for the year					101,956					42,610

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.

	January 1, 2016 to December 31, 2016				April 1, 2015 to December 31, 2015			
	Engineering $'000	Treatment $'000	Membrane $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Total $'000
Segment assets	509,086	1,422,150	399,751	2,330,987	275,718	1,119,249	415,693	1,810,660
Unallocated corporate assets				219,054				362,226
Consolidated total assets				2,550,041				2,172,886
Segment liabilities	386,584	371,979	33,790	792,353	288,092	268,435	47,372	603,899
Unallocated corporate liabilities				262,170				428,231
Consolidated total liabilities				1,054,523				1,032,130

38 SEGMENT INFORMATION (cont'd)

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

	January 1, 2016 to December 31, 2016				April 1, 2015 to December 31, 2015			
	Engineering $'000	Treatment $'000	Membrane $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Total $'000
Additions to non-current assets	308	485,499	2,737	488,544	132	386,330	23,328	409,790
Depreciation and amortisation	381	14,008	7,793	22,182	231	9,233	6,498	15,962

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	
	January 1, 2016 to December 31, 2016	April 1, 2015 to December 31, 2015	2016	2015
PRC	521,715	264,008	1,568,610	1,168,870
Singapore	–	–	28,292	29,676
Malaysia	19,507	8,193	1,545	1,600
USA	3,333	2,560	–	–
Total	544,555	274,761	1,598,447	1,200,146

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% of more of the Group's revenue.

39 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, 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.

39 ACQUISITION OF SUBSIDIARIES (cont'd)

For the financial year ended December 31, 2016 (cont'd)

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 are as follows:

	Fujian Liyang $'000	Nantong Chang'an $'000	Total $'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
Net cash outflow on acquisition of subsidiary	
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.

39 ACQUISITION OF SUBSIDIARIES (cont'd)

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 $'000	PT Sumut $'000	Total $'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
Net cash outflow on acquisition of subsidiary	
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.

39 ACQUISITION OF SUBSIDIARIES (cont'd)

For the financial period ended December 31, 2015 (cont'd)

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.

40 DISPOSAL OF SUBSIDIARY

As referred to in Note 12 to the financial statements, 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	
Cash consideration received	3,548
Cash and cash equivalents disposed of	(198)
	3,350

41 COMMITMENTS

	Group 2016 $'000	Group 2015 $'000
Commitments	378,490	304,000

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

	Group 2016 $'000	Group 2015 $'000
Investment projects		
Rizhao City, Shandong Province	34,783	–
Shantou Chaonan, Guangdong Province	161,779	–
Changyi County, Shandong Province	15,691	–
Yixing County, Jiangsu Province	121,224	–
Haining City, Zhejiang Province	–	39,500
Gaoyang City, Hebei Province	12,013	43,500
Luntai County, Xinjiang Province	–	66,700
Medan City, Indonesia	33,000	35,000
Liaoyang City, Liaoning Province	–	119,300
Total – Investment projects	378,490	304,000

42 COMPARATIVE FIGURES

In 2015, the Group and Company changed its financial year end from March 31 to December 31 to be co-terminus with the immediate holding company's financial year end. The comparative information covers the period from April 1, 2015 to December 31, 2015.

43 EVENTS AFTER REPORTING PERIOD

On January 11, 2017, the Group received the full consideration of RMB112,090,000 ($23,692,000) for the disposal of CITIC Envirotech Water Resource (Hegang) Co., Ltd and the shares were fully transferred on that date.

On March 1, 2017, the directors of the Company proposed a tax exempt (1-tier) dividend of $0.010 per ordinary share totalling $22,518,000 on 2,251,797,476 shares (based on the post-split share) for the financial year ended December 31, 2016. This is subject to approval by shareholders at the Annual General Meeting.

ANNOUNCEMENT ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CITIC ENVIROTECH LTD. AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The information in this Appendix IV has been reproduced from the announcement on 1 March 2017 of the unaudited consolidated financial statements of CITIC Envirotech Ltd. and its subsidiaries for the financial year ended 31 December 2016 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

中信环境技术
CITIC ENVIROTECH

CITIC ENVIROTECH LTD. (Company registration number: 200306466G)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

Full Year Financial Statement & Dividend Announcement For The Year Ended 31 December 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000	Group 12 months ended 31/12/2015 $'000	12 months ended 31/12/2016 VS 12 months ended 31/12/2015 % Increase/ (Decrease)
Revenue	544,555	274,761	335,979	62.1
Other income	19,319	20,248	27,426	(29.6)
Changes in inventories	3,207	(2,673)	(3,050)	N/M
Material purchased, consumables used and subcontractors' fees	(281,153)	(111,973)	(136,450)	106.0
Employee benefits expense	(50,054)	(34,023)	(47,830)	4.6
Depreciation and amortisation expenses	(22,182)	(15,962)	(22,619)	(1.9)
Other operating expenses	(49,576)	(39,692)	(40,321)	23.0
Finance costs	(39,573)	(29,212)	(37,499)	5.5
Share of profit/(loss) of associates	6,814	(3)	(3)	N/M
Profit before income tax	**131,357**	**61,471**	**75,633**	73.7
Income tax expense	(29,401)	(18,861)	(24,168)	21.7
Net profit for the year	**101,956**	**42,610**	**51,465**	98.1

During the last financial period, the Company changed its financial year end from 31 March to 31 December. The last corresponding financial period ended 31 December 2015 covers the 9-month period from 1 April 2015 to 31 December 2015. 12-month statement of comprehensive income of the group for the period from 1 January 2015 to 31 December 2015 is included for comparison purposes.

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000	Group 12 months ended 31/12/2015 $'000	12 months ended 31/12/2016 VS 12 months ended 31/12/2015 % Increase/ (Decrease)
<u>Statement of Comprehensive Income</u>				
Profit for the year attributable to:				
Owners of the Company	99,312	40,762	48,299	105.6
Non-controlling interests	2,644	1,848	3,166	(16.5)
Profit for the year	101,956	42,610	51,465	98.1
Fair value change in available-for-sale investment	-	-	(17,252)	N/M
Currency translation (loss)/gain	(41,877)	(5,054)	3,148	N/M
Total comprehensive income for the year	60,079	37,556	37,361	60.8
Total comprehensive income attributable to:				
Owners of the Company	57,435	35,708	34,195	68.0
Non-controlling interests	2,644	1,848	3,166	(16.5)
Total comprehensive income for the year	60,079	37,556	37,361	60.8

