中信環境技術
CITIC ENVIROTECH

Expanding Our Foothold
CAPITALISING ON OUR STRENGTHS

Annual Report **2015**

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CORPORATE PROFILE

CITIC Envirotech Ltd. is a holding company incorporated in Singapore and has been listed on the Mainboard of the Singapore Exchange Limited since 22 April 2004. The Company and its subsidiaries (collectively, the "**Group**") was founded by Dr Lin Yucheng and is currently one of the leading membrane-based water and wastewater treatment and recycling solutions provider. Its business focus is in the industrial water and wastewater segment, mainly in chemical, petrochemical and industrial parks.

Its major shareholders are CITIC Environment Investment Co Ltd, a wholly-owned subsidiary of CITIC Limited ("**CITIC**") and KKR China Water Investment Holdings Ltd ("**KKR**").

CITIC Limited is the largest conglomerate in China with businesses covering financial services, resources and energy, manufacturing, engineering contracting and real estate as well as others.

KKR is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure real estate, credit and hedge funds.

Principal Business Activities

The Group has three primary business divisions: engineering, procurement and construction ("**EPC**") division, water investment division and membrane business 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 PRC, with stable, long term off-take arrangements. Through its membrane business division, the Group manufactures and supplies membrane products.

In the EPC division, the Group undertakes turnkey projects in the capacity of EPC contractor or as a membrane system specialist. As an EPC contractor, the Group has served major industrial clients such as petrochemical companies including China Petrochemical Corporation ("**Sinopec**"), China National Petroleum Corporation ("**CNPC**"), China National Offshore Oil Corporation ("**CNOOC**") and Sembcorp Utilities. The Company also provided EPC solutions to industrial parks such as those in Guangdong (Daya Bay Huizhou, Nansha), Jiangsu (Dafeng, Taixin, Siyang, Qidong), Sichuan (Guangan), Fujian (Yangli), Shandong (Changyi, Weifang) and Tianjin (TEDA) and to local and municipal authorities in the PRC. In 2010, the Group built one of the largest underground municipal MBR plants in the world, at Jingxi, Guangzhou, with a treatment capacity of 100,000 m^3/day.

The Group invests in wastewater treatment plants under Build-Operate-Transfer ("**BOT**"), Transfer-Operate-Transfer ("**TOT**") and Build-Own-Operate ("**BOO**") arrangements (the "**Investment Project**"). A portion of these Investment Projects are municipal plants backed by off-take agreements from the government in the PRC. The Group has invested in more than 40 water plants across 10 provinces in the PRC, 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 included the wastewater treatment plants in Nansha, Dafeng, Changyi and Gaoyang.

The Group also provides operations and maintenance ("**O&M**") services to clients who wish to outsource their water and wastewater treatment operations.

The Company added the membrane business division to the Group's businesses when it completed the acquisition of Memstar Pte. Ltd. in 2014. Memstar, together with its subsidiaries (the "**Memstar Group**"), is principally engaged in the business of manufacturing and supplying of membrane, membrane products and integrated membrane system, and operation of water plants. The Memstar Group is one of the leading manufacturers and suppliers of polyvinylidene fluoride ("**PVDF**") hollow fibre membrane products with global presence. The Memstar Group is equipped with strong research and development ("**R&D**") capabilities and has manufacturing facilities located in both Singapore and 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.

The Group operates its three business divisions on an integrated basis, bringing synergistic value to its customers.

Track Record and Technologies

Among the membrane technologies, the Group's principal treatment technology is Membrane Bioreactor ("**MBR**"), which is typically applied in the treatment of various wastewater types. 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 Company has built up a track record with more than 100 MBR references in various parts of the PRC and in Southeast Asia.

Examples are 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 Company's largest MBR 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 Company completed a 100,000 m^3/day municipal MBR plant at Jingxi Guangzhou and it was one of the largest MBR plants in the world and the first and largest underground MBR plant in Asia at the time of completion.

In the third quarter of 2015, the Group completed the construction of a 200,000 m^3/day municipal wastewater treatment plant in Fuzhou City, Fujian Province, China. The plant, valued at RMB580 million, is one of the largest wastewater treatment plant using the MBR technology in China.

GROUP STRUCTURE

CITIC ENVIROTECH LTD.

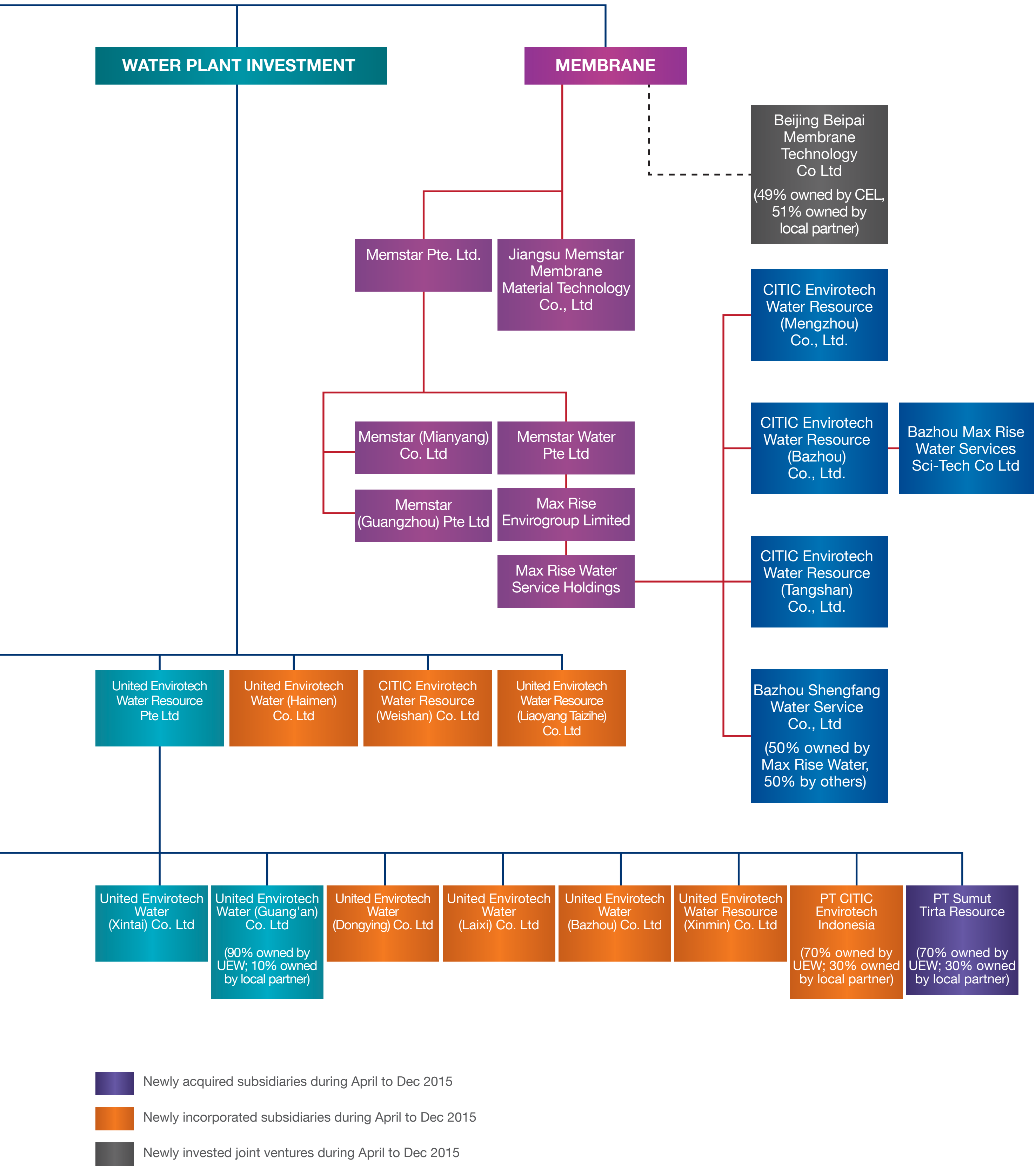
ENGINEERING

- UE NOVO (Malaysia) Sdn Bhd
  - Dataran Tenaga (Malaysia) Sdn Bhd
- NOVO Envirotech (Tianjin) Co. Ltd
- United Envirotech (Fuzhou) Co. Ltd
- CITIC Envirotech (Guangzhou) Ltd.
  - Qitaihe Wanxinglong Water Co. Ltd (80% owned by CITIC Envirotech GZ, 20% owned by local partner)
  - Anhui Water Star Treatment and Operation Co. Ltd
  - NOVO Envirotech (Yantai) Co. Ltd (75% owned by CITIC Envirotech GZ, 25% owned by local partner)
  - United Envirotech Water (Mianchi) Co. Ltd
  - Mianchi Hongwei Co. Ltd (55% owned by CITIC Envirotech GZ, 45% owned by local partner)
  - Gaoyang Bishuilantian Water Co. Ltd
    - Gaoyang Changrun Water Co. Ltd
- United Envirotech (Hong Kong) Company Ltd.
  - Chengdu Xingrong Environment Co. Ltd (49% owned by CEL, 51% owned by local partner)

- United Envirotech WaterTreatment (Dafeng) Co. Ltd (50% owned by CEL; 50% owned by Jiangsu Fenggang Water Treatment Co. Ltd)
- CITIC Envirotech Water Resource (Yancheng Dafeng) Co., Ltd.
- CITIC Envirotech Water Resource (Guangzhou) Co. Ltd (53.33% owned by CEL; 46.67% owned by CITIC Envirotech GZ)
- United Envirotech Water (Hegang) Co. Ltd
- CITIC Envirotech Water Resource (Liaoyang) Co. Ltd
- United Envirotech Water Treatment (Xintai) Co. Ltd
- CITIC Envirotech Water Treatment (Liaoyang) Co. Ltd

- CITIC Envirotech Water Resource (Siyang) Co., Ltd.
- Aton Environmental (Shenyang) Co. Ltd
- United Envirotech Water (Diaobingshan) Co. Ltd
- United Envirotech Water (Qidong) Co. Ltd (70% owned by UEW; 30% owned by others)
- United Envirotech Water (Changyi) Co. Ltd (82% owned by UEW; 18% owned by Huade Co Ltd)
  - Weifang Bofa Water Treatment Co Ltd 100% owned by United Envirotech Water (Changyi) Co. Ltd
- United Envirotech Water (Liaoyang Hongwei) Co. Ltd
- United Envirotech Water (Yantai) Co. Ltd

*% of ownership is 100% unless stated otherwise


WATER PLANT INVESTMENT
MEMBRANE
Beijing Beipai Membrane Technology Co Ltd (49% owned by CEL, 51% owned by local partner)
Memstar Pte. Ltd.
Jiangsu Memstar Membrane Material Technology Co., Ltd
CITIC Envirotech Water Resource (Mengzhou) Co., Ltd.
Memstar (Mianyang) Co. Ltd
Memstar Water Pte Ltd
CITIC Envirotech Water Resource (Bazhou) Co., Ltd.
Bazhou Max Rise Water Services Sci-Tech Co Ltd
Memstar (Guangzhou) Pte Ltd
Max Rise Envirogroup Limited
Max Rise Water Service Holdings
CITIC Envirotech Water Resource (Tangshan) Co., Ltd.
United Envirotech Water Resource Pte Ltd
United Envirotech Water (Haimen) Co. Ltd
CITIC Envirotech Water Resource (Weishan) Co. Ltd
United Envirotech Water Resource (Liaoyang Taizihe) Co. Ltd
Bazhou Shengfang Water Service Co., Ltd (50% owned by Max Rise Water, 50% by others)
United Envirotech Water (Xintai) Co. Ltd
United Envirotech Water (Guang'an) Co. Ltd (90% owned by UEW; 10% owned by local partner)
United Envirotech Water (Dongying) Co. Ltd
United Envirotech Water (Laixi) Co. Ltd
United Envirotech Water (Bazhou) Co. Ltd
United Envirotech Water Resource (Xinmin) Co. Ltd
PT CITIC Envirotech Indonesia (70% owned by UEW; 30% owned by local partner)
PT Sumut Tirta Resource (70% owned by UEW; 30% owned by local partner)
Newly acquired subsidiaries during April to Dec 2015
Newly incorporated subsidiaries during April to Dec 2015
Newly invested joint ventures during April to Dec 2015

CORPORATE INFORMATION

Board of Directors
Mr Hao Weibao
(Executive Chairman)
Dr Lin Yucheng
(Executive Director and Group Chief Executive Officer)
Mr Zhang Yong
(Executive Director)
Mr Wang Song
(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 Zhao Fu
(Non-Executive Director)

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

Registration Number
200306466G

Nominating Committee
Mr Tay Beng Chuan
(Chairman)
Dr Lin Yucheng
Mr Yeung Koon Sang alias David Yeung
Mr Lee Suan Hiang
Mr Zhao Fu

Remuneration Committee
Mr Lee Suan Hiang
(Chairman)
Mr Yeung Koon Sang alias David Yeung
Mr Tay Beng Chuan
Mr Zhao Fu

Audit Committee
Mr Yeung Koon Sang alias David Yeung
(Chairman)
Mr Lee Suan Hiang
Mr Tay Beng Chuan

Principal Place of Business
10 Science Park Road
#01-01 The Alpha
Singapore 117684

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

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

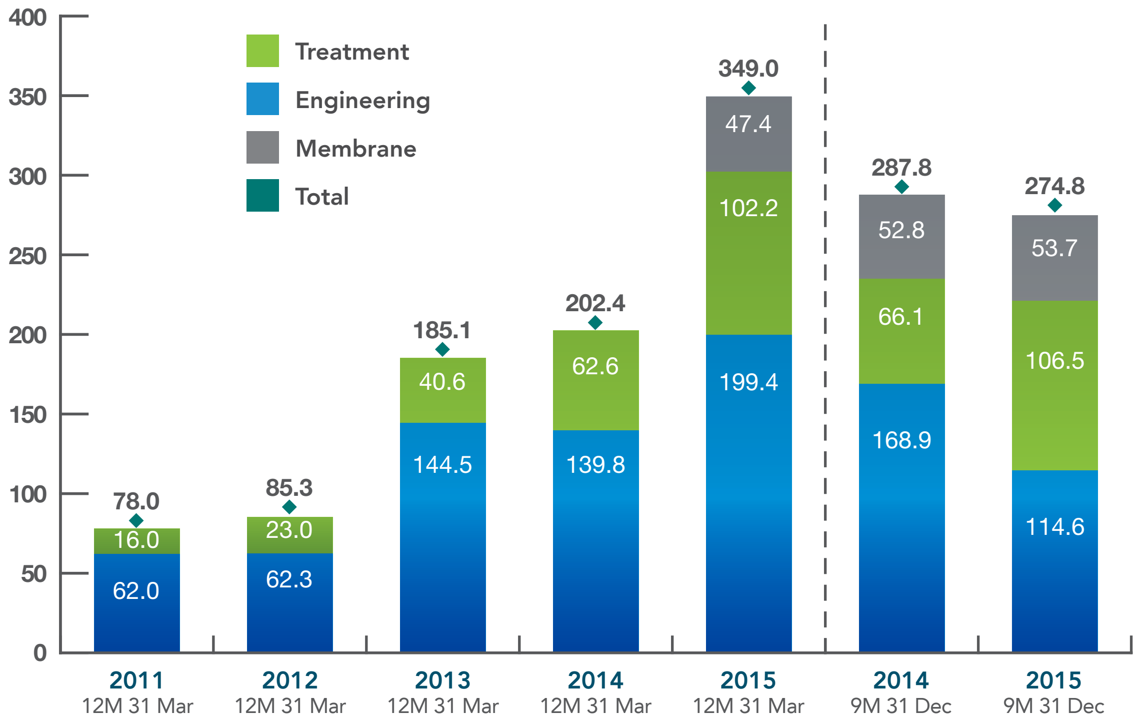
Auditors
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way,
OUE Downtown 2,
#33-00
Singapore 068809

Partner-in-charge
Mr Tsia Chee Wah
Date of Appointment: July 27, 2012

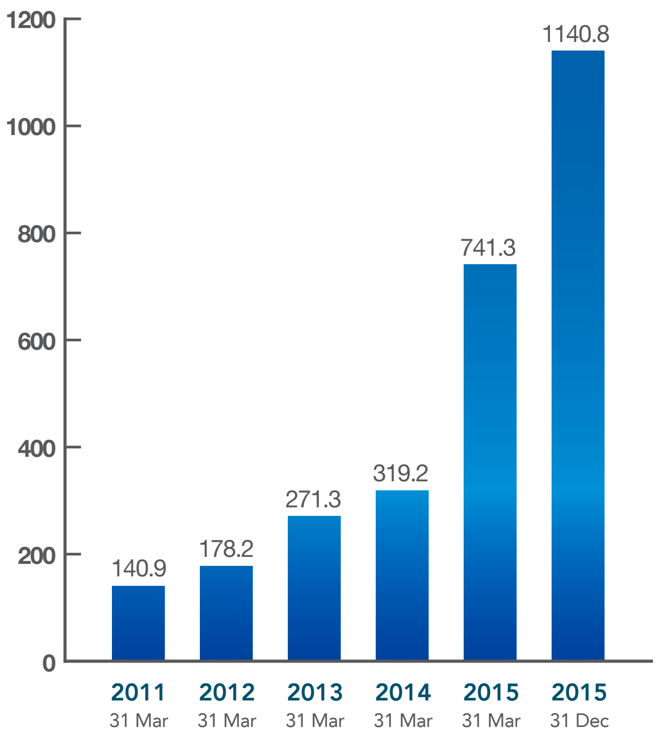
Principal Bankers
Agricultural Bank of China
Bank of China
China CITIC Bank
China Merchants Bank
DBS Bank Ltd.
Malayan Banking Berhad
Standard Chartered Bank

FINANCIAL HIGHLIGHTS

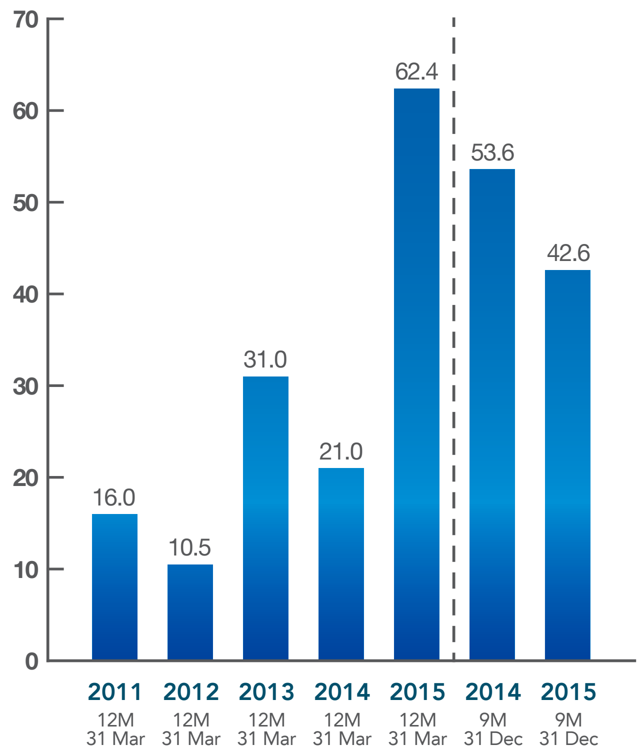
Revenue (SGD Million)



Net Assets (SGD Million)



Profit after Tax (SGD Million)



NEW
DIRECTIONS

Through strategic initiatives that create increased value and capacities for growth, we are within our vision of being a leading player in the global water industry. Our partnership with CITIC Limited marks a milestone in ensuring an expanded foothold in China's key areas, a wider business network, and stronger synergies.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the annual report of CITIC Envirotech Ltd. ("CEL", "Company", "Group") for the financial period from 1 April 2015 to 31 December 2015.