1(a)(ii) Breakdown to statement of comprehensive income

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000	Group 12 months ended 31/12/2015 $'000	12 months ended 31/12/2016 VS 12 months ended 31/12/2015 % Increase/ (Decrease)
Employee share option expense	7,337	6,930	10,166	(27.8)
Interest expense on bank borrowings and finance leases	21,809	16,189	18,459	18.1
Interest expense on MTN bond	17,764	12,469	15,495	14.6
Finance cost on convertible bonds	-	554	3,545	N/M
Interest income	(3,138)	(5,276)	(5,851)	(46.4)
Foreign currency exchange (gain)/loss	(2,934)	(3,111)	646	N/M
One-off fees relating to the General Offer in April 2015	-	6,508	6,508	N/M
Loss on disposal of property, plant and equipment	26	122	122	(78.7)
Loss on disposal of service concession receivable	2,043	-	-	N/M
Gain on disposal of a subsidiary	(873)	-	-	N/M
Impairment loss on non-current assets held-for-sale	2,494	-	-	N/M
Allowance for doubtful receivables	1,028	-	-	N/M

N/M: Not meaningful

1(b)(I) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 31/12/2016 $'000	Group 31/12/2015 $'000	Company 31/12/2016 $'000	Company 31/12/2015 $'000
ASSETS				
Current assets:				
Cash and bank balances	493,541	540,466	110,426	198,024
Trade receivables	240,414	218,323	-	-
Service concession receivables	6,248	4,342	-	-
Other receivables and prepayments	141,233	163,691	851,053	732,231
Inventories	13,777	10,570	-	-
Prepaid leases	736	766	-	-
	895,949	938,158	961,479	930,255
Assets classified as held for sale	55,645	34,582	-	-
Total current assets	951,594	972,740	961,479	930,255
Non-current assets:				
Trade receivables	25,036	4,687	-	-
Service concession receivables	597,191	504,819	-	-
Other receivables and prepayments	15,577	16,293	-	-
Prepaid leases	39,996	36,704	-	-
Subsidiaries	-	-	413,323	279,023
Associates	17,807	10,608	10,588	10,611
Property, plant and equipment	374,470	148,871	182	249
Goodwill	255,365	255,365	-	-
Intangible assets	271,894	222,282	200	200
Deferred tax assets	1,111	517	-	-
Total non-current assets	1,598,447	1,200,146	424,293	290,083
Total assets	2,550,041	2,172,886	1,385,772	1,220,338
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	76,499	237,141	-	-
Medium term notes	-	97,700	-	97,700
Trade payables	310,048	140,708	-	-
Other payables	79,410	52,641	15,064	21,071
Finance leases	161	180	17	17
Income tax payable	30,534	25,054	-	-
	496,652	553,424	15,081	118,788
Non-current liabilities held for sale	31,953	31,238	-	-
Total current liabilities	528,605	584,662	15,081	118,788
Non-current liabilities:				
Bank loans	256,868	188,610	-	-
Finance leases	169	256	66	83
Medium term notes	223,449	222,226	223,449	222,226
Deferred tax liabilities	45,432	36,376	-	-
Total non-current liabilities	525,918	447,468	223,515	222,309

	Group 31/12/2016 $'000	Group 31/12/2015 $'000	Company 31/12/2016 $'000	Company 31/12/2015 $'000
Capital and reserves:				
Share capital	608,063	607,973	608,063	607,973
Perpetual capital securities	481,250	242,055	481,250	242,055
General reserve	7,414	5,330	-	-
Capital reserve	2,096	2,096	-	-
Share option reserve	27,782	20,445	27,782	20,445
Currency translation reserve	(11,999)	29,878	7,160	4,415
Retained earnings	264,385	193,971	22,921	4,353
Equity attributable to owners of the Company	1,378,991	1,101,748	1,147,176	879,241
Non-controlling interests	116,527	39,008	-	-
Total equity	1,495,518	1,140,756	1,147,176	879,241
Total liabilities and equity	2,550,041	2,172,886	1,385,772	1,220,338

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/12/2016		As at 31/12/2015	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
76,660	-	237,321	97,700

Amount repayable after one year

As at 31/12/2016		As at 31/12/2015	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
257,037	223,449	188,866	222,226

Details of any collateral

1. The finance leases of $330,000 (31 December 2015: $436,000) is secured over the Group's motor vehicles.

2. The bank loans of $333,697,000 (31 December 2015: $426,187,000) are secured over the concession receivables, intangible assets, treatment plants, prepaid lease and leasehold buildings of its subsidiaries.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000
Operating activities		
Profit before income tax	131,357	61,471
Adjustments for:		
Gain on disposal of a subsidiary	(873)	-
Loss on disposal of property, plant and equipment	26	122
Loss on disposal of service concession receivable	2,043	-
Impairment loss on non-current assets held-for-sale	2,494	-
Allowance for doubtful receivables	1,028	-
Interest income	(3,138)	(5,276)
Finance costs	39,573	29,212
Share of (profit)/loss of associates	(6,814)	3
Depreciation and amortisation expenses	22,182	15,962
Share option expense	7,337	6,930
Exchange differences arising on foreign currency translation	(17,697)	1,029
Operating profit before working capital changes	**177,518**	**109,453**
Trade receivables	(53,261)	11,231
Other receivables and prepayments	30,824	(92,713)
Inventories	(3,192)	2,671
Trade payables	166,697	26,356
Other payables	37,886	(32,940)
Cash generated from operations	**356,472**	**24,058**
Interest received	3,138	4,691
Interest paid	(38,539)	(18,208)
Income tax paid	(14,581)	(8,284)
Net cash from operating activities	**306,490**	**2,257**
Investing activities		
Addition to service concession receivables	(130,347)	(34,876)
Addition to intangible assets	(44,260)	(7,365)
Addition to prepaid leases	(4,491)	-
Investment in associates	(382)	(10,611)
Proceeds from disposal of property, plant and equipment	3	87
Proceeds from disposal of service concession receivable	739	-
Disposal of a subsidiary	3,350	-
Contribution from non-controlling shareholders	72,426	2,009
Addition to property, plant and equipment	(259,317)	(76,946)
Net cash outflow from acquisition of subsidiaries	(36,120)	(86,100)
Net cash used in investing activities	**(398,399)**	**(213,802)**

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000
Financing activities		
Proceeds from bank borrowings	195,286	171,770
Proceeds from issuing shares	90	56,359
Proceeds from issuing medium term notes	-	222,048
Redemption of medium term notes	(99,000)	(1,010)
Proceeds from issuing perpetual capital securities	239,195	242,055
Dividend paid	(21,200)	(5,633)
Repayment of obligations under finance lease	(106)	(55)
Repayment of bank borrowings	(258,398)	(50,323)
Net cash from financing activities	**55,867**	**635,211**
Net (decrease) increase in cash and cash equivalents	(36,042)	423,666
Cash and cash equivalents at beginning of year	540,466	113,757
Net effect of exchange rate changes on the balance and cash held in foreign currencies	(10,883)	3,043
Cash and cash equivalents at end of year	493,541	540,466

1(d)(I) A statement (for the issuer and group) showing either (I) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
Group										
At 1 January 2016	607,973	242,055	5,330	2,096	20,445	29,878	193,971	1,101,748	39,008	1,140,756
Total comprehensive income for the period	-	-	-	-	-	(41,877)	99,312	57,435	2,644	60,079
Recognition of share based payment	-	-	-	-	7,337	-	-	7,337	-	7,337
Issuance of shares on exercise of the ESOS	90	-	-	-	-	-	-	90	-	90
Issuance of perpetual capital securities	-	242,037	-	-	-	-	-	242,037	-	242,037
Perpetual capital securities issuance expense	-	(2,842)	-	-	-	-	-	(2,842)	-	(2,842)
Incorporation of subsidiaries	-	-	-	-	-	-	-	-	72,426	72,426
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	3,144	3,144
Disposal of subsidiary	-	-	-	-	-	-	-	-	(695)	(695)
Transfer to general reserve	-	-	2,084	-	-	-	(2,084)	-	-	-
Dividend paid/ payable	-	-	-	-	-	-	(26,814)	(26,814)	-	(26,814)
At 31 December 2016	608,063	481,250	7,414	2,096	27,782	(11,999)	264,385	1,378,991	116,527	1,495,518

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserves $'000	Convertible bonds reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
Group											
At 1 April 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 period	-	-	-	-	-	-	(5,054)	40,762	35,708	1,848	37,556
Recognition of share-based payment	-	-	-	-	6,930	-	-	-	6,930	-	6,930
Issuance of shares capital	47,562	-	-	-	-	-	-	-	47,562	-	47,562
Issuance of shares on conversion of convertible bonds	67,489	-	-	-	-	(8,707)	-	-	58,782	-	58,782
Issuance of shares on exercise of the ESOS	8,797	-	-	-	-	-	-	-	8,797	-	8,797
Issuance of perpetual capital securities	-	242,055	-	-	-	-	-	-	242,055	-	242,055
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	4,475	4,475
Transfer to general reserve	-	-	861	-	-	-	-	(861)	-	-	-
Dividend paid/ payable	-	-	-	-	-	-	-	(6,746)	(6,746)	-	(6,746)
At 31 December 2015	607,973	242,055	5,330	2,096	20,445	-	29,878	193,971	1,101,748	39,008	1,140,756

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Convertible bonds reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company							
At 1 January 2016	607,973	242,055	20,445	-	4,415	4,353	879,241
Total comprehensive income for the period	-	-	-	-	2,745	45,382	48,127
Recognition of share-based payment	-	-	7,337	-	-	-	7,337
Issuance of shares on exercise of ESOS	90	-	-	-	-	-	90
Issuance of perpetual capital securities	-	242,037	-	-	-	-	242,037
Perpetual capital securities issuance expense	-	(2,842)	-	-	-	-	(2,842)
Dividend	-	-	-	-	-	(26,814)	(26,814)
At 31 December 2016	608,063	481,250	27,782	-	7,160	22,921	1,147,176

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Convertible bonds reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company							
At 1 April 2015	484,125	-	13,515	8,707	18,939	6,373	531,659
Total comprehensive income for the period	-	-	-	-	(14,524)	4,726	(9,798)
Recognition of share-based payment	-	-	6,930	-	-	-	6,930
Issuance of share capital	47,562	-	-	-	-	-	47,562
Issuance of perpetual capital securities	-	242,055	-	-	-	-	242,055
Issuance of shares on conversion of convertible bonds	67,489	-	-	(8,707)	-	-	58,782
Issuance of shares on exercise of ESOS	8,797	-	-	-	-	-	8,797
Dividend	-	-	-	-	-	(6,746)	(6,746)
At 31 December 2015	607,973	242,055	20,445	-	4,415	4,353	879,241

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

During the period, there were no change in the company's share capital.

The total number of shares that may be issued on conversion of all the outstanding employee shares options were 53,592,500 (31 December 2015: 53,875,500).

The perpetual capital securities comprised USD355 million (31 December 2015: USD175 million) issued at 5.45% per annum

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	31/12/2016	31/12/2015
Total number of issues shares ('000)	1,127,928	1,127,765

The company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasure shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended 31 December 2015.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group 12 months ended 31/12/2016	Group 9 months ended 31/12/2015
Net profit attributable to shareholders of the Company ($'000)	99,312	40,762
Weighted average number of shares in issue (in '000) for computation of Basic EPS	1,127,844	1,115,504
Earnings per share (cents) - Basic	8.81	3.65
Weighted average number of shares in issue (in '000) for computation of Diluted EPS	1,181,437	1,169,380
Earnings per share (cents) – Diluted	8.41	3.49

Adjusted EPS	Group 12 months ended 31/12/2016	Group 9 months ended 31/12/2015
Net profit attributable to shareholders of the Company adjusted for dividends attributable to perpetual capital securities ($'000)	76,558	39,649
Weighted average number of shares in issue (in '000) for computation of Basic EPS	1,127,844	1,115,504
Earnings per share (cents)- Basic	6.79	3.55
Weighted average number of shares in issue (in '000) for computation of Diluted EPS	1,181,437	1,169,380
Earnings per share (cents) – Diluted	6.48	3.39

For the purpose of calculating diluted EPS, assumption was made that all the employee share options issued will be converted to ordinary shares.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
   (a) current financial period reported on; and
   (b) immediately preceding financial year.

	Group 31/12/2016	Group 31/12/2015	Company 31/12/2016	Company 31/12/2015
Net asset value ($'000)	1,495,518	1,140,756	1,147,176	879,241
Net asset value per share (cents)	132.59	101.15	101.71	77.96

The net asset value per share is calculated based on the issued share capital of 1,127,927,588 (31 December 2015: 1,127,765,088).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income

The Group's revenue for the current year was $544.6 million, which was $208.6 million or 62.1% higher than last corresponding year ended 31 December 2015 of $336.0 million. The breakdown of the revenue was as follows:

	Group 12 months ended 31/12/2016 $'million	Group 12 months ended 31/12/2015 $'million	% increase/ (decrease)
Engineering revenue	318.8	124.6	155.9
Treatment revenue	165.8	134.9	22.9
Membrane sale	60.0	76.5	(21.6)
Total	544.6	336.0	62.1

The increase was mainly due to the engineering business from $124.6 million to $318.8 million, representing an increase of $194.2 million or 155.9%.