The Company witnessed a new milestone this year when CITIC Environment Investment Group Co., Ltd ("CITIC Environment") and KKR China Water Investment Holdings Ltd ("KKR") became major shareholders of the Company in April 2015 through a Voluntary General Offer. The last few months saw a period of consolidation where strong partnership and co-operation was forged between the Company and the new shareholder, CITIC Environment.

As CITIC Limited's platform for all water-related businesses, CEL was able to make good headway during the year in expanding its asset portfolio and membrane manufacturing capabilities. It also strengthened its advanced membrane technology systems to reinforce its position as a market leader.

In the coming year, CEL will further leverage on its strong track record and core expertise by engaging in strategic and large-scale merger and acquisition activities to expand its asset portfolio, particularly in the chemical and petrochemical sectors and innovative water technology.

Following the successful launch of the Company's Medium Term Notes (MTN) in April 2015 and Perpetual Securities Program in November 2015 where CEL raised a total of close to $500 million, CEL will continue to explore various funding options to lower its cost of funding and optimize the capital structure of the Company. CEL will also explore various options to improve the public float and hence the liquidity of its share trading volume with the objective of bringing more value to its shareholders.

In the international arena, opportunities abound for the Company to expand its footprint outside China under the One-Belt-One-Road initiative. As the flagship water

treatment platform of CITIC Limited, CEL will take this excellent opportunity to participate in new water infrastructure development projects along these trade routes.

Within China, it is expected that the forthcoming 13th 5-year plan will see the Central Government adopting even more stringent environmental directives and policies, including putting more investments and resources into the environmental sector. These catalysts bode well with the ambitious goals of CEL to seize the opportunity to become one of the top global water players.

APPRECIATION

I would like to take this opportunity to thank our shareholders for their strong support of the Company. 2016 will be an exciting year for the Company to capitalize on the opportunities presented in the environmental sector of China. I invite you to come along this journey with us to participate in the growth of the Company.

I would also like to extend my heartfelt thanks to our Board of Directors, the management team led by Dr Lin Yucheng, Group Chief Executive Officer and all the staff for their unwavering dedication and hard work rendered during the year.

Yours Faithfully,

Mr Hao Weibao
Executive Chairman

CEO'S MESSAGE

Dear Shareholders,

Performance for Financial Period from 1 April 2015 to 31 December 2015

OPERATIONAL REVIEW

In April 2015, CITIC Envirotech Ltd. embarked on a new journey with its major shareholder, CITIC Environment Investment Group Co., Ltd ("CITIC Environment"). This strategic partnership with China's largest conglomerate paved the way for a rewarding year with breakthroughs in the development and growth of the Company.

Operational Net Profit after adjusting for one-off items for 9-months ended 31 December 2015 increased 24.6% to $49.1 million, with 61.1% increase in recurring water treatment revenue of $40.4 million to $106.5 million compared to the last corresponding period. The Group continues its focus in generating stable and recurring revenue from its investment in wastewater treatment plants.

During the financial period, CEL secured contracts valued in aggregate of over RMB 2 billion, including winning our first Public-Private-Partnership (PPP) project in Liaoyang City, Liaoning Province, China, in November 2015. The PPP project involved an investment of RMB 549 million into 4 wastewater treatment facilities in Liaoyang City.

In April 2015, CEL secured one of its largest investment projects in industrial wastewater treatment. The RMB 800 million Transfer-Operate-Transfer (TOT) cum Build-Operate-Transfer (BOT) project is located in a major textile centre in Gaoyang County, Hebei Province, China. The project involves the expansion and upgrading of textile wastewater treatment plants and wastewater recycling using membrane technology.

CEL was also awarded a RMB 400 million Engineering, Procurement and Construction (EPC) contract to construct an 80,000 m^3/day wastewater treatment plant in Tianshui City, Gansu Province, China in October 2015. This project will use the Company's proprietary Membrane Bioreactor (MBR) technology to treat municipal wastewater and will be the first large scale underground MBR in Western China when completed.

In November 2015, CEL made its first foray into Indonesia with its first BOT water supply project to supply clean water to the local water authority in Medan City.

The Company also saw robust growth in membrane sales following the strategic partnership with Chengdu Xingrong Investment Co. Ltd (Chengdu Xingrong) in Sichuan, China and Beijing Drainage Group Co. Ltd (Beijing Drainage) in Beijing, China. The sales of membrane to Chengdu Xingrong and Beijing Drainage projects, coupled with new projects, saw steady orders for membranes products which culminated in $53.7 million of membrane revenue for the period. To meet the increase in demand for membrane production, its production facility in Singapore has moved to the new 5,083 square metres factory at Kian Teck Drive since November 2015, where production capacity doubled and is well-equipped with state-of-the-art R&D facilities. In addition, new membrane production facilities have also been set up in Nantong, Jiangsu Province as well as in Beijing, China.

To optimise CEL's capital structure, the Group launched its US$750 million perpetual securities issuance programme in November 2015 and successfully raised US$175 million which were many times oversubscribed due to overwhelming demand from investors.

GEARED FOR HIGHER GROWTH

The Group continues to remain upbeat about its prospects in the water sector in China given that solving pollution issues is a key political mission of the Central Government. As urban land starts to become scarce and the tightening of discharge standard rises beyond Grade 1A standard, the demand for MBR technology is set to rise. This would benefit the Group as our strength lies in advanced wastewater treatment technology which requires less land and delivers better-quality water. We also see strong revenue drivers from recurring water treatment revenue with the government's push to roll out more PPP projects aimed at harnessing long-term partnerships with the private sectors to undertake plant upgrading as well as improving operational efficiency.

FINANCIAL SCORECARD

CEL recorded a 9-month total revenue of $274.8 million, which was 4.5% lower than the last corresponding period ended 31 December 2014. This was mainly due to the decrease in engineering business from $168.9 million to $114.6 million, representing a decrease of $54.3 million or 32.1%. However, after the adjustment for one-off items, the Group generated a net profit of $49.1 million as compared to $39.4 million for the last corresponding period ended 31 December 2014, representing an increase of $9.7 million or 24.6%.

COST AND EXPENSES

Materials purchased, consumables used and subcontractors' fees decreased to $112.0 million from $173.5 million, representing a decrease of $61.5 million or 35.5% as compared to the last corresponding period ended 31 December 2014. The decrease was consistent with the decrease in engineering revenue and membrane sales to $168.3 million from $221.7 million, representing a decrease of $53.4 million or 24.1% as compared to the last corresponding period ended 31 December 2014. Gross profit margin increased from 27.7% to 31.8%.

Employee benefits expense increased to $34.0 million from $18.9 million, representing an increase of $15.1 million or 79.7% as compared to the last corresponding period ended 31 December 2014. The increase was mainly due to the additional staff strength for the operation and maintenance of the new treatment plants and manufacturing facilities of membrane products of Memstar.

Depreciation and amortisation expenses increased to $16.0 million from $6.5 million, representing an increase of $9.5 million or 146.7% as compared to the last corresponding period ended 31 December 2014. The increase was mainly due to the amortisation of intangible assets relating to the newly acquired concessions.

Finance costs increased from $20.7 million to $29.2 million, representing an increase of $8.5 million or 41.4% as compared to the last corresponding period ended 31 December 2014. The increase was mainly due to the additional finance costs arising from the newly issued bond and bank borrowings during the period.

BALANCE SHEET REVIEW

The Group's current assets increased from $443.3 million as at 31 March 2015 to $972.7 million as at 31 December 2015. The increase was mainly due to the increase in cash and bank balances from $113.8 million as at 31 March 2015 to $540.5 million, representing an increase of $426.7 million. The increase was mainly due to the proceeds from the newly issued medium term notes ("MTN") of $225 million and US$175 million perpetual capital securities during the financial period.

The Group's non-current assets increased from $943.4 million as at 31 March 2015 to $1,200.1 million as at 31 December 2015. The increase was mainly due to the addition of service concession receivables during the financial year.

The Group's current liabilities increased from $301.3 million as at 31 March 2015 to $584.7 million as at 31 December 2015. The increase was mainly due to the reclassification of first series of MTN from non-current to current since the first series MTN will be due in September 2016. In addition, new loans were taken to finance the acquisition of investment projects.

The Group's non-current liabilities increased from $344.1 million as at 31 March 2015 to $447.5 million as at 31 December 2015. The increase was mainly due to the newly issued MTN of $225 million during the financial period. The increase was offset by the decrease in convertible bonds of $58.8 million and the reclassification of the first series MTN to current liabilities. During the financial period, the convertible bonds were fully converted into new shares by KKR.

The Group's total equity increased from $741.3 million as at 31 March 2015 to $1,140.8 million as at 31 December 2015. The increase was mainly due to:

a) 30,303,031 of new ordinary shares were placed to CENVIT (Cayman) Company Limited at $1.65 a share;
b) 117,926,189 of new ordinary shares were issued to KKR China Water Investment Holdings Limited pursuant to the conversion of US$44 million of the convertible bonds;
c) 16,174,500 of new ordinary shares were issued pursuant to the conversion of the Employee Share Option Scheme; and
d) Issuance of perpetual capital securities of US$175 million.

CASHFLOW AND LIQUIDITY

The net cash from financing activities of the group increased from $113.8 million to $635.2 million compared to the last corresponding year ended 31 March 2015. The increase was mainly due to the proceeds from the MTN of $222.0 million, bank borrowings of $171.8 million, and perpetual capital securities of $242.1 million during the financial period.

DIVIDENDS AND APPRECIATION

To show our appreciation to our loyal shareholders, the Board of Directors has proposed a dividend of 0.36 Singapore cents per share for the 9-month financial period.