	Group 12 months ended 31/12/2016 $'million	Group 12 months ended 31/12/2015 $'million
Engineering revenue	318.8	124.6
Membrane sale	60.0	76.5
Total	378.8	201.1
Changes in inventories	2.6	(3.0)
Material purchased, consumables used and subcontractors' fees *	(233.1)	(118.5)
Gross profit	**148.3**	**79.6**
GP margin (%)	39.1	39.6

Materials purchased, consumables used and subcontractors' fees increased to $233.1 million from $118.5 million, representing an increase of $114.6 million or 96.7% as compared to the last corresponding year ended 31 December 2015. The increase was mainly due to the increase in engineering revenue to $318.8 million from $124.6 million, representing an increase of $194.2 million or 155.9% as compared to the last corresponding year ended 31 December 2015. Gross profit margin maintained at 39.1%.

* *Material purchased, consumables used and subcontractors' fees related to engineering and membrane division only.*

Other operating expenses increased from $40.3 million to $49.6 million, representing an increase of $9.3 million or 23.0% as compared to the last corresponding year ended 31 December 2015. The increase was mainly due to the higher operating costs for the operation and maintenance of increased number of treatment plants; impairment loss on non-current assets held-for-sale of $2.5 million; and loss on disposal of service concession receivable of $2.0 million during the year.

The Group generated a net profit of $102.0 million as compared to $51.5 million for the last corresponding year ended 31 December 2015, representing an increase of $50.5 million or 98.1%.

Statement of financial position

The Group's non-current assets increased from $1,200.1 million as at 31 December 2015 to $1,598.4 million as at 31 December 2016. The increase was mainly due to the addition of service concession receivables and property, plant and equipment during the financial year.

The Group's current liabilities decreased to $528.6 million as at 31 December 2016 from $584.7 million as at 31 December 2015. The decrease was mainly due to the repayment of short-term bank loans of $258.4 million and redemption of short-term medium term notes of $99.0 million during the year. The decrease was offset by an increase in trade payables from $140.7 million as at 31 December 2015 to $310.0 million as at 31 December 2016. The increase was mainly due to higher engineering revenue generated during the year.

The Group's non-current liabilities increased from $447.5 million to $525.9 million. The increase was mainly due to higher longer tenure bank loans being used to finance the investment projects.

The Group's total equity increased from $1,140.8 million as at 31 December 2015 to $1,495.5 million as at 31 December 2016. The increase was mainly due to the issuance of perpetual capital securities of USD180 million.

Statement of cash flow

The net cash generated from financing activities of the group decreased to $55.9 million for the year ended 31 December 2016 as compared to $635.2 million for the last corresponding period ended 31 December 2015. The decrease was mainly due to the repayment of short-term bank loans of $258.4 million and redemption of short-term medium term notes of $99.0 million during the year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

China Central Government remains focused in its efforts to improve the overall quality of the water environment of the whole country and to restore the functions of the water ecological system. Action plans by the government to tackle pollution problems open up doors to new business opportunities for CEL in the following areas:

a. River rehabilitation and restoration (河道治理和修复) for cities;
b. Hazardous waste/sludge treatment and management; and
c. Circular economy (循环经济), mainly in industrial parks, to minimize the discharge to the environment and maximize the reuse and recycling of limited resources to achieve efficient and self-sustained industrial economy.

The Company believes that these are strategic growth areas with good business potentials and CEL is equipped with the technological know-how and competitive advantage to pursue these projects.

The Company secured its first river restoration project in Yixing, Jiangsu; its first hazardous waste and sludge treatment and management projects in Rizhao, Shandong and Changyi Shandong respectively; and its first project involving circular economy in Chaonan, Guangdong.

Update of the use of proceeds

	$ million
Unutilised balance as at last quarterly announcement	263
Investment in water projects	
- Chaonan Shantou	(64)
- Rudong	(29)
- Yixing river restoration	(48)
Investment in hazardous waste project - Rizhao	(12)
Investment in membrane facilities	(15)
Unutilised balance as at date of announcement	95

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final	Special	Total
Dividend Type	Final	Special	Total
Dividend Amount per Share (in cents)	0.75*	0.25*	1.00*
Optional:- Dividend Rate (in %)		N/A	
Par value of shares		N/A	
Tax Rate		Tax exempt	

** this is based on the post-split share base as at the date of announcement of 2,251,797,476.*

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Final
Dividend Type	Final
Dividend Amount per Share (in cents)	0.36
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	Tax exempt

(c) Date payable

To be announced at a later date.

(d) Books closure date

Notice of books closure date for determining shareholders' entitlement of the proposed dividend will be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect.

Final dividends have been declared/recommended.

13. Related parties and interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

12 months ended 31 December 2016

	Engineering	Treatment	Membrane	Elimination	Total
	$'000	$'000	$'000	$'000	$'000
Revenue					
Sales	327,147	165,791	75,285	(23,668)	544,555
Results					
Segment result	88,453	73,672	26,316	(23,668)	164,773
Finance costs					(39,573)
Unallocated corporate expenses					(3,039)
Gain on disposal of subsidiary					873
Loss on disposal of property, plant and equipment					(26)
Loss on disposal of service concession					(2,043)
Impairment loss on disposal of subsidiary					(2,494)
Foreign currency exchange gain					2,934
Share of profit of joint venture					6,814
Interest income					3,138
Profit before income tax					131,357
Income tax expense					(29,401)
Net profit for the year					101,956
Other information					
Segment assets	509,086	1,422,150	399,751		2,330,987
Unallocated corporate assets					219,054
Consolidated total assets					2,550,041
Segment liabilities	386,584	371,979	33,790		792,353
Unallocated corporate liabilities					262,170
Consolidated total liabilities					1,054,523
Addition to non-current assets	308	435,370	2,737		438,415
Depreciation and amortisation	264	14,008	7,793		22,065

9 months ended 31 December 2015

	Engineering	Treatment	Membrane	Elimination	Total
	$'000	$'000	$'000	$'000	$'000
Revenue					
Sales	119,809	106,460	68,894	(20,402)	274,761
Results					
Segment result	20,132	51,606	33,729	(20,402)	85,065
Finance costs					(29,212)
Unallocated corporate expenses					(2,766)
Foreign currency exchange gain					3,111
Share of loss of associates					(3)
Interest income					5,276
Profit before income tax					61,471
Income tax expense					(18,861)
Net profit for the year					42,610
Other information					
Segment assets	275,718	1,119,249	415,693		1,810,660
Unallocated corporate assets					362,226
Consolidated total assets					2,172,886
Segment liabilities	288,092	268,435	47,372		603,899
Unallocated corporate liabilities					428,231
Consolidated total liabilities					1,032,130
Addition to non-current assets	132	250,586	23,328		274,046
Depreciation and amortisation	231	9,233	6,498		15,962

Segment assets represent property, plant and equipment, service concession receivables, associates, intangible assets, goodwill, inventories, trade and other receivables and 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.