Finally, I would like to thank our valued stakeholders for your strong support of the Company. I would also like to extend my sincere appreciation to my team for their dedication and hard work.

Yours Faithfully,

Dr Lin Yucheng
Group CEO & Executive Director

A BREAKTHROUGH FOR GROWTH

Anchored by our belief that building a sustainable community is a vital responsibility, we have made it our commitment to provide innovative membrane-based water solutions to safeguard the environment. We see tremendous opportunities in the China water treatment sector and we expect that this endeavour will have a significant impact in creating a more sustainable environment.

BOARD OF DIRECTORS

Mr Hao Weibao
Executive Chairman
HAO Weibao is the President and Vice Chairman of CITIC Environment Investment Group Co., LTD. and President of CITIC Investment Holdings Limited. He is responsible for the day-to-day management of the company and the effective implementation of corporate strategies and policies. Before joining CITIC Group Corporation 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 honors, from Jiangxi University of Finance and Economics, and MBA degree from Chinese University of Hong Kong.

Dr Lin Yucheng
Executive Director and Group Chief Executive Officer
Dr Lin is the founder of United Envirotech Ltd (UEL) and he held the position of CEO and Chairman of UEL for over 11 years since the Company's listing on the Singapore Stocks Exchange in 2004. He was re-designated as the Group CEO and Executive Director after the acquisition of UEL by a consortium led by CITIC and KKR in 2015. Under Dr Lin's leadership, CEL 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 was one of the pioneers in developing and applying Membrane Bioreactor (MBR) technology for treating chemical and petrochemical wastewater. Under his leadership, UEL has become a market leader in industrial wastewater MBR technology. Over the years, UEL has successfully built approximately 2 million m^3/day of MBR plants, treating various types of industrial and municipal wastewater.

Dr Lin acted as the Advisor to Singapore government on Singapore's environment and water industry. He was also awarded Top Ten Outstanding Individual Contributor in 2010 by Chinese Central Party Academy in recognition of his contribution to the China's environmental protection.

Dr Lin received his PhD degree from Imperial College, London on a Sino-British Government Scholarship. He was recruited by the Singapore Economic Development Board (EDB) in 1990 to work in Singapore. Dr Lin was a well-regarded EHS consultant and environmental scientist. He was a member of ISO Technical Committee 207, which developed the International Standard on environmental management system.

Mr Zhang Yong
Executive Director
ZHANG Yong is the Chief Financial Officer of CITIC Environment Investment Group Co., LTD and CITIC Investment Holdings Limited and Vice President of CITIC Investment Holdings Limited. He is certified as Senior Accountant and has extensive experience in the fields of accounting and finance. He has worked for CITIC Group Corporation for over 15 years and served at various leadership and management positions. He has been significantly involved with the approval and financing processes of many investment projects undertaken by CITIC Environment Investment Group Co., LTD, and has played an important role in implementing the corporate strategy and planning for both CITIC Environment Investment Group Co., LTD and CITIC Investment Holdings Limited. Before he joined CITIC Group Corporation, he worked at Finance Department of Beijing Beinei Group. Mr. Zhang graduated from Beijing University of Technology and holds MBA degree from Chinese University of Hong Kong.

Mr Wang Song
Executive Director
WANG Song is the Assistant President of CITIC Environment Investment Group Co., LTD. He joined the company in 2011 and has played significant role in the operations and expansions of company's investment business. He is experienced in different fields of environment industry and actively involved with many equity investment and M&A projects undertaken by the company. Prior to joining CITIC Group Corporation, he worked as a Senior Manager at 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 Beijing Foreign Studies University and MBA degree from Chinese University of Hong Kong.

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, UK and Ernst and Young, Singapore. He holds a Master of Social Science (Accounting) degree from the University of Birmingham, England. He is also a fellow of the Institute of Singapore Chartered Accountants and a fellow of the Association of Chartered Certified Accountants, UK. He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. He is currently a non-executive Chairman of AEI Corporation Ltd.

Mr Tay Beng Chuan
Independent Director
Mr Tay was a Nominated Member of Parliament from 1 October 1977 till 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 till expiry of term on 31 March 2014. He was also the President of the Singapore Chinese Chamber of Commerce & Industry from March 1997 till March 2001 and currently is 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
Lee Suan Hiang is Chief Executive of the Real Estate Developers' Association of Singapore. A Colombo Plan Scholar in Industrial Design (Engineering) he had a varied career in public service as Deputy Managing Director of the 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.

Mr Zhao Fu
Non-Executive Director
Zhao Fu is currently Director of KKR and was one of the first team members in KKR Asia when he joined. Mr Zhao played a significant role in a number of successful and innovative investments at KKR, including CITIC Envirotech, Far East Horizon, China Modern Dairy, Rundong Auto, 58 Home, Tarena Education, China International Capital Corporation, Sino Prosperity Real Estate Platform, and Yageo. Prior to joining KKR, Mr Zhao was with Morgan Stanley Private Equity Asia, where he was extensively involved in a number of highly successful private equity transactions in China, such as Mengniu Dairy, Ping An Insurance, Belle International, Paradise Retail, etc. Mr Zhao currently serves as a director of CITIC Envirotech Ltd., Rundong Automobile Group Company Limited, Tarena International INC., and 58 Home. Mr Zhao holds a B.S. in Physics, with first class honors, from Tsinghua University in China.

SUSTAINING OUR FLOW

As we take our business into new heights, we remain focused to sustain our momentum in the industry with a range of fully integrated water solutions. Like the constant flow of a river, unceasing innovation and improvement make up the cornerstones of CEL's approach towards sustainable growth and strategic synergies.

SENIOR MANAGEMENT











Top left to bottom right: Dr Lin Yucheng, Ms Pan Shuhong, Dr Ge Hailin, Mr Wang Ning, Mr Li Li, Mr Tan Huchuan, Dr Chong Weng Chiew, Dr Jerry Liu, Mr Ngoo Lin Fong, Mr Steven Qian Zhengjun, Dr Fangyue

Dr Lin Yucheng
Group Chief Executive Officer

Dr Lin is the founder of United Envirotech Ltd (UEL) and he held the position of CEO and Chairman of UEL for over 11 years since the Company's listing on the Singapore Stocks Exchange in 2004. He was re-designated as the Group CEO and Executive Director after the acquisition of UEL by a consortium led by CITIC and KKR in 2015. Under Dr Lin's leadership, CEL 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 was one of the pioneers in developing and applying Membrane Bioreactor (MBR) technology for treating chemical and petrochemical wastewater. Under his leadership, UEL has become a market leader in industrial wastewater MBR technology. Over the years, UEL has successfully built approximately 2 million m^3/day of MBR plants, treating various types of industrial and municipal wastewater.

Dr Lin acted as the Advisor to Singapore government on Singapore's environment and water industry. He was also awarded Top Ten Outstanding Individual Contributor in 2010 by Chinese Central Party Academy in recognition of his contribution to the China's environmental protection.

Dr Lin received his PhD degree from Imperial College, London on a Sino-British Government Scholarship. He was recruited by the Singapore Economic Development Board (EDB) in 1990 to work in Singapore. Dr Lin was a well-regarded EHS consultant and environmental scientist. He was a member of ISO Technical Committee 207, which developed the International Standard on environmental management system.

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 Bachelor and Master Degree in Chemistry from Jilin University, China in 1990 and 1993 respectively.

Dr Ge Hailin
CEO 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 Wuxi Institute of Light Industry, China in 1977 and obtained his Master in Chemical Engineering from East China University of Science and Technology, China 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 CEO
Business Unit 1

Mr Wang is responsible for the strategic planning, operations, engineering solution and business development for Business Unit 1 of the Group. Prior to joining our Company, Wang Ning has served 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 to 1992. Wang Ning obtained his Bachelor degree in Electrochemistry from Tianjin University and MBA from South China University of Technology.

Mr Li Li
Senior Deputy CEO
Business Unit 2

Mr Li is responsible for the strategic planning, operations, engineering solution 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 Tianjin University and he is a registered professional engineer for water and wastewater treatment in China.

Mr Tan Huchuan
Senior Deputy CEO
Business Unit 3

Mr Tan is responsible for the strategic planning, operations, engineering solution 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 China. Mr Tan holds a Bachelor degree in Petrochemical Storage and Distribution from the Harbin Commerce University, China.

Dr Chong Weng Chiew
Executive Vice President, Board Office

Dr Chong heads the Board Office of the Group and is responsible for the operations of the Board of Directors office, investor relations, corporate financing, corporate development and public affairs. Prior to joining the Company, Dr Chong has 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 till 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) from 1993 to 1995. Dr Chong holds a 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 till 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 specializes 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 PhD in Environmental Engineering.

Mr Ngoo Lin Fong
Chief Financial Officer

Mr Ngoo is responsible for the planning and management of our Group's financial and accounting operations. Prior to joining the Company, he worked for Deloitte & Touche Singapore as an audit manager. He holds a Masters 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 CEO
Business Unit 4

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

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

Dr Fangyue
General Manager, Manufacturing

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

CORPORATE GOVERNANCE STATEMENTS

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

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

This statement describes the corporate governance practices of the Company that were in place throughout the financial period ended 31 December 2015, with specific references made to each of the principles set out in the Code.

Board Matters

Principle 1: The Board's Conduct of its Affairs

The Board has the responsibility for the overall management of the Group. It establishes the corporate strategies of the Group, sets direction and goals for the executive management. It supervises the executive management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

To assist in the execution of its responsibilities, the Board has established an Audit Committee, Nominating Committee and Remuneration Committee. These Committees function within clearly defined Terms of References and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly reviewed by the Board.