Unallocated corporate assets mainly represent the Group's investment holding entities' cash and bank balances and other financial assets.

Unallocated corporate liabilities represent the Group's investment holding entities' finance leases, bank loans, deferred tax liabilities and, medium term notes and convertible bonds at corporate level.

Analysis by Geographical Segments (Secondary 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:

12 months ended 31 December 2016

	Revenue from external customers $'000	Non-current assets $'000
PRC	521,715	1,568,610
Singapore	-	28,292
Malaysia	19,507	1,545
USA	3,333	-
Total	544,555	1,598,447

9 months ended 31 December 2015

	Revenue from external customers $'000	Non-current assets $'000
PRC	264,008	1,168,870
Singapore	-	29,676
Malaysia	8,193	1,600
USA	2,560	-
Total	274,761	1,200,146

Non-current assets information presented above mainly consist of prepaid lease, property, plant and equipment, service concession receivables, intangible assets, club memberships, goodwill, associates and deferred tax assets.

Information about major customers

There were no revenue from major customers which accounts for 10% of more of the Group's revenue.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Business segment analysis

12 months ended 31 December 2016 vs 9 months ended 31 December 2015

The segment revenue from the engineering business increased to $327.1 million from the last corresponding period of $119.8 million, representing an increase of $207.3 million or 173.1%. The segment result increased from $20.1 million to $88.4 million, representing an increase of $68.3 million or 339.4%.

The segment revenue from the treatment business increased to $165.8 million from the last corresponding period of $106.5 million, representing an increase of $59.3 million or 55.7%. The segment result increased from $51.6 million to $73.7 million, representing an increase of $22.1 million or 42.8%. With the increase in the treatment capacity of the current plants and the additions to the treatment capacity arising from the newly acquired plants in the coming year, the Group expects the contribution from the treatment business to continue its uptrend going forward.

The segment revenue from the membrane business increased to $75.3 million from the last corresponding period of $68.9 million, representing an increase of $6.4 million or 9.3%. The segment result decreased from $33.7 million to $26.3 million, representing a decrease of $7.4 million or 22.0%.

Geographical segment analysis

PRC segment remained the major contributor for our Group's revenue due to the greater market and demand for our advanced membrane technology for the treatment and recycling of wastewater.

16. A breakdown of sales.

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000	% increase (decrease)
Breakdown of sales			
Sales reported for first half year	239,440	154,729	54.7
Operating profit after tax reported for first half year	35,531	18,705	90.0
Sales reported for second half year	305,115	120,032*	154.2
Operating profit after tax reported for second half year	66,425	23,905*	177.9

* - the sales and operating profit after tax reported for second half year pertained to the period from 1 October 2015 to 31 December 2015.

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Group 12 months ended 31/12/2016 $'000	Group 9 months ended 31/12/2015 $'000
Total annual dividend		
Ordinary	4,053	5,633
Perpetual capital securities	22,761	1,113

18. Persons occupying managerial positions who are related to the directors, Chief Executive Officer or substantial shareholders

Not applicable

CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company secretary
1 March 2017

ANNOUNCEMENT ON THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CITIC ENVIROTECH LTD. AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED 30 JUNE 2017

The information in this Appendix V has been reproduced from the announcement on 25 July 2017 of the unaudited consolidated financial statements of CITIC Envirotech Ltd. and its subsidiaries for the six months ended 30 June 2017 and has not been specifically prepared for inclusion in this Information Memorandum. Investors should read the consolidated financial data in conjunction with the related notes.

中信环境技术
CITIC ENVIROTECH

CITIC ENVIROTECH LTD. (Company registration number: 200306466G)

Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

Second Quarter Financial Statement & Dividend Announcement for the Period Ended 30 June 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) A statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group ($'000)	3 months ended 30/6/2017	3 months ended 30/6/2016	% Increase/ (Decrease)	6 months ended 30/6/2017	6 months ended 30/6/2016	% Increase/ (Decrease)
Revenue	134,405	139,973	(4.0)	248,135	239,440	3.6
Other income	4,373	4,833	(9.5)	19,317	6,392	202.2
Changes in inventories	(651)	4,567	N/M	6,761	4,889	38.3
Material purchased, consumables used and subcontractors' fees	(66,385)	(76,780)	(13.5)	(135,593)	(116,922)	16.0
Employee benefits expense	(11,683)	(11,038)	5.8	(24,397)	(22,592)	8.0
Depreciation and amortisation expenses	(7,771)	(8,618)	(9.8)	(14,069)	(15,895)	(11.5)
Other operating expenses	(13,059)	(13,686)	(4.6)	(29,356)	(28,025)	4.7
Finance costs	(9,544)	(10,981)	(13.1)	(15,706)	(21,640)	(27.4)
Share of profit of associates	1,182	2,257	(47.6)	1,337	2,115	(36.8)
Profit before income tax	30,867	30,527	1.1	56,429	47,762	18.2
Income tax expense	(8,637)	(7,309)	18.2	(16,381)	(12,231)	33.9
Net profit for the period	22,230	23,218	(4.3)	40,048	35,531	12.7

The Group ($'000)	3 months ended 30/6/2017	3 months ended 30/6/2016	% Increase/ (Decrease)	6 months ended 30/6/2017	6 months ended 30/6/2016	% Increase/ (Decrease)
Statement of Comprehensive Income						
Profit attributable to:						
Owners of the Company	21,002	22,789	(7.8)	38,028	34,850	9.1
Non-controlling interests	1,228	429	186.2	2,020	681	196.6
Profit for the period	22,230	23,218	(4.3)	40,048	35,531	12.7
Currency translation gain (loss)	1,812	(34,892)	N/M	(21,339)	(59,760)	(64.3)
Total other comprehensive income for the period	1,812	(34,892)	N/M	(21,339)	(59,760)	(64.3)
Total comprehensive income for the period	24,042	(11,674)	N/M	18,709	(24,229)	N/M
Total comprehensive income attributable to:						
Owners of the company	22,814	(12,103)	N/M	16,689	(24,910)	N/M
Non-controlling interests	1,228	429	186.2	2,020	681	196.6
Total comprehensive income for the period	24,042	(11,674)	N/M	18,709	(24,229)	N/M

1(a)(ii) Breakdown to statement of comprehensive income

The Group ($'000)	3 months ended 30/6/2017	3 months ended 30/6/2016	% Increase/ (Decrease)	6 months ended 30/6/2017	6 months ended 30/6/2016	% Increase/ (Decrease)
Employee share option expense	409	1,392	(70.6)	817	3,702	(77.9)
Interest expense on bank borrowings and finance leases	6,908	6,801	1.6	10,462	12,459	(16.0)
Interest expense on MTN bond	2,636	4,180	(36.9)	5,244	9,181	(42.9)
Interest income	(636)	(594)	7.1	(1,186)	(1,417)	(16.3)
Foreign currency exchange (gain)/loss	(1,647)	2,330	N/M	3,522	6,790	(48.1)
Loss on disposal of subsidiary	-	-	-	781	-	N/M

N/M: Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 30/6/2017 $'000	Group 31/12/2016 $'000	Company 30/6/2017 $'000	Company 31/12/2016 $'000
ASSETS				
Current assets:				
Cash and bank balances	539,617	493,541	74,782	110,426
Trade receivables	238,674	240,414	-	-
Service concession receivables	6,914	6,248	-	-
Other receivables and prepayments	229,330	141,233	813,460	851,053
Inventories	20,538	13,777	-	-
Prepaid leases	717	736	-	-
	1,035,790	895,949	888,242	961,479
Assets classified as held for sale	-	55,645	-	-
Total current assets	1,035,790	951,594	888,242	961,479
Non-current assets:				
Trade receivables	54,778	25,036	-	-
Service concession receivables	607,959	597,191	-	-
Other receivables and prepayments	15,180	15,577	-	-
Prepaid leases	63,266	39,996	-	-
Subsidiaries	-	-	450,930	413,323
Associates	26,111	17,807	10,588	10,588
Joint venture	524	-	-	-
Property, plant and equipment	425,041	374,470	154	182
Goodwill	255,365	255,365	-	-
Intangible assets	294,966	271,894	200	200
Deferred tax assets	1,083	1,111	-	-
Total non-current assets	1,744,273	1,598,447	461,872	424,293
Total assets	2,780,063	2,550,041	1,350,114	1,385,772
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans	65,360	76,499	-	-
Trade payables	339,802	310,048	-	-
Other payables	81,904	79,410	35,052	15,064
Finance leases	151	161	17	17
Medium term notes	224,121	-	224,121	-
Income tax payable	37,176	30,534	-	-
	748,514	496,652	259,190	15,081
Liabilities directly associated with assets classified as held for sale	-	31,953	-	-
Total current liabilities	748,514	528,605	259,190	15,081
Non-current liabilities:				
Bank loans	496,452	256,868	-	-
Finance leases	140	169	57	66
Medium term notes	-	223,449	-	223,449
Deferred tax liabilities	47,317	45,432	-	-
Total non-current liabilities	543,909	525,918	57	223,515

	Group 30/6/2017 $'000	Group 31/12/2016 $'000	Company 30/6/2017 $'000	Company 31/12/2016 $'000
Capital, reserves and non-controlling interests:				
Share capital	616,508	608,063	616,508	608,063
Perpetual capital securities	481,250	481,250	481,250	481,250
General reserve	7,414	7,414	-	-
Capital reserve	2,096	2,096	-	-
Share option reserve	23,689	27,782	23,689	27,782
Currency translation reserve	(33,338)	(11,999)	(3,879)	7,160
Retained earnings	266,743	264,385	(26,701)	22,921
Equity attributable to owners of the Company	1,364,362	1,378,991	1,090,867	1,147,176
Non-controlling interests	123,278	116,527	-	-
Total equity	1,487,640	1,495,518	1,090,867	1,147,176
Total liabilities and equity	2,780,063	2,550,041	1,350,114	1,385,772

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30/6/2017		As at 31/12/2016	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
65,511	224,121	76,660	-

Amount repayable after one year

As at 30/6/2017		As at 31/12/2016	
Secured $'000	Unsecured $'000	Secured $'000	Unsecured $'000
496,592	-	257,037	223,449

Details of any collateral

1. The finance leases of $291,000 (31 December 2016: $330,000) was secured over the Group's motor vehicles.

2. The bank loans of $561,812,000 (31 December 2016: $333,367,000) were secured over the concession receivables, intangible assets, treatment plants, prepaid lease and leasehold buildings of its subsidiaries.

1(c) **A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

The Group ($'000)	3 months ended 30/6/2017	3 months ended 30/6/2016	6 months ended 30/6/2017	6 months ended 30/6/2016
Operating activities				
Profit before income tax	30,867	30,527	56,429	47,762
Adjustments for:				
Interest income	(636)	(594)	(1,186)	(1,417)
Interest expense	9,544	10,981	15,706	21,640
Share of profit of associates	(1,182)	(2,257)	(1,337)	(2,115)
Depreciation and amortization	7,771	8,618	14,069	15,895
Share option expense	409	1,392	817	3,702
Loss on disposal of subsidiary	-	-	781	-
Exchange differences arising on foreign currency translation	21,442	(47,023)	14,198	(63,221)
Operating profit before working capital changes	**68,215**	**1,644**	**99,477**	**22,246**
Trade receivables	(16,969)	(43,646)	(28,873)	(58,185)
Other receivables	(16,903)	53,308	(36,546)	90,781
Inventories	651	(4,567)	(6,761)	(4,889)
Trade payables	3,983	25,387	29,752	29,691
Other payables	13,466	11,931	3,586	(7,055)
Cash generated from operations	**52,443**	**44,057**	**60,635**	**72,589**
Interest received	636	594	1,186	1,417
Interest paid	(11,845)	(17,355)	(15,064)	(20,795)
Income tax paid	(3,002)	(3,343)	(8,129)	(5,976)
Net cash generated from operating activities	**38,232**	**23,953**	**38,628**	**47,235**
Investing activities				
Contribution from non-controlling shareholders	3,785	413	6,047	413
Acquisition of non-controlling shareholders in a subsidiary	-	-	(1,316)	-
Addition to property, plant and equipment	(76,828)	(51,727)	(121,728)	(76,482)
Addition to service concession receivables	-	(4,370)	-	(134,206)
Addition to intangible assets	(2,077)	(1,565)	(5,899)	(3,338)
Addition to prepaid lease	(6,985)	(4,363)	(24,569)	(4,363)
Addition to deposits for investment projects	-	-	(51,042)	-
Investment in associates	-	-	(6,967)	-
Investment in joint ventures	(524)	-	(524)	-
Disposal of subsidiary	-	-	21,717	-
Net cash used in investing activities	**(82,629)**	**(61,612)**	**(184,281)**	**(217,976)**
Financing activities				
Dividend paid	(36,360)	(10,640)	(36,360)	(10,640)
New bank loans raised	248,131	8,696	281,231	92,474
Proceeds from issuing new shares	6,748	-	6,748	-
Share buy-back and cancellation of shares	-	-	(3,213)	-
Repayment of obligations under finance leases	(11)	(37)	(40)	(64)
Repayment of bank borrowings	(28,279)	(52,556)	(41,151)	(214,697)
Net cash generated from (used in) financing activities	**190,229**	**(54,537)**	**207,215**	**(132,927)**

The Group ($'000)	3 months ended 30/6/2017	3 months ended 30/6/2016	6 months ended 30/6/2017	6 months ended 30/6/2016
Net increase (decrease) in cash and cash equivalents	145,832	(92,196)	61,562	(303,668)
Cash and cash equivalents at beginning of period	399,474	332,034	493,541	540,466
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies	(5,689)	(13,743)	(15,486)	(10,703)
Cash and cash equivalents at end of period	539,617	226,095	539,617	226,095

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders.