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

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

The number of Board and Board Committees meetings held in the financial period ended 31 December 2015 and the attendance of each director, where relevant are as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings	3	3	1	1
No. of Meetings attended by the respective directors				
Mr Hao Weibao	2	N/A	–	N/A
Dr Lin Yucheng	3	N/A	1	N/A
Mr Zhang Yong	3	N/A	–	N/A
Mr Wang Song	3	N/A	–	N/A
Mr Yeung Koon Sang alias David Yeung	3	3	1	1
Mr Tay Beng Chuan	3	3	1	1
Mr Lee Suan Hiang	3	3	1	1
Mr Zhao Fu	3	N/A	1	1

All Directors are updated regularly concerning any changes in the Company's policies, risks management, key changes in the relevant regulatory requirements and accounting standards. The Company also provides ongoing education on Board processes, governance and best practices. Newly appointed Directors are briefed by the Management on the business activities of the Group and its strategic directions. They are also provided with relevant information on the Company's policies and procedures.

Matters Requiring Board Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision-making. Interested Persons Transactions and the Group's internal control procedures are also reviewed by the Board. Major investments and funding decisions are approved by the Board.

The Board will also meet to consider the following corporate matters:-

- Approval of quarterly and year end result announcements;
- Approval of the Annual Reports and Accounts;
- Convening of Shareholder's Meetings
- Approval of Corporate Strategies; and
- Material Acquisitions and disposal of assets

Principle 2: Board Composition and Balance

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

(i) Mr Hao Weibao, Executive Chairman
(ii) Dr Lin Yucheng, Executive Director and Chief Executive Officer
(iii) Mr Zhang Yong, Executive Director
(iv) Mr Wang Song, Executive Director
(v) Mr Yeung Koon Sang alias David Yeung, Lead Independent Director
(vi) Mr Tay Beng Chuan, Independent Director
(vii) Mr Lee Suan Hiang, Independent Director
(viii) Mr Zhao Fu, Non-Executive Director

The Board examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. The Board is of the view that the current board size of eight Directors is appropriate, taking into account the nature and scope of the Company's operations.

In compliance with Rule 2.2 of the Code of Corporate Governance 2012, the Board is currently in the process of reviewing the Board composition in order to meet the recommendation that at least one-half of the Board comprise independent directors in cases where the Chairman is part of the Management team and not an Independent Director of the Company.

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

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

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

Mr Yeung Koon Sang alias David Yeung has served as an Independent Director for more than 9 years. The Board has carried out a rigorous review of his independence status. The Board's view is that Mr Yeung Koon Sang alias David Yeung continues to demonstrate the ability to exercise strong independent judgement in his deliberations and to act in the best interests of the Company, and that his length of service has not affected his independence from management. Mr Yeung continues to express views, debate issues and objectively and actively scrutinize and challenge management. After taking into account all these factors and having weighted the need for Board refreshment against tenure for relative benefit, the Nominating Committee and the Board has reviewed and determined that Mr Yeung continue as an Independent Director, notwithstanding that his service has been for more than nine years.

The Nominating Committee is of the view that the current Board is capable in providing the necessary expertise to meet the Board's objectives and that no individual or small group of individuals dominates the Board's decision making process.

Key information regarding the Directors is given in "Directors' Information" on page 14.

Principle 3: Chairman and Chief Executive Officer

The roles and responsibilities of the Chairman and the Chief Executive Officer are held by separate individuals effective from 24 April 2015.

The Executive Chairman, Mr Hao Weibao, was appointed on 24 April 2015 and is responsible for leading the Board and ensuring that the Board is effective on all aspects of its role. The Executive Chairman will also be responsible for making significant corporate decisions and setting management objectives, as well as overseeing the effective implementation of corporate strategy. The Executive Director and Chief Executive Officer ("CEO"), Dr Lin Yucheng, has full executive responsibilities over the business directions and operational decisions of the Group and is responsible for implementing the Group's strategies and policies and for conducting the Group's business.

The Chairman and the Chief Executive Officer are not immediate family members.

The Chairman is responsible for leadership of the Board and for creating the conditions for overall Board, Board Committee and individual Director effectiveness. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues. The scope and extent of the Chairman and the Board's responsibilities have been expanding due to the increased focus on corporate governance and risk management and rising expectations that board chairmen have a good understanding about their companies and the markets in which they compete.

Mr Yeung Koon Sang alias David Yeung has been appointed Lead Independent Director by the Board to coordinate and lead the Independent Directors to provide the Board with a non-executive perspective of matters discussed.

Both the Executive Chairman and the CEO are responsible for the day-to-day running of the Group and together play an instrumental role in developing the business of the Group.

Principle 4: Board Membership

The Nominating Committee ("NC") comprises five members, a majority of whom are independent. The members of the NC are:

- Mr Tay Beng Chuan, Chairman and Independent Director
- Dr Lin Yucheng, CEO
- Mr Zhao Fu, Non-Executive Director
- Mr Yeung Koon Sang alias David Yeung, Independent Director
- Mr Lee Suan Hiang, Independent Director

The NC's principal functions are as follows:

(a) To recommend to the Board all board appointments and re-appointments;
(b) To determine independence of the Directors annually;
(c) To determine whether or not a Director is able to and has been adequately carrying out his duties as Director of the Company;
(d) 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 however required to submit themselves for re-election at the next annual general meeting of the Company ("AGM").

We believe that Board renewal must be an ongoing process, to both ensure good governance and maintain relevance to the changing needs of the Company and business. The Constitution of the Company require that one-third of the Board retire from office at each Annual General Meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every 3 years.

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

Dr Lin Yucheng and Mr David Yeung will be retiring at the forthcoming AGM pursuant to the requirements of Article 91 of the Company's Constitution and have indicated that they wish to seek re-election as directors of the Company. Article 91 provides that at least one-third of the Directors shall retire from office at every Annual General Meeting.

Mr Tay Beng Chuan who is over the age of 70 was re-appointed as Director to hold office from the date of the last Annual General Meeting held on 30 July 2015 until the forthcoming Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50. Section 153 (6) has been abolished with effect from 3 January 2016. A director, who is over 70 years of age, is no longer required to retire at every Annual General Meeting.

However, as Mr Tay Beng Chuan's appointment will lapse upon the conclusion of the forthcoming Annual General Meeting, Mr Tay Beng Chuan would have to be re-appointed in order to be able to continue in his capacity as a Director of the Company. Upon his re-appointment as a Director of the Company at the forthcoming Annual General Meeting, moving forward, Mr Tay Beng Chuan will no longer be subject to shareholders' approval under Section 153 (6) of the Companies Act, Cap 50. Mr Tay Beng Chuan will then be subject to retirement by rotation pursuant to Article 91 of the Constitution.

The Nominating Committee has reviewed and is satisfied with their contribution and performance as directors and has endorsed their nomination for re-election.

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

Principle 5: Board Performance

The Nominating Committee will use its best efforts to ensure that Directors appointed to the Board possess the necessary background, experience and knowledge to enable balanced and well-considered decisions to be made by the Board.

A review of the Board's performance is undertaken annually by the Nominating Committee with inputs from Board members and the Executive Chairman.

Apart from the fiduciary duties (i.e. act in good faith, with due diligence and care and in the best interest of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and to ensure that the long term objective of enhancing shareholders' value is achieved. The Board's performance is also measured by its ability to support management especially in times of crisis and to steer the Company towards profitable directions. In doing so, the Board will take into consideration the financial indicators set out in the Code as guidelines for evaluating the Board's performance.

To evaluate the effectiveness of the Board as a whole, the Nominating Committee considered the adequacy and size of the Board, the Board's access to information, Board processes and accountability, and communication with senior management. Individual evaluation is also carried out to assess whether each director continues to contribute effectively and demonstrates commitment to his/her role and duties. The criteria for evaluation are reviewed by the Nominating Committee each year and changes are made where circumstances require.

Principle 6: Access to Information

The Board has separate and independent access to senior management and the company secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with quarterly reports of the Company's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

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

The Board has separate and independent access to the senior management at all times. The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional adviser to render professional advice. The cost of such professional advice will be borne by the Company.

The Audit Committee meets our External Auditors (Deloitte & Touche LLP) and Internal Auditors (Crowe Horwath First Trust) separately, without the presence of management at least once a year.

REMUNERATION MATTERS

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

The Remuneration Committee ("RC") comprises four members, three of whom are independent directors. The members of the RC are:

- Mr Lee Suan Hiang, Chairman and Independent Director
- Mr Zhao Fu, Non-Executive Director
- Mr Yeung Koon Sang alias David Yeung, Independent Director
- Mr Tay Beng Chuan, Independent Director

The functions of the RC are to review and recommend the remuneration packages of the Executive Director, CEO and key executives of the Company, and to review the appropriateness of compensation for Non-Executive Director 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 Company's relative performance and the performance of the individual Directors. No director is involved in deciding his own remuneration.

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

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 Company, 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.

Principle 9: Disclosure on Remuneration

A breakdown showing the level and mix of each individual director's remuneration payable for financial period ended 31 December 2015 is as follows:

	Percentage (%)			**Total (round off to nearest thousand dollars) S$'000**
	Remuneration earned through:			
	Base / fixed salary	**Variable or performance related income/ bonuses/ share Options granted**	**Director Fees / Attendance Fees**	
Mr Hao Wei Bao	–	–	–	–
Dr Lin Yucheng	47	53		1,085
Mr Zhang Yong	–	–	–	–
Mr Wang Song	–	–	–	–
Mr Yeung Koon Sang alias David Yeung	–	86	14	423
Mr Tay Beng Chuan	–	86	14	423
Mr Lee Suan Hiang	–	86	14	423
Mr Zhao Fu	–	–	–	–

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Mr Hao Weibao, Mr Zhang Yong, Mr Wang Song and Mr Zhao Fu did not receive any fees or remuneration for the financial period ended 31 December 2015.