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
Group										
At 1 January 2017	608,063	481,250	7,414	2,096	27,782	(11,999)	264,385	1,378,991	116,527	1,495,518
Total comprehensive income for the period	-	-	-	-	-	(23,151)	17,026	(6,125)	792	(5,333)
Recognition of share based payment	-	-	-	-	408	-		408	-	408
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	946	946
Share buy-back and cancellation of shares	(3,213)	-	-	-	-	-	-	(3,213)	-	(3,213)
Dividend payable	-	-	-	-	-	-	(6,147)	(6,147)	-	(6,147)
At 31 March 2017	604,850	481,250	7,414	2,096	28,190	(35,150)	275,264	1,363,914	118,265	1,482,179
Total comprehensive income for the period	-	-	-	-	-	1,812	21,002	22,814	1,228	24,042
Recognition of share based payment	-	-	-	-	409		-	409	-	409
Acquisition/ Incorporation of subsidiaries									3,785	3,785
Issuance of shares on exercise of ESOS	11,658	-	-	-	(4,910)		-	6,748	-	6,748
Dividend paid/payable	-	-	-	-	-	-	(29,523)	(29,523)	-	(29,523)
At 30 June 2017	616,508	481,250	7,414	2,096	23,689	(33,338)	266,743	1,364,362	123,278	1,487,640

	Share capital $'000	Perpetual capital securities $'000	General reserve $'000	Capital reserve $'000	Share option reserves $'000	Currency translation reserve $'000	Retained earnings $'000	Total equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
Group										
At 1 January 2016	607,973	242,055	5,330	2,096	20,445	29,878	193,971	1,101,748	39,008	1,140,756
Total comprehensive income for the period	-		-	-	-	(24,868)	12,061	(12,807)	252	(12,555)
Recognition of share-based payment	-	-	-	-	2,310	-	-	2,310	-	2,310
Dividend payable	-	-	-	-	-	-	(3,339)	(3,339)	-	(3,339)
At 31 March 2016	607,973	242,055	5,330	2,096	22,755	5,010	202,693	1,087,912	39,260	1,127,172
Total comprehensive income for the period	-	-	-	-	-	(34,892)	22,789	(12,103)	429	(11,674)
Recognition of share-based payment	-	-	-	-	1,392	-	-	1,392	-	1,392
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	413	413
Dividend paid/payable	-	-	-	-	-	-	(9,422)	(9,422)	-	(9,422)
At 30 June 2016	607,973	242,055	5,330	2,096	24,147	(29,882)	216,060	1,067,779	40,102	1,107,881

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company						
At 1 January 2017	608,063	481,250	27,782	7,160	22,921	1,147,176
Total comprehensive income for the period	-	-	-	(11,539)	(8,080)	(19,619)
Recognition of share-based payment	-	-	408	-	-	408
Share buy-back and cancellation of shares	(3,213)	-	-	-	-	(3,213)
Dividend payable	-	-	-	-	(6,147)	(6,147)
At 31 March 2017	604,850	481,250	28,190	(4,379)	8,694	1,118,605
Total comprehensive income for the period	-	-	-	500	(5,872)	(5,372)
Recognition of share-based payment	-	-	409	-	-	409
Issuance of shares on exercise of ESOS	11,658	-	(4,910)	-	-	6,748
Dividend paid/payable	-	-	-	-	(29,523)	(29,523)
At 30 June 2017	616,508	481,250	23,689	(3,879)	(26,701)	1,090,867

	Share capital $'000	Perpetual capital securities $'000	Share option reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total $'000
Company						
At 1 January 2016	607,973	242,055	20,445	4,415	4,353	879,241
Total comprehensive income for the period	-	-	-	(13,196)	(13,521)	(26,717)
Recognition of share-based payment	-	-	2,310	-	-	2,310
Dividend payable	-	-	-	-	(3,339)	(3,339)
At 31 March 2016	607,973	242,055	22,755	(8,781)	(12,507)	851,495
Total comprehensive income for the period	-	-	-	(446)	(9,512)	(9,958)
Recognition of share-based payment	-	-	1,392	-	-	1,392
Dividend paid/payable	-	-	-	-	(9,422)	(9,422)
At 30 June 2016	607,973	242,055	24,147	(9,227)	(31,441)	833,507

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Number of ordinary shares as at 1 April 2017	2,251,797,476
Issuance of New Shares on exercise of ESOS	20,928,800
Number of ordinary shares as at 30 June 2017	2,272,726,276

The total number of shares that may be issued on conversion of all the outstanding employee shares options were 86,256,200 (30 June 2016: 107,751,000 (pre-share split basis: 53,875,500)).

The perpetual capital securities comprised USD355 million (30 June 2016: USD355 million) issued at 5.45% per annum.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30/6/2017	31/12/2016
Total number of issues shares ('000)	2,272,726	2,255,856 1,127,928 *(pre-share split basis)*

The company does not have any treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computation are the same as in the Company's audited consolidated financial statements for the financial year ended 31 December 2016.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There is no change in the accounting policies and methods of computation.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group 3 months ended 30/6/2017	Group 3 months ended 30/6/2016	Group 6 months ended 30/6/2017	Group 6 months ended 30/6/2016
Net profit attributable to shareholders of the Company ($'000)	21,002	22,789	38,028	34,850
Weighted average number of shares in issue (in '000) for computation of Basic EPS - Post share split	2,260,287	2,255,530	2,260,287	2,255,530
Earnings per share (cents) - Basic	0.93	1.01	1.68	1.55
Weighted average number of shares in issue (in '000) for computation of Diluted EPS - Post share split	2,346,543	2,363,282	2,346,543	2,363,282
Earnings per share (cents) – Diluted	0.90	0.96	1.62	1.47

Adjusted EPS	Group 3 months ended 30/6/2017	Group 3 months ended 30/6/2016	Group 6 months ended 30/6/2017	Group 6 months ended 30/6/2016
Net profit attributable to shareholders of the Company adjusted for dividends attributable to perpetual capital securities ($'000)	14,205	20,766	25,084	26,149
Weighted average number of shares in issue (in '000) for computation of Basic EPS - Post share split	2,260,287	2,255,530	2,260,287	2,255,530
Earnings per share (cents) - Basic	0.63	0.92	1.11	1.16
Weighted average number of shares in issue (in '000) for computation of Diluted EPS - Post share split	2,346,543	2,363,282	2,346,543	2,363,282
Earnings per share (cents) – Diluted	0.61	0.88	1.07	1.11

For the purpose of calculating diluted EPS, assumption was made that all the employee share options will be converted to ordinary shares.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
   (a) current financial period reported on; and
   (b) immediately preceding financial year.