Of the remunerations of the top five management personnel who are not directors or the Chief Executive Officer of the Company for the financial period ended 31 December 2015, the following is the remunerations breakdown of the 5 executives:-

Remuneration Band	Number of Executives
5,000,000 to 5,250,000	1
2,500,000 to 2,750,000	1
1,500,000 to 1,750,000	1
1,000,000 to 1,250,000	1
750,000 to 1,000,000	1
	5

The Company has not disclosed exact details of the remuneration of its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. The annual aggregate remuneration paid to the top 5 management personnel of the Company (who are not directors or the Chief Executive Officer) for FY 2015 is $11,220,444.

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts, or simultaneously with such meetings. As part of the Company's commitment to regular communication with our shareholders, the Company has adopted quarterly reporting as required by the Code. Financial results and annual reports will be announced or issued within the mandatory period.

Principle 11: Risk Management and Internal Controls

The Board has ultimate responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The system of internal controls is intended to provide reasonable but not absolute assurance against material misstatement or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk.

The Group's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication are reliable.

The Company has outsourced its internal audit function to an external professional firm, who reports directly to the Chairman of AC. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner. The Audit Committee will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

Based on the internal and external audit findings, the Board with the concurrence of the Audit Committee is of the opinion that the Group's internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide assurance in safeguarding the Group's assets. The internal controls ensure the Group's maintenance of proper accounting records, compliance with applicable regulations and best practices and timely identification and containment of financial, operational and compliance risks.

Whistle-Blowing Policy

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

The policy was presented and published on the notice board to all employees for implementation.

The Company 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 Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board. The risk issues are highlighted on pages 77 to 84 under Note 4 to the financial statements.

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

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

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

a) The financial records of the Group have been properly maintained for the period ended 31 December 2015 to give a true and fair view of the Company's operations and finances;

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

c) The Company's internal control and risk management systems were effective at the end of the financial period.

The Board, with the concurrence of the Audit Committee, is of the opinion that there are adequate and effective internal controls and risk management systems to meet the financial, operational and compliance risks of the Group in its current business environment.

Principle 12: Audit Committee

The Audit Committee ("AC") comprises three members, all of whom, including the Chairman, are independent. At the date of this report, the Audit Committee comprises the following members:

- Mr Yeung Koon Sang alias David Yeung, Chairman and Independent Director
- Mr Tay Beng Chuan, Independent Director
- Mr Lee Suan Hiang, Independent Director

The functions of the AC are as follows:

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

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

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

(d) review related and interested party transactions;

(e) review the co-operation given by our management to the auditors

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

(g) review interested person transactions, if any

(h) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual of the Singapore Exchange Trading Securities Limited, and by such amendments made thereto from time to time.

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

The AC has full access to and co-operation of the Company'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.

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

The Company appointed Deloitte & Touche LLP and its overseas practices as the external auditors for the Group, except for its associates, Beijing Beipai Membrane Technology Co., Ltd. and Chengdu Xingrong Environment Co., Ltd., which are audited by Ruihua Certified Public Accountant, PRC and ShineWing Certified Public Accountant, PRC respectively. The Board and Audit committee are satisfied that the appointments would not compromise the standard and effectiveness of the audit of the Group.

During the financial period, non-audit fee of $157,000 was paid to the auditors of the Company.

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

Principle 13: Internal Audit

The Audit Committee's responsibility in overseeing that the Company's risk management system and internal controls are adequate will be complemented by the outsourced internal auditor, Crowe Howath First Trust LLP, whom the Company has appointed. The internal auditor had adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

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

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Shareholder Rights
Principle 15: Greater Shareholder Participation
Principle 16: Conduct of Shareholder Meetings

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

Information is disseminated to shareholders on a timely basis through:

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

We support the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend the Annual General Meeting to ensure a high level of accountability and to stay informed of the Company's strategy and goals. At the Company's Annual General Meetings, shareholders are given the opportunity to voice their views and ask directors or management questions regarding the Company. The Chairmen of the Audit, Remuneration and Nominating Committees will be normally present at the Company's Annual General Meetings to answer any questions relating to the work of these committees.

Notice of the Annual General Meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the Annual General Meeting itself.

Dividend Policy

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

CORPORATE GOVERNANCE STATEMENTS

The Company has declared a final dividend for the period ended 31 December 2015. Any payouts are communicated to shareholders via announcement on SGXNet when the Company discloses its financial results.

Dealing in Securities

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

Material Contracts

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

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders. There were no interested person transactions entered into by the Group during the financial period ended 31 December 2015.

Use of Proceeds

The company completed an issuance of USD 175 million of Senior Perpetual Securities during the financial period.

	S$ Million
Unutilised balance brought forward	160
Net Proceeds from	
- Issuance of Senior Perpetual Securities	241
Investment in joint venture company	
- Xingrong	(5)
- Beipai	(5)
Investment in water projects	
- Mianchi	(16)
- Dongying	(25)
- Laixi	(10)
- Haimen	(14)
- Xinmin	(11)
- Weishan	(5)
- Medan	(8)
- Taizihe	(40)
Investment in membrane facilities	
- Nantong	(4)
Redemption of medium term note	(1)
Total unutilised balance	257

Environmental and Social Impact: Matching Challenges to Solutions for Sustainable Business

More than a decade ago, at the formation of the company, the founding members of United Envirotech embraced the challenges arising from environmental pollution, ecological and social concerns that confront businesses, and made it our business agenda to bring sustainable solutions to stakeholders. Today, in our business, every day we confirm with actions and data that "Good environmental and social performance means good business".

In the 2015 edition of our annual report, we began the inclusion some operational, environmental and social performance aspects of the company. Due to the change in reporting period, in this edition we are providing an update for activities and programs from April to December 2015 only.

Our People

The company's continual success is highly dependent on a pool of talented leaders, managers and key employees. The company seeks to develop and retain critical competency and skills by offering competitive remuneration packages. In 2012, the company launched its comprehensive employee incentive and stock option schemes, as a way to retain, motivate and incentivize mid level and senior executives.

As the company is growing rapidly, the company is continually fine-tuning its management structure, to enlarge its strategic planning, business development, technology and operational management capability. In the past three years, the company added executive headcounts in Corporate Affairs, Research and Development, Plant Operation and Maintenance, Technology, Procurement, Finance, Performance Management and HSE. This significantly reduces the personnel risks associated with any single individual and increases its managerial capability to continue growth momentum. The acquisition of Memstar in April 2014 augmented the group's technology and R&D staff strength.

CEL's reevaluated its plans for growth and expansion. The strong business and financial network, as well as influence and geographical presence of CITIC Limited, the company's ultimate majority shareholder, spurred the leadership team to set as its vision to be one of the top China water industry solution providers within three to five years. This led to an internal reorganization such that CEL now has four teams working concurrently on business development and operations, to increase market opportunities, accelerate deal closures and improve project execution.

A snapshot of our growth in human capital over the last 3 years:

CEL Employee Profile (China, Malaysia, Singapore)	No. of Employees	Gender		No. of Employees of Minority Ethnic Groups	No. of Employees hired with Disability	Educational Background			
		M	F			Post Graduate	Bachelor Degree	Post Secondary Diploma	Secondary and Lower
As at Dec 31, 2015	1501	62%	38%	36	7	55	322	392	732
As at Mar 31, 2015	1379	67%	33%	17	9	49	266	326	738
As at Mar 31, 2014	912	72%	28%	10	0	30	225	266	391
As at Mar 31, 2013	725	71%	29%	10	0	24	188	221	292

Workplace Safety

Since the beginning of 2013, the group started to track safe working time and monitor workplace related incidents, and employee lost work time due to incidents. In the past nine months, the group employees and EPC contractors clocked total of 3,572,877 work hours. There were two minor incidents of employee injury (non-reportable, with 2-days of lost time each).

	FY2012-13	FY2013-14	FY2014-15	Apr-Dec 2015 (9 Months)
Total Employee Work Hours	1,106,404	1,738,936	2,606,492	2,571,232
Total Contractor Work Hours	1,354,263	1,653,540	2,533,124	1,001,645
Cases of Occupational Illness	0	0	0	0
Cases of Employee Workplace Injuries	1	3	1	2
Cases Contractor Workplace Injuries	1	2	1	0
Number of Fatality (Employee)	0	0	0	0
Number of Fatality (Contractor)	0	0	1	0
Number of Work Days Lost (Employee)	0	183	0	4

During June 2015, in line with the China State Administration of Workplace Safety's safety month promotion, all operation teams in CEL implemented safety campaigns. Activities included emergency drills, fire prevention, risk reviews, health screenings, safety quizzes and training. In response to the China government's call to improve chemical safety after the 12 August 2015 explosion in Tianjin, we carried out safety practices review of project and plant sites in China, Singapore and Malaysia. As a result of the review and feedback from operation teams, throughout October till December, we implemented standardisation of personal protective equipment, safety signage as well as improved inventory monitoring of chemical consumption.

Environmental Impact

Our single most important contribution to making the environment better is our core business – turning polluted water into clean water, which is either safe for the receiving water bodies or reclaimed for suitable applications. As at December 2015, our people operate and maintain 39 treatment plants (Note: Number of treatment plants does not equate to number of business entities), with average volume of 1.11 million m^3/day (Note: Actual treated volume does not equate to volume generating income due to different structure of concession agreements for various facilities). This is an average daily volume increase of 29% from March 2015, when we operated 32 plants. In terms of absolute volume increase, this does not appear to be a big number.

However, as the increase is mainly from industrial trade effluents, the wastewaters are more concentrated (polluted) and require more effort in treatment (and therefore generate more revenue). During the period from April to December 2015, industrial wastewater contributed to nearly 60% of our recurring income. In the previous reporting period from April 2014 to March 2015, industrial wastewater contributed 47% of our revenue from treatment plant operation.