	Group 30/6/2017	Group 31/12/2016	Company 30/6/2017	Company 31/12/2016
Net asset value ($'000)	1,487,640	1,495,518	1,090,867	1,147,176
Net asset value per share (cents)	65.46	66.29	48.00	50.85

The net asset value per share is calculated based on the issued share capital of 2,272,726,276 (31 December 2016: 2,255,855,176 (pre-share split basis: 1,127,927,588)).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
   (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

   (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of comprehensive income

The Group's revenue for the current period was $134.4 million, which was $5.6 million or 4.0% lower than the last corresponding period ended 30 June 2016 of $140.0 million. The breakdown of the revenue was as follows:

	Group 3 months ended 30/6/2017 $'million	Group 3 months ended 30/6/2016 $'million	% increase/ (decrease)
Engineering revenue	78.6	78.5	0.1
Treatment revenue	46.8	44.6	4.9
Membrane sale	9.0	16.9	(46.7)
Total	134.4	140.0	(4.0)

The decrease was mainly due to the decrease in membrane business from $16.9 million to $9.0 million, representing a decrease of $7.9 million or 46.7%. The decrease in membrane sales was due to the completion of a major project.

Gross profit analysis for engineering and membrane segments

	Group 3 months ended 30/6/2017 $'million	Group 3 months ended 30/6/2016 $'million
Engineering revenue	78.6	78.5
Membrane sale	9.0	16.9
Total	87.6	95.4
Changes in inventories	(1.0)	4.6
Material purchased, consumables used and subcontractors' fees *	(52.4)	(66.7)
Gross profit	**34.2**	**33.3**
GP margin (%)	39.0	34.9

* *Material purchased, consumables used and subcontractors' fees related to engineering and membrane division only.*

Materials purchased, consumables used and subcontractors' fees decreased to $53.4 million from $62.1 million, representing a decrease of $8.7 million or 14.0% as compared to the last corresponding period ended 30 June 2016. The decrease was mainly due to decrease in membrane business from $16.9 million to $9.0 million, representing a decrease of $7.9 million or 46.7% as compared to the last corresponding period ended 30 June 2016.

Finance costs decreased to $9.5 million from $11.0 million, representing a decrease of $1.5 million or 13.1% as compared to the last corresponding period ended 30 June 2016. The decrease was mainly due to the redemption of the S$100 million MTN bond in the last financial year ended 31 December 2016.

The Group generated a net profit of $40.0 million for the 6-month period ended 30 June 2017 as compared to $35.5 million for the last corresponding period ended 30 June 2016, representing an increase of $4.5 million or 12.7%.

Statement of financial position

The Group's current assets increased to $1,035.8 million as at 30 June 2017 from $951.6 million as at 31 December 2016. The increase was mainly due to the increase of $46.1 million in cash and bank balances from $493.5 million as at 31 December 2016 to $539.6 million. In addition, there was an increase of $88.1 million in other receivables from $141.2 million as at 31 December 2016 to $229.3 million as at 30 June 2017. The increase was mainly due to the addition of deposits for investment projects of $51.0 million.

The Group's non-current assets increased from $1,598.4 million as at 31 December 2016 to $1,744.3 million as at 30 June 2017. The Increase was mainly due to additions to prepaid lease of $24.6 million and additions to property, plant and equipment of $121.7 million during the period.

The Group's current liabilities increased from $528.6 million as at 31 December 2016 to $748.5 million as at 30 June 2017. The increase was mainly due to the reclassification of MTN notes from non-current to current, which will be due in April 2018.

The Group's non-current liabilities increased from $525.9 million as at 31 December 2016 to $543.9 million as at 30 June 2017. The increase was mainly due to the additions of longer-tenure bank loan of $239.6 million to finance the acquisition of investment projects during the period. The increase was partially offset by the reclassification of MTN notes from non-current to current, which will be due in April 2018.

Statement of cash flow

The Group's net cash from financing activities of $190.2 million for period ended 30 June 2017 was mainly due to the bank loans raised during the period of $248.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group is on track in its growth and expansion in the water sector and is strategically expanding into new segments, taking advantage of the growing demand in river restoration, sludge management, hazardous waste management as well as the provision of integrated environmental services within industrial parks.

At the same time, demand for industrial wastewater treatment continues to increase, driven by continued steady growth in China's economy as well as the government's commitment towards environmental conservation and pollution control. The Group is one of the market leaders in industrial wastewater treatment industry in China, with outstanding track record in employing membrane bioreactor technology. Leveraging on its advance membrane technologies, the Group is confident that it is well positioned to further its market share in the water sector, especially in the industrial water segment

Update of the use of proceeds

	$ million
Unutilised balance as at last quarterly announcement	78
Investment in Xinji	(15)
Investment in Changyi Water Recycling	(7)
Investment in Zhounan and Huahong	(5)
Unutilised balance as at date of announcement	51

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

Name of Dividend	N/A
Dividend Type	N/A
Dividend Amount per Share (in cents)	N/A
Optional:- Dividend Rate (in %)	N/A
Par value of shares	N/A
Tax Rate	N/A

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended.

13. Related parties and interested person transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not Applicable

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not Applicable

16. **A breakdown of sales.**

Not Applicable

17. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not Applicable

18. **Persons occupying managerial positions who are related to the directors, Chief Executive Officer or substantial shareholders**

Not applicable

19. **Confirmation that the issuer has procured undertakings from all its directors and executive officers**

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Statement by Directors

Pursuant to SGX Listing Rule 705(5)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Second Quarter Results of the Group for the period ended 30 June 2017 to be false or misleading. The financial statements and other information included in this report, present fairly in all material respects the financial condition, results of operations and cash flows of the Group of, and for the periods presented in this report.

On behalf of the Board

Mr Hao Weibao
Director

Dr Lin Yucheng
Director

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company secretary
25 July 2017