Reporting Period	No. of Plants Operated	Total Volume of Treated Water (Million m^3)	Specific Energy Consumption (kWh/m^3)	Revenue from Water Treatment (Million RMB)
April to Dec 2015	39	305	0.39	488
FY 2014 – 15	32	315	0.34	528
FY 2013 – 14	26	294	0.26	392
FY 2012 – 13	15	211	0.24	256

We are continuing our focus to increase our portfolio in industrial effluents, to leverage our strength in innovative engineering design, application of membrane and R&D capability. Compared to municipal wastewater, industrial trade effluents are more complex in characteristics, and vary from one trade to another. Our design and R&D teams are able to take these problems into the laboratories and bring effective field solutions to our clients.

A number of our plants have potential to produce reclaimed water for various applications, such as boiler water feed. However, this potential has yet to be fully tapped, and will generate additional revenue when there is demand.

Energy consumption generally takes up about a third of our operating cost in a treatment plant. Therefore it is in our interest to optimize design, equipment selection, operating conditions and mechanical integrity. In the light of more stringent discharge standards, and industrial trade effluents needing different treatment processes, specific energy consumption is seeing an upward trend. We are continually looking into ways to improve energy efficiency.

There were 2 incidents where plants discharged water beyond the allowable limits between April 2015 to December 2015. Both incidents happened at a plant where upgrading works were being carried out and it was not ready to receive incoming industrial waste water from specific sources. This was subsequently mediated by securing the cooperation of the industrial producers to restrict discharge till the plant was completed and commissioned.

Gift of Water

In 2014, as part of our celebration of the 10th anniversary of listing on the SGX, we started a partnership with Lien Aid in its Gift of Water philanthropy effort. Our commitment is to work with Lien Aid and China Association of Poverty Alleviation and Development so that water scarce villages can access clean drinking water. In September 2014, we kicked off the program by providing training to about 50 village management trainees from GuiZhou. Our employees volunteered their time to share knowledge and experience in drinking water treatment design, installation and maintenance.

In March 2015, our engineers helped to review the technical proposals of five villages and shared tips on saving installation and maintenance costs. Over the next two years, we will be sponsoring more villages through Lien Aid and its partners.

Employees who participated in the program applied their professional knowledge and experience so that the villages receive not just once-off monetary donation, but more importantly the ability to replicate future success. We share the same belief with our partners that even in social responsibility, solutions must be sustainable to make a real difference.

We are pleased to report that the first batch of five villages that we co-sponsored and co-mentored with Lien Aid and its partners have successfully completed their projects. The intervention enabled better access to clean water for 5,954 residents from 1,303 households living in the villages of Guizhou Province, China (one of the provinces with severe water shortage) . The beneficiaries included a school in Daba Village, where 55 students and teachers now have access to clean water in school and at home.

To ensure the sustainability of drinking water supply and service delivery, a water management committee has been set up in each village. The management committee members are responsible for operating and maintaining water facilities and tariff collection. The projects will continue to be monitored for 2 years, with Lien Aid collecting quarterly water meter data and conducting post-project sustainability assessment on selected villages. In 2015, CEL has disbursed further donation to sponsor another 5 villages in Guizhou Province.

While improving access to drinking water, sanitation, hygiene and health conditions, this collaborative approach has also seen CEL and other corporate sponsors mentoring village officers to commit and fulfill their career aspirations in the rural areas. Reliable and sustainable water supply and sanitation is a significant step towards better livelihood for all the villagers.

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

During the year, the 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 covers the period from April 1, 2015 to December 31, 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 44 to 137 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

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

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

Neither at the end of the financial period nor at any time during the financial period did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the share options mentioned in paragraphs 3 and 5.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Names of directors and company in which interests are held	At April 1, 2015	At December 31, 2015	At January 21, 2016
The Company - Ordinary shares			
Dr Lin Yucheng (deemed interest)	42,840,667	42,840,667	42,840,667
Lee Suan Hiang	10,500	360,500	360,500
Lee Suan Hiang (deemed interest)	400,000	400,000	400,000
Tay Beng Chuan	775,000	1,125,000	1,125,000
Yeung Koon Sang @ David Yeung	250,000	600,000	600,000
The Company – Share options			
Dr Lin Yucheng	15,000,000	15,000,000	15,000,000
Yeung Koon Sang @ David Yeung	350,000	–	–
Tay Beng Chuan	350,000	–	–
Lee Suan Hiang	350,000	–	–

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

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

Lee Suan Hiang (Chairman)
Tay Beng Chuan
Yeung Koon Sang alias David Yeung
Zhao Fu

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

4 SHARE OPTIONS (cont'd)

(a) Options to take up unissued shares (cont'd)

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

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

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

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

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

(ii) In 2012, the Company issued $137,264,000 (equivalent to US$113,800,000), 2.5% convertible bonds as disclosed in Note 23 to the financial statements.

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.

4 SHARE OPTIONS (cont'd)

(b) Unissued shares under option and options exercised

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

Number of options to subscribe for ordinary shares of the Company

Date of grant	Balance at April 1, 2015	Cancelled	Exercised	Balance at December 31, 2015	Exercise price per share	Exercisable period
1.3.2010	200,000	–	(200,000)	–	$0.2780	1.3.2011 to 1.3.2020
1.3.2010	200,000	–	(200,000)	–	$0.2224	1.3.2012 to 1.3.2020
20.7.2010	1,500,000	–	–	1,500,000	$0.3830	20.7.2011 to 20.7.2020
20.7.2010	1,500,000	–	–	1,500,000	$0.3064	20.7.2012 to 20.7.2020
15.2.2013	49,550,000	–	(15,774,500)	33,775,500	$0.552	15.2.2015 to 15.2.2023
28.3.2013	12,000,000	–	–	12,000,000	$0.584	28.3.2015 to 28.3.2023
25.7.2014	6,000,000	(900,000)	–	5,100,000	$1.135	25.7.2016 to 25.7.2024
Total	70,950,000	(900,000)	(16,174,500)	53,875,500		

4 SHARE OPTIONS (cont'd)

(b) Unissued shares under option and options exercised (cont'd)

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

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

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the beginning of financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed/ cancelled since commencement of the Scheme to the end of financial year	Aggregate options outstanding as at the end of financial year
Dr Lin Yucheng	–	15,000,000	–	–	15,000,000
Yeung Koon Sang @					
David Yeung	–	600,000	(600,000)	–	–
Tay Beng Chuan	–	550,000	(550,000)	–	–
Lee Suan Hiang	–	350,000	(350,000)	–	–
Name of employee					
Tan Huchuan	–	11,000,000	(4,263,000)	–	6,737,000
Li Li	–	11,000,000	(6,359,500)	–	4,640,500
Wang Ning	–	7,000,000	(1,964,000)	–	5,036,000

5 AUDIT COMMITTEE

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

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

5 AUDIT COMMITTEE (cont'd)

The Audit Committee has met 3 times during the financial year ended December 31, 2015. The Audit Committee has reviewed the following, where relevant, with the executive directors and the external auditors of the Company:

a) the scope of audit plan;

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

c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;

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

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

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

g) interested person transactions; and

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

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Dr Lin Yucheng

Yeung Koon Sang alias David Yeung

February 29, 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CITIC ENVIROTECH LTD.

(Formerly known as United Envirotech Ltd.)

Report on the Financial Statements

We have audited the accompanying financial statements of Citic Envirotech Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 137.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

	Note	Group December 31, 2015 $'000	Group March 31, 2015 $'000	Company December 31, 2015 $'000	Company 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

	Note	Group December 31, 2015 $'000	Group March 31, 2015 $'000	Company December 31, 2015 $'000	Company 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.

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.

<u>Effective interest method</u>

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

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.

<u>Cash and cash equivalents</u>

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.

<u>Sale of goods</u>

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) Foreign exchange risk management

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 $'000	March 31, 2015 $'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 $'000	March 31, 2015 $'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 $'000	March 31, 2015 $'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 $'000	March 31, 2015 $'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

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 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'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 $'000	March 31, 2015 $'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	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	March 31, 2015
	$'000	$'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	Other allowances	Net
	$'000	$'000	$'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 $'000	March 31, 2015 $'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 $'000	March 31, 2015 $'000	December 31, 2015 $'000	March 31, 2015 $'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 $'000	April 1, 2014 to March 31, 2015 $'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 $'000	April 1, 2014 to March 31, 2015 $'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 $'000	April 1, 2014 to March 31, 2015 $'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 $'000	April 1, 2014 to March 31, 2015 $'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 $'000	April 1, 2014 to March 31, 2015 $'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	Treatment	Membrane	Elimination	Total	Engineering	Treatment	Membrane	Elimination	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'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 $'000	Treatment $'000	Membrane $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Total $'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 $'000	Treatment $'000	Membrane $'000	Total $'000	Engineering $'000	Treatment $'000	Membrane $'000	Total $'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
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.

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.

For the financial year ended March 31, 2015

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	March 31, 2015
	$'000	$'000
Commitments	304,000	218,300

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

	Group	
	December 31, 2015	March 31, 2015
	$'000	$'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.

STATISTICS OF SHAREHOLDINGS

Shareholding Statistics As At 16 March 2016

Class of Shares	:	Ordinary Shares
Number of Shares	:	1,127,765,088
Voting rights	:	One vote per share

Distribution Of Shareholders By Size Of Shareholdings As At 16 March 2016

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1,667	39.37	58,318	0.00
100 – 1000	1,190	28.11	546,196	0.05
1,001 – 10,000	1,004	23.71	3,960,658	0.35
10,001 – 1,000,000	351	8.29	25,344,552	2.25
1,000,001 and Above	22	0.52	1,097,855,364	97.35
TOTAL	4,234	100.00	1,127,765,088	100.00

Free Float

Based on the information available to the Company, as at 16 March 2016, approximately 12.19% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the SGX Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Twenty Largest Shareholders As At 16 March 2016

	Name of Shareholder	No. of Shares	% of Shares
1	CLSA Singapore Pte Ltd	618,843,642	54.87
2	Raffles Nominees (Pte) Ltd	280,251,475	24.85
3	P&L Capital Limited	57,062,255	5.06
4	Green Resources Limited	42,840,667	3.80
5	Citibank Nominees Singapore Pte Ltd	14,627,042	1.30
6	Ge Hailin	13,461,328	1.19
7	OCBC Securities Private Ltd	11,322,850	1.00
8	Bank of Singapore Nominee Pte Ltd	10,651,000	0.94
9	DBS Nominees Pte Ltd	7,359,315	0.65
10	HSBC (Singapore) Nominees Pte Ltd	6,962,505	0.62
11	Maybank Kim Eng Securities Pte Ltd	5,465,479	0.48
12	Li Li	5,059,500	0.45
13	DB Nominees (S) Pte Ltd	5,003,801	0.44
14	KGI Fraser Securities Pte Ltd	3,875,200	0.34
15	United Overseas Bank Nominees (Private) Limited	2,581,106	0.23
16	Tan Huchuan	2,473,200	0.22
17	DBSN Services Pte Ltd	2,130,000	0.19
18	UOB Kay Hian Pte Ltd	2,044,675	0.18
19	Phillip Securities Pte Ltd	1,788,229	0.16
20	DBS Vickers Securities (Singapore) Pte Ltd	1,415,800	0.13
	TOTAL	1,095,219,069	97.10

Substantial Shareholders As At 16 March 2016

Name	Number of shares	Direct interest (%)	Number of shares	Deemed interest (%)
KKR China Water Investment Holdings Limited [2]	–	–	987,770,569	87.59
KKR China Water Holdings II Limited [3]	–	–	987,770,569	87.59
KKR China Water Holdings IA Limited [3]	–	–	987,770,569	87.59
KKR China Water Holdings IB Limited [3]	–	–	987,770,569	87.59
KKR China Water Holdings IC Limited [3]	–	–	987,770,569	87.59
KKR China Water Holdings I Limited [3]	–	–	987,770,569	87.59
KKR Asian Fund L.P. [3]	–	–	987,770,569	87.59
KKR Associates Asia L.P. [3]	–	–	987,770,569	87.59
KKR SP Limited [3]	–	–	987,770,569	87.59
KKR Asia Limited [3]	–	–	987,770,569	87.59
KKR Fund Holdings L.P. [3]	–	–	987,770,569	87.59
KKR Fund Holdings GP Limited [3]	–	–	987,770,569	87.59
KKR Group Holdings L.P. [3]	–	–	987,770,569	87.59
KKR Group Limited [3]	–	–	987,770,569	87.59
KKR & Co. L.P. [3]	–	–	987,770,569	87.59
KKR Management LLC [3]	–	–	987,770,569	87.59
KKR Intermediate Partnership L.P. [3]	–	–	987,770,569	87.59
KKR Intermediate Partnership GP Limited [3]	–	–	987,770,569	87.59
KKR & Co. L.L.C. [3]	–	–	987,770,569	87.59
KKR Holdings L.P. [3]	–	–	987,770,569	87.59
KKR Holdings GP Limited [3]	–	–	987,770,569	87.59
Henry R. Kravis [3]	–	–	987,770,569	87.59
George R. Roberts [3]	–	–	987,770,569	87.59
KKR Subsidiary Partnership L.P. [3]	–	–	987,770,569	87.59
KKR China Water Investment Limited	269,024,005	23.85	–	–
CKM (Cayman) Company Limited [4]	–	–	987,770,569	87.59
CITIC Environment (International) Company Limited [5]	–	–	987,770,569	87.59
CITIC Environment Investment Group Co., Ltd. [6]	–	–	987,770,569	87.59
CITIC Corporation Limited [6]	–	–	987,770,569	87.59
CITIC Limited [6]	–	–	987,770,569	87.59
CITIC Group Corporation [6]	–	–	987,770,569	87.59
CENVIT (Cayman) Company Limited	618,843,642	54.87	–	–
P&L Capital Limited	57,062,255	5.06	–	–

(1) There are 1,127,765,088 issued Shares as at the Latest Practicable Date.
(2) KKR China Water Investment Holdings Limited is deemed interested in the issued and fully paid-up Shares held by CKM (Cayman) Company Limited through its shareholding interest in CKM (Cayman) Company Limited.
(3) These companies are deemed interested in the issued and fully paid-up Shares held by KKR China Water Investment Holdings Limited.
(4) CKM (Cayman) Company Limited is deemed interested in the issued and fully paid-up Shares held by its Subsidiaries, KKR China Water Investment Limited, CENVIT (Cayman) Company Limited and P&L Capital Limited.
(5) CITIC Environment (International) Company Limited is deemed interested in the issued and fully paid-up Shares held by CKM (Cayman) Company Limited through its controlling interest in CKM (Cayman) Company Limited.
(6) These companies are deemed interested in the issued and fully paid-up Shares held by CITIC Environment (International) Company Limited through their direct and indirect shareholding interest in CITIC Environment (International) Company Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539, on Wednesday, 27 April 2016 at 10.00 a.m., to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the period ended 31 December 2015 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To approve a First and Final tax-exempt (one-tier) Dividend of 0.36 Singapore cents per ordinary share for the financial period ended 31 December 2015. **(Resolution 2)**

3. To re-elect Dr Lin Yucheng, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 3)**

4. To re-elect Mr David Yeung Koon Sang, a director retiring pursuant to Article 91 of the Company's Constitution and who, being eligible, will offer himself for re-election. **(Resolution 4)**

   Mr David Yeung Koon Sang, if re-appointed will remain as an Independent Director as well as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-appoint Mr Tay Beng Chuan as a Director of the Company. **(Resolution 5)**

   (See Explanatory Note 1)

   Mr Tay Beng Chuan, if re-appointed will remain as an Independent Director as well as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

6. To approve the payment of Directors' fee of S$258,000 for the financial year ending 31 December 2016. **(Resolution 6)**

7. To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

8. **Authority to allot shares**

   (a) "That, pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

      (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 8)**

(See Explanatory Note 2)

9. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders to the First and Final Dividend (the "Proposed First & Final Dividend) being obtained at the Annual General Meeting (the "AGM") to be held on 27 April 2016, the Share Transfer Books and the Register of Members of the Company will be closed on 9 May 2016 for the purpose of determining Members' entitlements to the Proposed First & Final Dividend.

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 6 May 2016 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 will be entitled to the Proposed First and Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 6 May 2016 will be entitled to the Proposed First and Final Dividend.

The Proposed First & Final Dividend, if approved at the AGM, will be paid on 19 May 2016

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

Singapore, 12 April 2016

EXPLANTORY NOTES

1) Mr Tay Beng Chuan who is over the age of 70 was re-appointed as Director to hold office from the date of the last Annual General Meeting held on 30 July 2015 until the forthcoming Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50. Section 153 (6) has been abolished with effect from 3 January 2016. A director, who is over 70 years of age, is no longer required to retire at every Annual General Meeting.

   However, as Mr Tay Beng Chuan's appointment will lapse upon the conclusion of the forthcoming Annual General Meeting, Mr Tay Beng Chuan would have to be re-appointed in order to be able to continue in his capacity as a Director of the Company. Upon his re-appointment as a Director of the Company at the forthcoming Annual General Meeting, moving forward, Mr Tay Beng Chuan will no longer be subject to shareholders' approval under Section 153 (6) of the Companies Act, Cap 50. Mr Tay Beng Chuan will then be subject to retirement by rotation pursuant to Article 91 of the Constitution.

2) The ordinary resolution in item no. 8 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding 50 percent of the issued share capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the issued share capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTES

1. A member of the Company (other than a member who is a relevant intermediary as defined in Note 2 below) shall not be entitled to appoint more than two proxies to attend and vote at the Annual General Meeting on his behalf. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy needs not be a member of the Company.

2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

   A proxy needs not be a member of the Company.

3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorised officer on behalf of the corporation

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

PERSONAL DATA POLICY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

LIST OF PROPERTIES HELD BY THE GROUP

1. No. 88, Jalan Mutiara Emas 7/5, Taman Mount Austin, 81100, Johor Bahru, Johor, Malaysia
2. 11 Kian Tech Drive Singapore 628828
3. No. 249 Pioneering Road, Science & Technology Venture Park, Mianyang City 621000, Sichuan, China
4. No. 18 Wuyi Road, Sutong Science and Technology Park, Nantong 226017, Jiangsu, China

CITIC Envirotech Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration No. 200306466G)

IMPORTANT
1. For investors who have used their CPF monies to buy CITIC Envirotech Ltd. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

*I/We ______________________________ (Name), ____________________ (NRIC/Passport),

of ____

being * a member/members of CITIC Envirotech Ltd. (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Connection 1, Level 3, Amara Hotel, 165 Tanjong Pagar Road, Singapore 088539 on Wednesday, 27 April 2015 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial period ended 31 December 2015 and the Directors' Statement and Auditors' Report thereon.		
2.	To approve a First and Final tax-exempt (one-tier) Dividend of 0.36 Singapore cents per ordinary share for the period ended 31 December 2015		
3.	To re-elect Dr. Lin Yucheng pursuant to Article 91 of the Company's Constitution.		
4.	To re-elect Mr David Yeung Koon Sang pursuant to Article 91 of the Company's Constitution.		
5.	To re-appoint Mr Tay Beng Chuan as a Director of the Company.		
6.	To approve the payment of Directors' fees of S$258,000 for the financial year ending 31 December 2016.		
7.	To re-appoint Messrs Deloitte & Touche LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		

Dated this ________ day of ________________ 2016

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

** Delete accordingly*

IMPORTANT: Please read notes overleaf

Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this Proxy Form as invalid.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.
3. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2016.

AFFIX
STAMP

The Company Secretary
CITIC ENVIROTECH LTD.

80 Robinson Road #02-00
Singapore 068898

中信环境技术
CITIC ENVIROTECH

Company Registration No: 200306466G

10 Science Park Road
#01-01 The Alpha
Singapore 117684
Tel: (65) 6774 7298
Fax : (65) 6774 8920

www.citicenvirotech.com